

TEXTAINER GROUP HOLDINGS LTD

Form 6-K

May 17, 2011

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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 March 31, 2011

Commission File Number 001-33725

Textainer Group Holdings Limited

(Translation of Registrant's name into English)

Century House

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16 Par-La-Ville Road

Hamilton HM 08

Bermuda

(441) 296-2500

(Address of principal executive office)

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 March 31, 2011.

1.	Quarterly Report of Textainer Group Holdings Limited for the Three Months Ended March 31, 2011
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 March 31, 2011

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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, could, or may, or 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) factors that are likely to continue to affect our performance, (ii) our belief that our liquidity has not been materially impacted by the current credit environment and (iii) our belief that, assuming that our lenders remain solvent, that our cash flow from operations, proceeds from the sale of containers and borrowing availability under our debt facilities are sufficient to meet our liquidity needs, including for the payment of dividends, for the next twelve months. 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, 2010 filed with the U.S. Securities and Exchange Commission (the SEC) on March 18, 2011 (our 2010 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 2010 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 2010 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 2010 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 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.

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 2010 Form 20-F.

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

Condensed Consolidated Balance Sheets

March 31, 2011 and December 31, 2010

(Unaudited)

(All currency expressed in United States dollars in thousands)

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 89,970	\$ 57,081
Accounts receivable, net of allowance for doubtful accounts of \$8,031 and \$8,653 in 2011 and 2010, respectively	67,821	63,511
Net investment in direct financing and sales-type leases	20,711	19,117
Trading containers	1,024	404
Containers held for sale	1,662	2,883
Prepaid expenses	8,669	8,603
Deferred taxes	1,896	1,895
Due from affiliates, net	10	
Total current assets	191,763	153,494
Restricted cash	24,472	15,034
Containers, net of accumulated depreciation of \$372,287 and \$361,791 at 2011 and 2010, respectively	1,560,196	1,437,259
Net investment in direct financing and sales-type leases	76,823	72,224
Fixed assets, net of accumulated depreciation of \$8,960 and \$8,820 at 2011 and 2010, respectively	1,779	1,804
Intangible assets, net of accumulated amortization of \$29,048 and \$27,441 at 2011 and 2010, respectively	58,515	60,122
Interest rate swaps	1,742	1,320
Other assets	4,423	5,950
Total assets	\$ 1,919,713	\$ 1,747,207
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 5,475	\$ 6,296
Accrued expenses	5,975	11,988
Container contracts payable	128,989	98,731
Deferred revenue	6,722	6,855
Due to owners, net	16,335	17,545
Bonds payable	51,500	51,500
Total current liabilities	214,996	192,915
Revolving credit facility	119,000	104,000
Secured debt facility	669,652	558,127
Bonds payable	162,738	175,570
Deferred revenue	1,413	2,994
Interest rate swaps	11,792	13,581
Income tax payable	20,936	20,821
Deferred taxes	9,966	8,632

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Total liabilities	1,210,493	1,076,640
Equity:		
Textainer Group Holdings Limited shareholders' equity:		
Common shares, \$0.01 par value. Authorized 140,000,000 shares; issued and outstanding 48,865,154 and 48,318,058 at 2011 and 2010, respectively	489	483
Additional paid-in capital	191,469	181,602
Accumulated other comprehensive income (loss)	30	(52)
Retained earnings	424,924	401,849
Total Textainer Group Holdings Limited shareholders' equity	616,912	583,882
Noncontrolling interest	92,308	86,685
Total equity	709,220	670,567
Total liabilities and equity	\$ 1,919,713	\$ 1,747,207

See accompanying notes to condensed consolidated financial statements.

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

Condensed Consolidated Statements of Income

Three Months Ended March 31, 2011 and 2010

(Unaudited)

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

	March 31,	
	2011	2010
Revenues:		
Lease rental income	\$ 72,359	\$ 49,581
Management fees	7,684	6,408
Trading container sales proceeds	4,765	4,017
Gains on sale of containers, net	6,394	9,614
Total revenues	91,202	69,620
Operating expenses:		
Direct container expense	3,958	9,376
Cost of trading containers sold	4,166	3,162
Depreciation expense	18,866	12,843
Amortization expense	1,758	1,577
General and administrative expense	6,198	5,348
Short-term incentive compensation expense	959	766
Long-term incentive compensation expense	1,736	2,075
Bad debt expense (recovery), net	136	(276)
Total operating expenses	37,777	34,871
Income from operations	53,425	34,749
Other income (expense):		
Interest expense	(7,523)	(2,654)
Interest income	7	8
Realized losses on interest rate swaps and caps, net	(2,642)	(2,753)
Unrealized gains (losses) on interest rate swaps, net	2,211	(1,600)
Other, net	(51)	(63)
Net other expense	(7,998)	(7,062)
Income before income tax and noncontrolling interest	45,427	27,687
Income tax expense	(2,614)	(614)
Net income	42,813	27,073
Less: Net income attributable to the noncontrolling interest	(5,623)	(2,834)
Net income attributable to Textainer Group Holdings Limited common shareholders	\$ 37,190	\$ 24,239

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Net income attributable to Textainer Group Holdings Limited common shareholders

Basic	\$ 0.76	\$ 0.51
Diluted	\$ 0.75	\$ 0.50

Weighted average shares outstanding (in thousands):

Basic	48,660	47,966
Diluted	49,892	48,763

See accompanying notes to condensed consolidated financial statements

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

Condensed Consolidated Statements of Cash Flows

Three Months Ended March 31, 2011 and 2010

(Unaudited)

(All currency expressed in United States dollars in thousands)

