

TEXTAINER GROUP HOLDINGS LTD

Form 6-K

May 13, 2014

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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 quarterly period ended March 31, 2014

Commission File Number 001-33725

Textainer Group Holdings Limited

(Translation of Registrant's name into English)

Century House

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, 2014.

1. Quarterly Report of Textainer Group Holdings Limited for the Three Months Ended March 31, 2014.

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Exhibit 1

TEXTAINER GROUP HOLDINGS LIMITED

Quarterly Report on Form 6-K for the Three Months Ended March 31, 2014

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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, potential, continue or the negative of 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, 2013 filed with the U.S. Securities and Exchange Commission (the SEC) on March 19, 2014 (our 2013 Form 20-F).

We believe that it is important to communicate our expectations about the future to potential investors, shareholders and other readers. 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 2013 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 2013 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. Potential investors, shareholders and other 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 flow involve risks and uncertainties related to factors such as utilization rates, per diem rates, container prices, demand for containers by container shipping lines, supply and other factors discussed under Item 3, *Key Information Risk Factors* included in our 2013 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.

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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.

In this Quarterly Report on Form 6-K, unless otherwise specified, all monetary amounts are in U.S. dollars. To the extent that any monetary amounts are not denominated in U.S. dollars, they have been translated into U.S. dollars in accordance with our accounting policies as described in Item 18, *Financial Statements* included in our 2013 Form 20-F.

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

Condensed Consolidated Statements of Comprehensive Income

Three Months Ended March 31, 2014 and 2013

(Unaudited)

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

	Three Months Ended March 31,	
	2014	2013
Revenues:		
Lease rental income	\$ 120,654	\$ 113,227
Management fees	4,401	5,283
Trading container sales proceeds	6,840	2,793
Gains on sale of containers, net	3,527	7,460
Total revenues	135,422	128,763
Operating expenses:		
Direct container expense	12,282	9,004
Cost of trading containers sold	7,075	2,465
Depreciation expense and container impairment	40,415	32,683
Amortization expense	953	1,087
General and administrative expense	6,699	6,437
Short-term incentive compensation expense	695	687
Long-term incentive compensation expense	1,558	1,080
Bad debt expense (recovery), net	1,405	(750)
Total operating expenses	71,082	52,693
Income from operations	64,340	76,070
Other income (expense):		
Interest expense	(22,189)	(21,629)
Interest income	30	38
Realized losses on interest rate swaps, collars and caps, net	(2,022)	(2,390)
Unrealized gains on interest rate swaps, collars and caps, net	516	2,287
Other, net	(7)	(19)
Net other expense	(23,672)	(21,713)
Income before income tax and noncontrolling interests	40,668	54,357

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Income tax benefit (expense)	20,305	(4,541)
Net income	60,973	49,816
Less: Net income attributable to the noncontrolling interests	(1,324)	(1,482)
Net income attributable to Textainer Group Holdings Limited common shareholders	\$ 59,649	\$ 48,334
Net income attributable to Textainer Group Holdings Limited common shareholders per share:		
Basic	\$ 1.05	\$ 0.86
Diluted	\$ 1.05	\$ 0.85
Weighted average shares outstanding (in thousands):		
Basic	56,648	56,228
Diluted	57,030	56,955
Other comprehensive income:		
Foreign currency translation adjustments	31	(97)
Comprehensive income	61,004	49,719
Comprehensive income attributable to the noncontrolling interests	(1,324)	(1,482)
Comprehensive income attributable to Textainer Group Holdings Limited common shareholders	\$ 59,680	\$ 48,237

See accompanying notes to condensed consolidated financial statements.

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Condensed Consolidated Balance Sheets

March 31, 2014 and December 31, 2013

(Unaudited)

(All currency expressed in United States dollars in thousands)

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 90,515	\$ 120,223
Accounts receivable, net of allowance for doubtful accounts of \$16,030 and \$14,891 in 2014 and 2013, respectively	90,226	91,967
Net investment in direct financing and sales-type leases	70,956	64,811
Trading containers	12,709	13,009
Containers held for sale	30,876	31,968
Prepaid expenses	17,792	19,063
Deferred taxes	1,508	1,491
Total current assets	314,582	342,532
Restricted cash	56,615	63,160
Containers, net of accumulated depreciation of \$592,794 and \$562,456 at 2014 and 2013, respectively	3,342,396	3,233,131
Net investment in direct financing and sales-type leases	232,994	217,310
Fixed assets, net of accumulated depreciation of \$8,548 and \$8,286 at 2014 and 2013, respectively	1,700	1,635
Intangible assets, net of accumulated amortization of \$32,141 and \$31,188 at 2014 and 2013, respectively	28,147	29,157
Interest rate swaps, collars and caps	1,519	1,831
Other assets	18,312	20,227
Total assets	\$ 3,996,265	\$ 3,908,983
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 7,085	\$ 8,086
Accrued expenses	9,208	9,838
Container contracts payable	56,703	22,819
Other liabilities	338	345
Due to owners, net	10,210	12,775
Bonds payable	161,315	161,307
Total current liabilities	244,859	215,170