	Three Months Ended March 31,	
	2011	2010
Cash flows from operating activities:		
Net income	\$ 42,813	\$ 27,073
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	18,866	12,843
Bad debt expense (recovery), net	136	(276)
Unrealized (gains) losses on interest rate swaps, net	(2,211)	1,600
Amortization of debt issuance costs	1,750	512
Amortization of intangible assets	1,758	1,577
Amortization of acquired above-market leases	(151)	240
Amortization of deferred revenue	(1,687)	(1,813)
Amortization of unearned income on direct financing and sales-type leases	(1,920)	(1,763)
Gains on sale of containers, net	(6,394)	(9,614)
Share-based compensation expense	1,842	2,193
Changes in operating assets and liabilities	(10,862)	10,456
Total adjustments	1,127	15,955
Net cash provided by operating activities	43,940	43,028
Cash flows from investing activities:		
Purchase of containers and fixed assets	(129,919)	(31,469)
Proceeds from sale of containers and fixed assets	14,706	17,389
Receipt of principal payments on direct financing and sales-type leases	7,035	6,658
Net cash used in investing activities	(108,178)	(7,422)
Cash flows from financing activities:		
Proceeds from revolving credit facility	55,000	18,000
Principal payments on revolving credit facility	(40,000)	
Proceeds from secured debt facility	142,500	8,000
Principal payments on secured debt facility	(31,000)	(31,500)
Principal payments on bonds payable	(12,875)	(12,875)
Increase in restricted cash	(9,438)	(7,546)
Debt issuance costs	(1,058)	(11)
Issuance of common shares upon exercise of share options	4,849	644
Excess tax benefit from share-based compensation awards	3,182	
Dividends paid	(14,115)	(11,035)
Net cash provided by (used in) financing activities	97,045	(36,323)

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Effect of exchange rate changes	82	(46)
Net increase (decrease) in cash and cash equivalents	32,889	(763)
Cash and cash equivalents, beginning of the year	57,081	56,819
Cash and cash equivalents, end of period	\$ 89,970	\$ 56,056

See accompanying notes to condensed consolidated financial statements.

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TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

Three Months Ended March 31, 2011 and 2010

(Unaudited)

(All currency expressed in United States dollars in thousands)

	Three Months Ended March 31,	
	2011	2010
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest and realized losses on interest rate swaps and caps, net	\$ 8,301	\$ 4,986
Net Income taxes (refunded) paid	\$ (29)	\$ 90
Supplemental disclosures of noncash investing activities:		
Increase in accrued container purchases	\$ 30,258	\$ 1,351
Containers placed in direct financing and sales-type leases	\$ 11,308	\$ 14,092

See accompanying notes to condensed consolidated financial statements.

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TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

March 31, 2011 and 2010

(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 three main areas: container ownership, container management and container resale (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, 2010 filed with the Securities and Exchange Commission on March 18, 2011.

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 March 31, 2011, and the Company s consolidated results of operations for the three months ended March 31, 2011 and 2010 and the consolidated cash flows for the three months ended March 31, 2011 and 2010. 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, 2011.

(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)

March 31, 2011 and 2010

(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.

The changes in the carrying amount of intangible assets during the three months ended March 31, 2011 are as follows:

Balance as of December 31, 2010	\$ 60,122
Amortization of step acquisition adjustment related to lease contracts (1)	151
Amortization expense	(1,758)
Balance as of March 31, 2011	\$ 58,515

- (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 March 31, 2011:

Twelve months ending March 31:	
2012	\$ 6,792
2013	7,269
2014	7,462
2015	7,477
2016 and thereafter	29,515
Total future amortization of intangible assets	\$ 58,515

(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.

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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 that the equipment is on lease. Under direct finance and sales-type leases, a container is usually leased from the Company for the remainder of the container's useful life with a bargain purchase option at the end of the lease term. 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

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TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

March 31, 2011 and 2010

(Unaudited)

(All currency expressed in United States dollars in thousands)

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.

(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 of 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.

The Company records interest and penalties related to unrecognized tax benefits in income tax expense.

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Notes to Condensed Consolidated Financial Statements (Continued)

March 31, 2011 and 2010

(Unaudited)

(All currency expressed in United States dollars in thousands)

(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 March 31, 2011 and 2010, \$1,497 (or 37.8%) and \$3,556 (or 37.9%), respectively, of the Company's direct container expenses were paid in foreign currencies. The Company's direct container expenses were paid in 17 different foreign currencies for the three months ended March 31, 2011 and 2010. The Company does not hedge these container expenses as there are no significant payments made in any one foreign currency.

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 11.6% and 12.5% of the Company's lease rental income for both the three months ended March 31, 2011 and 2010, no other single lessee made up greater than 10% of the Company's lease rental income for those periods. The same customer accounted for 14.9% and 13.5% of the Company's accounts receivable, net as of March 31, 2011 and December 31, 2010, 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 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 March 31, 2011 and 2010, the fair value of the Company's financial instruments approximates 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 \$96,642 and \$88,904 at March 31, 2011 and December 31, 2010, respectively, compared to a book value of \$97,534 and \$91,341 at March 31, 2011 and December 31, 2010, respectively, and the fair value of long-term debt (including current maturities) based on the borrowing rates available to the Company was approximately \$992,742 and \$869,596 at March 31, 2011 and December 31, 2010, respectively, compared to a book value of \$1,002,890 and \$889,197 at March 31, 2011 and December 31, 2010, respectively.

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TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

March 31, 2011 and 2010

(Unaudited)

(All currency expressed in United States dollars in thousands)

(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 gains (losses) 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 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 2010 amounts have been made in order to conform with the 2011 financial statement presentation. On the Company s condensed consolidated income statement for the three months ended March 31, 2010, gain on lost military containers, net of \$242 was reclassified as \$205 of trading container sales proceeds, \$216 of gains on sale of containers, net and \$179 of cost of trading containers sold and gains on sales-type leases, net of \$4,240 was reclassified as gains on sale of containers, net.

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(All currency expressed in United States dollars in thousands)

(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. Share options for the three months ended March 31, 2011 and 2010 of 152,693 and 218,904, respectively, 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 Group Holdings Limited common shareholders per common share

	Three Months Ended March 31,	
	2011	2010
Numerator:		
Net income attributable to Textainer Group Holdings Limited common shareholders basic and diluted EPS	\$ 37,190	\$ 24,239
Denominator:		
Weighted average common shares outstanding basic	48,660	47,966
Dilutive share options and restricted share units	1,232	797
Weighted average common shares outstanding diluted	49,892	48,763
Net income attributable to Textainer Group Holdings Limited common shareholders per common share		
Basic	\$ 0.76	\$ 0.51
Diluted	\$ 0.75	\$ 0.50

(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.

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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).

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The following table summarizes the Company's assets and liabilities measured at fair value on a recurring basis as of March 31, 2011 and December 31, 2010:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2011			
Assets			
Interest rate swaps	\$	\$ 1,742	\$
Total	\$	\$ 1,742	\$
Liabilities			
Interest rate swaps	\$	\$ 11,792	\$
Total	\$	\$ 11,792	\$
December 31, 2010			
Assets			
Interest rate swaps	\$	\$ 1,320	\$
Total	\$	\$ 1,320	\$
Liabilities			
Interest rate swaps	\$	\$ 13,581	\$
Total	\$	\$ 13,581	\$

The following table summarizes the Company's assets measured at fair value on a non-recurring basis as of March 31, 2011 and December 31, 2010:

Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
--	--	--

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March 31, 2011

Assets

Containers held for sale (1)	\$	\$	187	\$
Total	\$	\$	187	\$

December 31, 2010

Assets

Containers held for sale (1)	\$	\$	376	\$
Total	\$	\$	376	\$

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

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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 sell. The Company recorded impairments during the three months ended March 31, 2011 and 2010 of \$358 and \$557, respectively, as a part of depreciation expense to write down the value of containers identified for sale to their estimated fair value less cost to sale.

The Company measures the fair value of its \$524,060 notional amount of interest rate swaps using observable (Level 2) market inputs. The valuation also 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 is 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 \$10,050 and \$12,261 as of March 31, 2011 and December 31, 2010, respectively. The credit valuation adjustment (which was a reduction of \$94 in the asset and \$47 in the liability) was determined to be \$47 and \$45 as of March 31, 2011 and December 31, 2010, respectively. The change in fair value for the three months ended March 31, 2011 and 2010 of \$2,211 and \$(1,600), respectively, was recorded in the condensed consolidated statement of income as part of unrealized gains (losses) on interest rate swaps, net.

(q) Recently Issued Accounting Pronouncements

The Financial Accounting Standards Board (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 is effective for annual reporting periods beginning January 1, 2011 for calendar-year entities. Accordingly, the Company adopted ASU 2009-13 on January 1, 2011, which had no effect on the Company's 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 2010-20). The main objective of ASU 2010-20 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 2010-20 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 2010-20 became 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 is effective for interim and annual reporting periods beginning on or after December 15, 2010 for disclosures about activity that occurs during a reporting period. Accordingly, the Company adopted the disclosures required by ASU 2010-20 at the end of a reporting period as of December 31, 2010 and the disclosures required by ASU 2010-20 for activity that occurs during a reporting period on January 1, 2011, which had no material effect on the Company's consolidated financial position, results of operations or cash flows.

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(3) 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 months ended March 31, 2011 and 2010 were as follows:

	Three Months Ended March 31,	
	2011	2010
Fees from affiliated owners	\$ 1,162	\$ 1,201
Fees from unaffiliated owners	6,042	4,742
Fees from owners	7,204	5,943
Other fees	480	465
Total management fees	\$ 7,684	\$ 6,408

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 March 31, 2011 and December 31, 2010 consisted of the following:

	March 31, 2011	December 31, 2010
Affiliated owners	\$ 1,241	\$ 885
Unaffiliated owners	15,094	16,660
Total due to owners, net	\$ 16,335	\$ 17,545

(4) Direct Financing and Sales-type Leases

The Company leases containers under direct financing and sales-type leases. The Company had 55,458 and 52,485 containers under direct financing and sales-type leases as of March 31, 2011 and December 31, 2010, respectively.

The components of the net investment in direct financing and sales-type leases, which are reported in the Company's Container ownership segment and included in accounts receivable, net in the consolidated balance sheets, as of March 31, 2011 and December 31, 2010 were as follows:

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	March 31, 2011	December 31, 2010
Future minimum lease payments receivable	\$ 111,428	\$ 100,559
Residual value of containers on sales-type leases	9,390	9,390
Less unearned income	(23,284)	(18,608)
Net investment in direct financing and sales-type leases	\$ 97,534	\$ 91,341
Amounts due within one year	\$ 20,711	\$ 19,117
Amounts due beyond one year	76,823	72,224
Net investment in direct financing and sales-type leases	\$ 97,534	\$ 91,341

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The Company maintains detailed credit records about its container lessees. The Company's credit policy sets different maximum exposure limits for its container lessees. The Company uses various credit criteria to set maximum exposure limits rather than a standardized internal credit rating. Credit criteria used by the Company to set maximum exposure limits may include, but are not limited to, container lessee trade route, country, social and political climate, assessments of net worth, asset ownership, bank and trade credit references, credit bureau reports, including those from Dynamar B.V. and Lloyd's Marine Intelligence Unit (common credit reporting agencies used in the maritime sector), operational history and financial strength. The Company monitors its container lessees' performance and its lease exposures on an ongoing basis, and its credit management processes are aided by the long payment experience the Company has had with most of its container lessees and the Company's broad network of long-standing relationships in the shipping industry that provide the Company current information about its container lessees.

If the aging of current billings for the Company's direct financing and sales-type leases included in accounts receivable, net were applied to the related balances of the unbilled future minimum lease payments receivable component of the Company's net investment in direct finance leases and sales-type leases as of March 31, 2011, the aging would be as follows:

1-30 days past due	\$ 17,738
31-60 days past due	1,889
61-90 days past due	1,488
Greater than 90 days past due	102
Total past due	21,217
Current	90,211
Total future minimum lease payments	\$ 111,428

The Company maintains allowances, if necessary, for doubtful accounts and estimated losses resulting from the inability of its lessees to make required payments under direct financing and sales-type leases based on, but not limited to, each lessee's payment history, management's current assessment of each lessee's financial condition and the adequacy of the fair value of containers that collateralize the leases compared to the book value of the related net investment in direct financing and sales-type leases. Management does not set an internal credit score or obtain an external credit score as part of estimating the allowance as of period end. Based on management's assessment, there was no allowance for doubtful accounts recorded related to the Company's net investment in direct financing and sales-type leases as of March 31, 2011 or December 31, 2010 and there were no provisions or write-offs related the Company's net investment in direct financing and sales-type leases for the three months ended March 31, 2011.

The following is a schedule by year of future minimum lease payments receivable under these direct financing and sales-type leases as of March 31, 2011:

Year ending March 31:	
2012	\$ 28,662
2013	27,705

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2014	20,127
2015	17,384
2016 and thereafter	17,550
Total future minimum lease payments receivable	\$ 111,428

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Lease rental income includes income earned from direct financing and sales-type leases in the amount of \$1,907 and \$1,773 for the three months ended March 31, 2011 and 2010, respectively.

(5) Income Taxes

The Company's effective income tax rates were 5.75% and 2.22% for the three months ended March 31, 2011 and 2010, respectively. 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. As of March 31, 2010, the IRS had effectively completed its examination, pending final notification (which was received on May 6, 2010). As a result, the Company revised its estimate of unrecognized tax benefits by \$1,558 and recognized a tax provision reduction of \$1,558, net of correlative deduction, during the three months ended March 31, 2010.