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Revolving credit facilities	870,734	860,476
Secured debt facilities	880,600	808,600
Bonds payable	796,568	836,901
Interest rate swaps, collars and caps	3,166	3,994
Income tax payable	6,075	16,050
Deferred taxes	5,591	19,166
Other liabilities	3,053	3,132
Total liabilities	2,810,646	2,763,489
Equity:		
Textainer Group Holdings Limited shareholders' equity:		
Common shares, \$0.01 par value. Authorized 140,000,000 shares; issued and outstanding 56,656,322 and 56,450,580 at 2014 and 2013, respectively	564	564
Additional paid-in capital	369,694	366,197
Accumulated other comprehensive income	100	69
Retained earnings	764,016	730,993
Total Textainer Group Holdings Limited shareholders' equity	1,134,374	1,097,823
Noncontrolling interest	51,245	47,671
Total equity	1,185,619	1,145,494
Total liabilities and equity	\$ 3,996,265	\$ 3,908,983

See accompanying notes to condensed consolidated financial statements.

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Condensed Consolidated Statements of Cash Flows

Three Months Ended March 31, 2014 and 2013

(Unaudited)

(All currency expressed in United States dollars in thousands)

	Three Months Ended March 31,	
	2014	2013
Cash flows from operating activities:		
Net income	\$ 60,973	\$ 49,816
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense and container impairment	40,415	32,683
Bad debt expense (recovery), net	1,405	(750)
Unrealized gains on interest rate swaps and caps, net	(516)	(2,287)
Amortization of debt issuance costs and accretion of bond discount	2,951	2,743
Amortization of intangible assets	953	1,087
Amortization of deferred revenue		(674)
Gains on sale of containers, net	(3,527)	(7,460)
Share-based compensation expense	1,826	1,255
Changes in operating assets and liabilities	(26,905)	(6,106)
Total adjustments	16,602	20,491
Net cash provided by operating activities	77,575	70,307
Cash flows from investing activities:		
Purchase of containers and fixed assets	(180,412)	(229,419)
Proceeds from sale of containers and fixed assets	31,180	26,737
Receipt of payments on direct financing and sales-type leases, net of income earned	16,218	12,386
Net cash used in investing activities	(133,014)	(190,296)
Cash flows from financing activities:		
Proceeds from revolving credit facilities	68,840	136,978
Principal payments on revolving credit facilities	(58,582)	(3,981)
Proceeds from secured debt facilities	90,000	30,000
Principal payments on secured debt facilities	(18,000)	(12,500)
Principal payments on bonds payable	(40,398)	(32,874)
Increase in restricted cash	6,545	359
Issuance of common shares upon exercise of share options	601	1,221

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Excess tax benefit from share-based compensation awards	1,070	2,065
Capital contributions from noncontrolling interests	2,250	975
Dividends paid	(26,626)	(25,313)
Net cash provided by financing activities	25,700	96,930
Effect of exchange rate changes	31	(97)
Net decrease in cash and cash equivalents	(29,708)	(23,156)
Cash and cash equivalents, beginning of the year	120,223	100,127
Cash and cash equivalents, end of period	\$ 90,515	\$ 76,971

See accompanying notes to condensed consolidated financial statements.

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Condensed Consolidated Statements of Cash Flows

Three Months Ended March 31, 2014 and 2013

(Unaudited)

(All currency expressed in United States dollars in thousands)

	Three Months Ended March 31,	
	2014	2013
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest expense and realized losses on interest rate swaps and caps, net	\$ 22,322	\$ 20,832
Net income taxes paid	\$ 666	\$ 306
Supplemental disclosures of noncash investing activities:		
Increase (decrease) in accrued container purchases	\$ 33,884	\$ (22,655)
Containers placed in direct financing and sales-type leases	\$ 37,835	\$ 58,853
Intangible assets relinquished for container purchases	\$ 57	\$

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, 2014 and 2013

(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 9 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 (U.S. GAAP) 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, 2013 filed with the Securities and Exchange Commission on March 19, 2014.