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

The following represents the Company's debt obligations as of March 31, 2011 and December 31, 2010:

	March 31, 2011	December 31, 2010
Revolving Credit Facilities, Bonds Payable and Secured Debt Facility		
Revolving Credit Facility, weighted average interest at 1.29% at March 31, 2011 and December 31, 2010	\$ 119,000	\$ 104,000
2005-1 Bonds, interest at 0.79% at March 31, 2011 and December 31, 2010	214,238	227,070
Secured Debt Facility, weighted average interest at 3.00% and 3.01% at March 31, 2011 and December 31, 2010, respectively	669,652	558,127
Total debt obligations	\$ 1,002,890	\$ 889,197
Amount due within one year	\$ 51,500	\$ 51,500
Amounts due beyond one year	\$ 951,390	\$ 837,697

Revolving Credit Facility

A Company subsidiary, 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 March 31, 2011 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 \$119,000 and \$104,000 as of

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March 31, 2011 and December 31, 2010, respectively. The Company had no outstanding letters of credit under the Credit Facility as of March 31, 2011 and December 31, 2010.

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 \$12,072 as of March 31, 2011.

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 March 31, 2011.

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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 Facility

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. Based on the outstanding principal amount at March 31, 2011 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 March 15, 2011, TMCL exercised an option to increase the maximum available commitment under the Secured Debt Facility from \$750,000 to \$850,000. The additional amount available for borrowing under the Secured Debt Facility, as limited by the Company's borrowing base, was \$138,645 as of March 31, 2011. The Secured Debt Facility provides for payments of interest only during the period from its inception until its Conversion Date (as defined in the Indenture governing the 2005-1 Bonds and the Secured Debt Facility) (currently set at June 29, 2012), with a provision for the Secured Debt Facility to amortize over a 10-year period, 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 on the unused portion of the Secured Debt Facility, payable in arrears, of 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 \$1,498,771 as of March 31, 2011. 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, for which TMCL and TGH's container management subsidiary believe that they were in compliance at March 31, 2011.

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The following is a schedule by year, of future scheduled repayments, as of March 31, 2011:

	Revolving Credit Facility	2005-1 Bonds (1)	Secured Debt Facility(1)
Twelve months ending March 31:			
2012	\$	\$ 51,500	\$
2013		51,500	50,250
2014	119,000	51,500	67,000
2015		51,500	67,000
2016 and thereafter		8,583	485,750
	\$ 119,000	\$ 214,583	\$ 670,000

- (1) Future scheduled payments for the 2005-1 Bonds and the Secured Debt Facility exclude step acquisition adjustments of \$345 and \$348, 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 March 31, 2011:

Derivative instruments	Notional amount
Interest rate cap contracts with several banks with fixed rates between 3.25% and 5.63% per annum, non-amortizing notional amounts, with termination dates through November 2015	\$ 225,100
Interest rate swap contracts with several banks, with fixed rates between 0.97% and 3.96% per annum, amortizing notional amounts, with termination dates through December 2015	524,060
Total notional amount as of March 31, 2011	\$ 749,160

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During April 2011, the Company entered into an interest rate cap contract with a bank, which caps the one-month LIBOR rate at 3.23% per annum, in a non-amortizing notional amount of \$50,000 and a term from April 15, 2011 through June 15, 2011.

During May 2011, the Company entered into an interest rate cap contract with a bank, which caps the one-month LIBOR rate at 3.20% per annum, in a non-amortizing notional amount of \$70,000 and a term from May 16, 2011 through June 15, 2011.

The Company's interest rate swap agreements had a fair value asset and liability of \$1,742 and \$11,792, respectively, as of March 31, 2011 and a fair value asset and liability of \$1,320 and \$13,581, respectively, as of December 31, 2010, 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

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to perform its financial obligations under a derivative contract. The Company monitors its counterparties' credit ratings on an on-going basis and believes that they were in compliance with the related derivative agreements at March 31, 2011. 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 gains (losses) on interest rate swaps, net.

(7) Segment Information

As described in Note 1 "Nature of Business", the Company operates in three reportable segments: Container ownership, Container management and Container resale. In 2010, the Company reviewed its reportable segments and determined that its previously reported Military management segment was not materially different from its Container management segment. Accordingly, the Company reclassified balances that were previously reported in its Military management segment into its Container management segment. The following tables show segment information for the three months ended March 31, 2011 and 2010, reconciled to the Company's income before taxes as shown in its condensed consolidated statements of income:

Three Months Ended March 31, 2011	Container Ownership	Container Management	Container Resale	Other	Eliminations	Totals
Lease rental income	\$ 72,054	\$ 305	\$	\$	\$	\$ 72,359
Management fees		16,760	2,455		(11,531)	7,684
Trading container sales proceeds			4,765			4,765
Gains on sale of containers, net	6,394					6,394
Total revenue	\$ 78,448	\$ 17,065	\$ 7,220	\$	\$ (11,531)	\$ 91,202
Depreciation expense	\$ 19,349	\$ 202	\$	\$	\$ (685)	\$ 18,866
Interest expense	\$ 7,523	\$	\$	\$	\$	\$ 7,523
Unrealized gains on interest rate swaps, net	\$ 2,211	\$	\$	\$	\$	\$ 2,211
Segment income before taxes	\$ 39,803	\$ 8,268	\$ 1,862	\$ (926)	\$ (3,580)	\$ 45,427
Total assets	\$ 1,837,773	\$ 110,080	\$ 2,419	\$ 8,228	\$ (38,787)	\$ 1,919,713
Purchases of long-lived assets	\$ 160,000	\$ 177	\$	\$	\$	\$ 160,177

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Three Months Ended March 31, 2010	Container Ownership	Container Management	Container Resale	Other	Eliminations	Totals
Lease rental income	\$ 49,161	\$ 420	\$	\$	\$	\$ 49,581
Management fees		8,970	3,012		(5,574)	6,408
Trading container sales proceeds			4,017			4,017
Gains on sale of containers, net	9,603	11				9,614
Total revenue	\$ 58,764	\$ 9,401	\$ 7,029	\$	\$ (5,574)	\$ 69,620
Depreciation expense	\$ 13,162	\$ 199	\$	\$	\$ (518)	\$ 12,843
Interest expense	\$ 2,654	\$	\$	\$	\$	\$ 2,654
Unrealized lossess on interest rate swaps, net	\$ 1,600	\$	\$	\$	\$	\$ 1,600
Segment income before taxes	\$ 24,405	\$ 741	\$ 2,821	\$ (626)	\$ 346	\$ 27,687
Total assets	\$ 1,264,176	\$ 112,120	\$ 2,118	\$ 4,785	\$ (27,663)	\$ 1,355,536
Purchases of long-lived assets	\$ 32,746	\$ 74	\$	\$	\$	\$ 32,820

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 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 determine 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 \$24,472 and \$15,034 as of March 31, 2011 and December 31, 2010, respectively.