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, 2014, and the Company s consolidated results of operations for the three months ended March 31, 2014 and 2013 and the consolidated cash flows for the three months ended March 31, 2014 and 2013. 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, 2014.

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

(b) Principles of Consolidation and Variable Interest Entity

The condensed consolidated financial statements of the Company include TGH and all of its subsidiaries in which the Company has a controlling financial interest. The Company determines whether it has a controlling financial interest in an entity by evaluating whether the entity is a voting interest entity or a variable interest entity (VIE) and whether the accounting guidance requires consolidation. All significant intercompany accounts and balances have been eliminated in consolidation.

Voting interest entities are entities that have sufficient equity and provide the equity investors voting rights that enable them to make significant decisions related to the entities operations. For these types of entities, the Company s determination of whether it has a controlling interest is based on ownership of the majority of the entities voting equity interest or through control of management of the entities.

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TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

March 31, 2014 and 2013

(Unaudited)

(All currency expressed in United States dollars in thousands)

A VIE is an entity that, by design, either (1) lacks sufficient equity to permit the entity to finance activities without additional subordinated financial support from other parties or (2) has equity investors that do not have the ability to make significant decisions relating to the entity's operations through voting rights or do not have the obligation to absorb the expected losses or do not have the right to receive the residual returns of the entity. The Company has determined whether it has a controlling interest in a VIE by considering whether its involvement with the VIE is significant and whether it is the primary beneficiary based on the following:

The power to direct the activities of the VIE that most significantly impact the entity's economic performance;

The aggregate indirect and direct variable interests held by the Company have the obligation to absorb losses or the right to receive benefits from the entity that could be significant to the VIE; and

Qualitative and quantitative factors regarding the nature, size, and form of the Company's involvement with the VIE.

Voting interest entities in which the Company has a controlling financial interest and its VIE in which the Company is the primary beneficiary are consolidated into the Company's financial statements. The Company's consolidated VIE is TW Container Leasing, Ltd. (TW) (a Bermuda company), a joint venture between the Company's wholly owned subsidiary, Textainer Limited (TL) (a Bermuda company), and Wells Fargo Container Corp (WFC) in which TL owns 25% and WFC owns 75% of the common shares of TW. The purpose of TW is to lease containers to lessees under direct financing leases. The book values of TW's direct financing and sales-type leases and related debt as of March 31, 2014 and December 31, 2013 are disclosed in Note 6 Direct Financing and Sales-type Leases and Note 8 Revolving Credit Facilities, Bonds Payable, Secured Debt Facilities and Term Loan, and Derivative Instruments , respectively.

(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 10 Commitments and Contingencies *Restricted Cash*) with various financial institutions. These financial institutions are located in Bermuda, Canada, Hong Kong, Malaysia, Singapore, the United Kingdom and the United States. A

significant portion of the Company's cash and cash equivalents and restricted cash is maintained with a small 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 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.

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

Notes to Condensed Consolidated Financial Statements (Continued)

March 31, 2014 and 2013

(Unaudited)

(All currency expressed in United States dollars in thousands)

The changes in the carrying amount of intangible assets during the three months ended March 31, 2014 are as follows:

Balance as of December 31, 2013	\$ 29,157
Reduction arising from the relinquishment of management rights from the purchase of containers from an institutional investor	(57)
Amortization expense	(953)
Balance as of March 31, 2014	\$ 28,147

The following is a schedule, by year, of future amortization of intangible assets as of March 31, 2014:

Twelve months ending March 31:	
2015	\$ 3,927
2016	4,199
2017	4,314
2018	4,343
2019 and thereafter	11,364
Total future amortization of intangible assets	\$ 28,147

(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 three to five years, but can vary from one to eight years, and are generally classified as operating leases.

Under long-term lease agreements, containers are usually leased from the Company for periods of three to five years. Such leases are generally cancelable with a penalty at the end of each 12-month period. Under master lease agreements, the lessee is not committed to leasing a minimum number of containers from the Company during the lease term and may generally return the containers to the Company at any time, subject to certain restrictions in the

lease agreement. Under long-term lease and master lease agreements, revenue is earned and recognized evenly over the period that the equipment is on lease. Under direct financing 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 financing leases over the lease terms so as to produce a constant periodic rate of return on the net investment in the leases. Under sales-type leases, a gain or loss is recognized at the inception of the leases by subtracting the book value of the containers from the estimated fair value of the containers and the remaining revenue is earned and recognized over the lease terms so as to produce a constant periodic rate of return on the net investment in the leases.