(b) Container Commitments

At March 31, 2011, the Company had placed orders with manufacturers for containers to be delivered subsequent to March 31, 2011 in the total amount of \$66,775.

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(All currency expressed in United States dollars in thousands)

(9) Share Option and Restricted Share Unit Plan

As of March 31, 2011, 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, TGH's board of directors approved an increase in the number of shares available for future issuance by 1,468,500, which was approved by TGH's shareholders at the annual meeting of shareholders on May 19, 2010. At March 31, 2011, 1,838,941 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 for each restricted share unit granted in 2007, 2008 and 2009, 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. Beginning approximately one year after a restricted share unit's grant date for each restricted share unit granted in 2010 and thereafter, each employee's restricted share units vest in increments of 25% per year.

Share-based compensation expense for the three months ended March 31, 2011 and 2010 of \$1,842 and \$2,193, 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.

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

Notes to Condensed Consolidated Financial Statements (Continued)

March 31, 2011 and 2010

(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 three months ended March 31, 2011:

	Share options (common share equivalents)	Weighted average exercise price
Balances, December 31, 2010	1,258,082	\$ 16.51
Options granted during the period		\$
Options exercised during the period	(279,308)	\$ 15.24
Options forfeited during the period		\$
Balances, March 31, 2011	978,774	\$ 16.88
Options exercisable at March 31, 2011	299,295	\$ 15.27
Options vested and expected to vest at March 31, 2011	944,019	\$ 16.74
		Weighted average grant date fair value
	Restricted share units	
Balances, December 31, 2010	1,265,896	\$ 13.90
Share units granted during the period	6,940	\$ 28.31
Share units vested during the period	(265,584)	\$ 12.80
Share units forfeited during the period		\$
Balances, March 31, 2011	1,007,252	\$ 14.32
Share units outstanding and expected to vest at March 31, 2011	946,709	\$ 15.24

As of March 31, 2011, \$11,767 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 2.26 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 \$37.16 per share as of March 31, 2011 was \$6,553. 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 March 31, 2011.

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

Notes to Condensed Consolidated Financial Statements (Continued)

March 31, 2011 and 2010

(Unaudited)

(All currency expressed in United States dollars in thousands)

The following table summarizes information about share options exercisable and outstanding at March 31, 2011:

	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	40,251	\$ 7.10	159,671	\$ 7.10
\$14.01 - \$14.01	2,592	14.01	3,456	14.01
\$16.50 - \$16.50	223,015	16.50	471,803	16.50
\$16.97 - \$16.97	33,437	16.97	191,151	16.97
\$28.26 - \$28.26			152,693	28.26
	299,295	\$ 15.27	978,774	\$ 16.88

The weighted average contractual life of share options exercisable and share options outstanding as of March 31, 2011 was 6.9 years and 7.6 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 March 31,	
	2011	2010
Net income	\$ 42,813	\$ 27,073
Other comprehensive income (loss):		
Foreign currency translation adjustments	82	(46)
Total comprehensive income	42,895	27,027
Less: comprehensive income attributable to noncontrolling interest	(5,623)	(2,834)
Total comprehensive income attributable to Textainer Group Holdings Limited common shareholders	\$ 37,272	\$ 24,193

(11) Subsequent Events

Dividend

On May 3, 2011, TGH's board of directors approved and declared a quarterly cash dividend of \$0.31 per share on TGH's issued and outstanding common shares, payable on May 23, 2011 to shareholders of record as of May 16, 2011.

Container Purchase

On May 16, 2011, the Company purchased approximately 171,000 TEU of containers that it had been managing for an institutional investor, including related accounts receivable, due from owners, net, accounts payable, net investment in direct financing leases and accrued expenses for a total purchase price equal to approximately \$174 million.

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, 2010 filed with the U.S. Securities and Exchange Commission (the SEC) on March 18, 2011 (our 2010 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 2010 Form 20-F.

As used in the following discussion and analysis, unless indicated otherwise or the context otherwise requires, references to: (1) the Company, we, us or our refer collectively to Textainer Group Holdings Limited, the issuer of the publicly-traded common shares that have 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 means 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 over 1.5 million containers, representing about 2.4 million TEU, in our owned and managed fleet as of March 31, 2011. 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 107,000 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 77,000 during the last year to more than 1,100 customers. We provide our services worldwide via a network of regional and area offices and independent depots. Tencor, 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 three core segments:

Container Ownership. As of March 31, 2011, we owned containers accounting for approximately 52% of our fleet.

Container Management. As of March 31, 2011, we managed containers on behalf of 16 affiliated and unaffiliated container owners, providing acquisition, management and disposal services. We also supply leased containers to the U.S. military pursuant to a contract with the Surface Deployment and Distribution Command 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. As of March 31, 2011, managed containers account for approximately 48% of our fleet.

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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.

In 2010, we reviewed our reportable segments and determined that our previously reported Military management segment was not materially different from our Container management segment. Accordingly, we reclassified balances that were previously reported in our Military management segment into our Container management segment.

The table below summarizes the composition of our fleet, in TEU, by type of containers, as of March 31, 2011:

	Standard Dry Freight	Specialized	Total	Percent of Total Fleet
Owned	1,185,907	43,342	1,229,249	52.1%
Managed	1,104,774	24,054	1,128,828	47.9%
Total fleet	2,290,681	67,396	2,358,077	100.0%

Our owned and managed lease fleet as of March 31, 2011 based on TEU on hire as a percentage of total TEU on hire was as follows:

	Percent of Total On- Hire Fleet
Term leases	72.6%
Master leases	20.8%
Direct financing and sales-type leases	3.7%
Spot leases	2.9%
Total	100.0%

The following table summarizes our average total fleet utilization (CEU basis) for the three months ended March 31, 2011 and 2010:

	Three months ended March 31,	
	2011	2010
Utilization	98.2%	90.1%

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 and a reconciliation of net cash provided by operating activities to EBITDA for the three months ended March 31, 2011. EBITDA (defined as net income attributable to Textainer Group Holdings Limited common shareholders before interest income and interest expense, realized and 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 activities as a measure of our liquidity. EBITDA is presented solely as a supplemental disclosure

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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 March 31, 2011 2010 (Dollars in thousands)	
	(Unaudited)	
Reconciliation of EBITDA:		
Net income attributable to Textainer Group Holdings Limited common shareholders	\$ 37,190	\$ 24,239
Adjustments:		
Interest income	(7)	(8)
Interest expense	7,523	2,654
Realized losses on interest rate swaps and caps, net	2,642	2,753
Unrealized (gains) losses on interest rate swaps, net	(2,211)	1,600
Income tax expense	2,614	614
Net income attributable to the noncontrolling interest	5,623	2,834
Depreciation expense	18,866	12,843
Amortization expense	1,758	1,577
Impact of reconciling items on net income attributable to the noncontrolling interest	(4,156)	(3,423)
EBITDA	\$ 69,842	\$ 45,683
Net cash provided by operating activities	\$ 43,940	\$ 43,028
Adjustments:		
Bad debt (expense) recovery, net	(136)	276
Amortization of debt issuance costs	(1,750)	(512)
Amortization of acquired above-market leases	151	(240)
Amortization of deferred revenue	1,687	1,813
Amortization of unearned income on direct financing and sales-type leases	1,920	1,763
Gains on sale of containers, net	6,394	9,614
Share-based compensation expense	(1,842)	(2,193)
Interest income	(7)	(8)
Interest expense	7,523	2,654
Realized losses on interest rate swaps and caps, net	2,642	2,753
Income tax expense	2,614	614
Changes in operating assets and liabilities	10,862	(10,456)
Impact of reconciling items on net income attributable to the noncontrolling interest	(4,156)	(3,423)
EBITDA	\$ 69,842	\$ 45,683

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 and equipment resale. The most important driver of our profitability is the extent to which revenues on our owned fleet and management fee income exceed our operating costs. The key drivers of our revenues are fleet size, rental rates and utilization. Our

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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 2010 Form 20-F.

Results of Operations**Comparison of the Three Months Ended March 31, 2011 and 2010**

The following table summarizes our total revenues for the three months ended March 31, 2011 and 2010 and the percentage changes between those periods:

	Three Months Ended March 31,		% Change Between 2011 and 2010
	2011	2010	
	(Dollars in thousands)		
Lease rental income	\$ 72,359	\$ 49,581	45.9%
Management fees	7,684	6,408	19.9%
Trading container sales proceeds	4,765	4,017	18.6%
Gain on sale of containers, net	6,394	9,614	(33.5%)

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Total revenues	\$ 91,202	\$ 69,620	31.0%
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Lease rental income for the three months ended March 31, 2011 increased \$22,778 (45.9%) compared to the three months ended March 31, 2010. This increase was due to a 21.0% increase in our owned fleet size, a 8.2% increase in per diem rental rates, an 8.1 percentage point increase in utilization and a \$1,234 increase in geography income (drop-off charges and pick-up charges and credits), partially offset by a \$1,085 decrease in handling income and a \$542 decrease in Damage Protection Plan (DPP) income.

Management fees for the three months ended March 31, 2011 increased \$1,276 (19.9%) compared to the three months ended March 31, 2010 primarily due to a \$1,445 increase due to improved fleet performance and a \$328 increase due to higher acquisition fees due to larger container purchases, partially offset by a \$317 decrease due to a 6.6% decrease in the size of the managed fleet and a \$180 decrease in sales commissions due to a lower number of container sales.

Trading container sales proceeds for the three months ended March 31, 2011 increased \$748 (18.6%) compared to the three months ended March 31, 2010. This increase consisted of a \$2,952 increase due to an increase in average sales proceeds, partially offset by a \$2,204 decrease due to a 54.9% decrease in unit sales.

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Gain on sale of containers, net for the three months ended March 31, 2011 decreased \$3,220 (-33.5%) compared to the three months ended March 31, 2010, primarily due to a \$4,232 decrease in net gains on sales-type leases resulting from 9,898 containers placed on sales-type leases for the three months ended March 31, 2010 compared to 5 containers placed on sales type leases for the three months ended March 31, 2011, partially offset by a \$1,012 increase in gains on containers sold due to a \$3,628 increase resulting from an increase in average sales proceeds of \$543 per unit, partially offset by a \$2,616 decrease due to a 48.7% decrease in the number of containers sold.

The following table summarizes our total operating expenses for the three months ended March 31, 2011 and 2010 and the percentage changes between those periods:

	Three Months Ended March 31,		% Change Between 2011 and 2010
	2011	2010	
	(Dollars in thousands)		
Direct container expense	\$ 3,958	\$ 9,376	(57.8%)
Cost of trading containers sold	4,166	3,162	31.8%
Depreciation expense	18,866	12,843	46.9%
Amortization expense	1,758	1,577	11.5%
General and administrative expense	6,198	5,348	15.9%
Short-term incentive compensation expense	959	766	25.2%
Long-term incentive compensation expense	1,736	2,075	(16.3%)
Bad debt expense (recovery), net	136	(276)	(149.3%)
Total operating expenses	\$ 37,777	\$ 34,871	8.3%

Direct container expense for the three months ended March 31, 2011 decreased \$5,418 (-57.8%) compared to the three months ended March 31, 2010 primarily due to an increase in utilization. Direct container expense for the three months ended March 31, 2011, as compared to the three months ended March 31, 2010, included a \$3,649 decrease in storage expense, a \$732 decrease in DPP repair expense, \$608 decrease in handling expense and a \$192 decrease in repositioning expense.

Cost of trading containers sold for the three months ended March 31, 2011 increased \$1,004 (31.8%) compared to the three months ended March 31, 2010 due to a \$2,739 increase resulting from a 191.9% increase in the average cost per unit sold, partially offset by a decrease of \$1,735 due to a 54.9% decrease in the number of containers sold.

Depreciation expense for the three months ended March 31, 2011 increased \$6,023 (46.9%) primarily due to an increase in fleet size and an increase in the average price of containers purchased.

Amortization expense was \$1,758 and \$1,577 for the three months ended March 31, 2011 and 2010, respectively. This expense represents the amortization of the amounts paid to acquire the rights to manage the container fleets of Capital Intermodal Limited, Capital Intermodal GmbH, Capital Intermodal Inc., Capital Intermodal Assets Limited and Xines Limited, Amphibious Container Leasing Limited; Capital Lease Limited, Hong Kong and Gateway Management Services.

General and administrative expense for the three months ended March 31, 2011 increased \$850 (15.9%) compared to the three months ended March 31, 2010 primarily due a \$416 increase in professional fees, a \$205 increase in compensation costs and a \$159 increase in travel costs.

Long-term incentive compensation expense for the three months ended March 31, 2011 decreased \$339 (-16.3%) compared to the three months ended March 31, 2010 primarily due to forfeiture rate adjustments to prior periods that were recorded during the three months ended March 31, 2010, partially offset by additional share options and restricted share units that were granted under our 2007 Share Incentive Plan in November 2010.

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The following table summarizes other income (expense) for the three months ended March 31, 2011 and 2010 and the percentage changes between those periods:

	Three Months Ended March 31,		% Change Between 2011 and 2010
	2011	2010	
	(Dollars in thousands)		
Interest expense	\$ (7,523)	\$ (2,654)	183.5%
Interest income	7	8	(12.5%)
Realized losses on interest rate swaps and caps, net	(2,642)	(2,753)	(4.0%)
Unrealized gains (losses) on interest rate swaps, net	2,211	(1,600)	(238.2%)
Other, net	(51)	(63)	(19.0%)
Net other	\$ (7,998)	\$ (7,062)	13.3%

Interest expense for the three months ended March 31, 2011 increased \$4,869 (183.5%) compared to the three months ended March 31, 2010. \$3,787 of this increase was due to an increase in average variable interest rates on debt of 1.60 percentage points and \$1,082 of this increase was due to an increase in average debt balances of \$275,044.

Realized losses on interest rate swaps and caps, net for the three months ended March 31, 2011 decreased \$111 (-4.0%) compared to the three months ended March 31, 2010. \$1,494 of this decrease was due to a decrease of average net settlement differential between variable interest rates received compared to fixed interest rates paid on interest rate swaps of 1.17 percentage points, partially offset by an increase of \$1,383 due to an increase in average interest rate swap notional amounts of \$170,740.

Unrealized gains (losses) on interest rate swaps, net changed from a net loss of \$1,600 for the three months ended March 31, 2010 to a net gain of \$2,221 for the three months ended March 31, 2011 due to an increase in the net fair value liability of interest rate swap agreements for the three months ended March 31, 2010 compared to a decrease in the net fair value liability of interest rate swap agreements held for the three months ended March 31, 2011 resulting from a decrease in long-term interest rates during the three months ended March 31, 2010 compared to an increase in long-term interest rates during the three months ended March 31, 2011.

The following table summarizes income tax expense and net income attributable to the noncontrolling interest for the three months ended March 31, 2011 and 2010 and the percentage changes between those periods:

	Three Months Ended March 31,		% Change Between 2011 and 2010
	2011	2010	
	(Dollars in thousands)		
Income tax expense	\$ 2,614	\$ 614	325.7%
Net income attributable to the noncontrolling interest	\$ 5,623	\$ 2,834	98.4%

Income tax expense for the three months ended March 31, 2011 increased \$2,000 (325.7%) compared to the three months ended March 31, 2010, respectively. 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 \$1,558, net of correlative deduction, during the three months ended March 31, 2010. In addition, \$1,392 of the increase was due to a higher level of income before tax and noncontrolling interest, partially offset by a \$950 decrease due to a lower effective rate.

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Net income attributable to the noncontrolling interest for the three months ended March 31, 2011 increased \$2,789 (98.4%) compared to the three months ended March 31, 2010 due to a higher level of net income generated by our principal asset-owning subsidiary, Textainer Marine Containers Limited (TMCL).

Segment Information:

The following table summarizes our income before taxes attributable to each of our business segments for the three months ended March 31, 2011 and 2010 (before inter-segment eliminations) and the percentage changes between those periods:

	Three Months Ended March 31,		% Change Between 2011 and 2010
	2011	2010	
	(Dollars in thousands)		
Container ownership	\$ 39,803	\$ 24,405	63.1%
Container management	\$ 8,268	\$ 741	1015.8%
Container resale	\$ 1,862	\$ 2,821	(34.0%)

Income before taxes attributable to the Container ownership segment for the three months ended March 31, 2011 increased \$15,398 (63.1%) compared to the three months ended March 31, 2010. This increase primarily consisted of a \$22,893 increase in lease rental income, a change in unrealized gains (losses) on interest rate swaps, net from net losses of \$1,600 for the three months ended March 31, 2010 to net gains of \$2,211 for the three months ended March 31, 2011 and a \$3,536 decrease in direct container expense, partially offset by a \$6,187 increase in depreciation expense, a \$4,869 increase in interest expense, a \$3,209 decrease in gains on sale of containers, net and a change in bad debt expense (recovery), net from a net recovery of \$276 for the three months ended March 31, 2010 to a net expense of \$136 for the three months ended March 31, 2011.

Income before taxes attributable to the Container management segment for the three months ended March 31, 2011 increased \$7,527 (1,015.8%) compared to the three months ended March 31, 2010. This increase primarily consisted of a \$7,790 increase in management fees, which included a \$4,420 increase in acquisition fees, partially offset by a \$371 increase in overhead expense.

Income before taxes attributable to the Container resale segment for the three months ended March 31, 2011 decreased \$959 (-34.0%) compared to the three months ended March 31, 2010. This decrease consisted primarily of a \$557 decrease in sales commissions due to a lower volume of managed container sales partially offset by an increase in average managed container sales prices.

Currency

Almost all of our revenues are denominated in U.S. dollars and approximately 62% of our direct container expenses for the three months ended March 31, 2011 were denominated in U.S. dollars. 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 2010 Form 20-F. Our operations in locations outside of the U.S. have some exposure to foreign currency fluctuations, and trade growth and the direction of trade flows can be influenced by large changes in relative currency values. During the three months ended March 31, 2011 and 2010, our operating expenses paid in foreign currencies were spread among 17 currencies, resulting in some level of self-hedging. We do not engage in currency hedging.

Table of Contents**Liquidity and Capital Resources**

As of March 31, 2011, we had cash and cash equivalents of \$89,970. Our principal sources of liquidity have been (1) cash flows from operations, (2) the sale of containers, (3) borrowings under a conduit facility (which allows for recurring borrowings and repayments) granted to TMCL (the Secured Debt Facility) and (4) borrowings under the revolving credit facility (the 2008 Credit Facility) extended to one of our subsidiaries, Textainer Limited (TL). As of March 31, 2011, we had the following outstanding borrowings and borrowing capacities under the 2008 Credit Facility, the Secured Debt Facility and our variable rate amortizing bonds (the 2005-1 Bonds) by TMCL (in thousands):

Facility	Current Borrowing	Additional Borrowing Commitment	Total Commitment	Current Borrowing	Additional Available Borrowing, as Limited by our Borrowing Base	Total Current and Available Borrowing
2008 Credit Facility	\$ 119,000	\$ 86,000	\$ 205,000	\$ 119,000	\$ 12,072	131,072
Secured Debt Facility (1)(2)	670,000	180,000	850,000	670,000	138,645	808,645
2005-1 Bonds (2)	214,583		214,583	214,583		214,583
Total	\$ 1,003,583	\$ 266,000	\$ 1,269,583	\$ 1,003,583	\$ 150,717	\$ 1,154,300

(1) On March 15, 2011, we exercised an option to increase the maximum available commitment under the Secured Debt Facility from \$750,000 to \$850,000.

(2) Current borrowings for the Secured Debt Facility and 2005-1 Bonds exclude step acquisition adjustments of \$348 and \$345, 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 disruption in the credit markets in 2008 and 2009 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. Assuming that our lenders 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 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 March 31, 2011, 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 three months ended March 31, 2011 and 2010:

	Three Months Ended March 31,	
	2011	2010
	(Dollars in thousands)	
Net income	\$ 42,813	\$ 27,073
Adjustments to reconcile net income to net cash provided by operating activities	1,127	15,955
Net cash provided by operating activities	43,940	43,028
Net cash used in investing activities	(108,178)	(7,422)
Net cash provided by (used in) financing activities	97,045	(36,323)
Effect of exchange rate changes	82	(46)
Net increase (decrease) in cash and cash equivalents	32,889	(763)
Cash and cash equivalents, beginning of year	57,081	56,819
Cash and cash equivalents, end of the period	\$ 89,970	\$ 56,056

Cash Flows from Operating Activities

Net cash provided by operating activities for the three months ended March 31, 2011 increased \$4,094 (9.5%) compared to the three months ended March 31, 2010 primarily due to an increase in net income primarily resulting from an increase in the owned fleet size due to the purchase of new containers and an increase in both per diem rental rates and utilization due to improved conditions in the shipping line industry.

Cash Flows from Investing Activities

Net cash used in investing activities for the three months ended March 31, 2011 increased \$100,756 (1,357.5%) compared to the three months ended March 31, 2010 primarily due to a higher amount of container purchases and lower proceeds from the sale of containers and fixed assets, partially offset by a higher receipt of principal payments on direct financing and sales-type leases.

Cash Flows from Financing Activities

Net cash provided by (used in) financing activities changed from net cash used in financing activities of \$36,323 for the three months ended March 31, 2010 to net cash provided by financing activities of \$97,045 for the three months ended March 31, 2011 primarily due to net proceeds from our Secured Debt Facility of \$111,500 for the three months ended March 31, 2011 compared to net principal payments of \$23,500 for the three months ended March 31, 2010, a \$4,205 increase in proceeds from the issuance of common shares and an excess tax benefit from share-based compensation awards of \$3,182 for the three months ended March 31, 2011, partially offset by a \$3,080 increase in dividends paid, a \$3,000 decrease in net proceeds from our 2008 Credit Facility, a \$9,438 decrease in restricted cash for the three months ended March 31, 2011 compared to a \$7,546 decrease in restricted cash for the three months ended March 31, 2010 and a \$1,047 increase in debt issuance costs.

Table of Contents*Contractual Obligations and Commercial Commitments*

The following table sets forth our contractual obligations by due date as of March 31, 2011:

	Total	2012	2013	2014	2015	2016	2017 and thereafter
	(Dollars in thousands)						
	(Unaudited)						
Total debt obligations:							
2008 Credit Facility	\$ 119,000	\$	\$	\$ 119,000	\$	\$	\$
Secured Debt Facility	670,000		50,250	67,000	67,000	67,000	418,750
2005-1 Bonds	214,583	51,500	51,500	51,500	51,500	8,583	
Interest on obligations (1)	133,438	23,267	22,296	18,496	16,004	13,713	39,662
Interest rate swap payables (2)	28,734	10,613	9,581	5,276	2,625	639	
Office lease obligations	8,159	1,487	1,383	1,308	1,325	1,348	1,308
Container contracts payable	128,989	128,989					
Total contractual obligations	\$ 1,302,903	\$ 215,856	\$ 135,010	\$ 262,580	\$ 138,454	\$ 91,283	\$ 459,720

(1) Assuming an estimated current interest rate of London Inter Bank Offered Rate (LIBOR) plus a margin, which equals an all-in interest rate of 2.31%.

(2) Calculated based on the difference between our fixed contractual rates and the counterparties' estimated average LIBOR rate of 0.24%, for all periods, for all interest rate contracts outstanding as of March 31, 2011.

Off Balance Sheet Arrangements

As of March 31, 2011, 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 2010 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 2010 Form 20-F. Please refer to Item 5, *Operating and Financial Review and Prospects* included in our 2010 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 three months ended March 31, 2011, 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 2010 Form 20-F.

Interest Rate Risk

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We have entered into various interest rate swap and cap agreements mitigate our exposure associated with our variable rate debt. The swap agreements involve payments by us to counterparties at fixed rates in return for

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receipts based upon variable rates indexed to the London Inter Bank Offered Rate. 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 \$524,060 as of March 31, 2011, with termination dates between May 15, 2012 and December 15, 2015. Through the interest rate swap agreements we have obtained fixed rates between 0.97% and 3.96%. The net fair value liability of these agreements was \$10,050 and \$12,261 as of March 31, 2011 and December 31, 2010, respectively.

The notional amount of the interest rate cap agreements was \$225,100 as of March 31, 2011, with termination dates between May 15, 2011 and November 16, 2015.

Based on the debt balances and derivative instruments as of March 31, 2011, 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 \$12,091, an increase in interest expense of \$2,335 and a decrease in realized losses on interest rate swaps and caps, net of \$1,291.

Quantitative and Qualitative Disclosures About Credit Risk

For the three months ended March 31, 2011, 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 2010 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 2010 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: May 17, 2011

Textainer Group Holdings Limited

/s/ JOHN A. MACCARONE

John A. Maccarone

President and Chief Executive Officer