Container leases generally do not include step-rent provisions or lease concessions, nor do they depend on indices or rates. The Company recognizes revenue on container leases that include lease concessions in the form of free-rent periods using the straight-line method over the minimum terms of the leases.

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.

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TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

March 31, 2014 and 2013

(Unaudited)

(All currency expressed in United States dollars in thousands)

(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 purchased new are depreciated using the straight-line method over their estimated useful lives to an estimated dollar residual value. The Company estimates the useful lives of its non-refrigerated and refrigerated containers to be 13 and 12 years, respectively. 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 deemed to be unlikely.

The Company also accounts for 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 an adjustment to income tax expense.

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

(h) Maintenance and Repair Expense and Damage Protection Plan

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

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TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

March 31, 2014 and 2013

(Unaudited)

(All currency expressed in United States dollars in thousands)

(i) Debt Issuance Costs

The Company capitalizes costs directly associated with the issuance or modification of its debt in prepaid expenses and other current assets in the consolidated balance sheets. Debt issuance costs are amortized using the interest rate method over the terms of the related debt and the amortization is recorded in the consolidated statements of comprehensive income as interest expense. Debt issuance costs of \$58 were capitalized during the three months ended March 31, 2014. No debt issuance costs were capitalized during the three months ended March 31, 2013. For the three months ended March 31, 2014 and 2013, amortization of debt issuance costs of \$2,878 and \$2,743, respectively, were recorded in interest expense. When the Company's debt is modified or terminated, any unamortized debt issuance costs related to a decrease in borrowing capacity under any of the Company's lenders is immediately written-off. No unamortized debt issuance costs were written-off during the three months ended March 31, 2014 and 2013.

(j) Concentrations

Although substantially all of the Company's income from operations is derived from assets employed in foreign countries, virtually all of this income 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, 2014 and 2013, \$3,623 (or 29.5%) and \$3,107 (or 34.5%), respectively, of the Company's direct container expenses were paid in foreign currencies. For the three months ended March 31, 2014 and 2013, the Company's direct container expenses were paid in 17 and 15 different foreign currencies, respectively. The Company does not hedge these container expenses as there are no significant payments made in any one foreign currency.

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 10.0% and 11.4% of the Company's lease rental income for the three months ended March 31, 2014 and 2013, respectively, no other single lessee made up greater than 10% of the Company's lease rental income for those periods. The same customer accounted for 12.5% and 12.8% of the Company's gross accounts receivable as of March 31, 2014 and December 31, 2013, respectively.

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TEXTAINER GROUP HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

March 31, 2014 and 2013

(Unaudited)

(All currency expressed in United States dollars in thousands)

(k) Derivative Instruments

The Company has entered into various interest rate swap, collar 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 interest rate swap agreements are recognized in realized losses on interest rate swaps, collars and caps, net in the condensed consolidated statements of comprehensive income.

As of the balance sheet dates, none of the derivative instruments are 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 comprehensive income as unrealized gains on interest rate swaps, collars and caps, net.

(l) Share Options and Restricted Share Units

The Company estimates the fair value of all employee share options and restricted share units awarded under its 2007 Share Incentive Plan (the 2007 Plan) on the grant date. 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 comprehensive income as part of long-term incentive compensation expense.

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 U.S. GAAP 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.

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

Basic net income per share is computed by dividing net income attributable to Textainer Group Holdings Limited common shareholders 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, 2014 and 2013 of 223,866 and 10,000, 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:

Share amounts in thousands

	Three Months Ended March 31, 2014 2013	
Numerator:		
Net income attributable to Textainer Group Holdings Limited common shareholders	\$ 59,649	\$ 48,334
Denominator:		
Weighted average common shares outstanding - basic	56,648	56,228
Dilutive share options and restricted share units	382	727
Weighted average common shares outstanding - diluted	57,030	56,955
Net income attributable to Textainer Group Holdings Limited common shareholders per common share		
Basic	\$ 1.05	\$ 0.86
Diluted	\$ 1.05	\$ 0.85

(o) 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 which are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

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

The Company uses the exchange price notion, which is the price in an orderly transaction between market participants to sell an asset or transfer a liability in the market in which the reporting entity would transact for the asset or liability, that is, the principal or most advantageous market for the asset or liability. The transaction to sell the asset or transfer the liability is a hypothetical transaction at the measurement date, considered from the perspective of a market participant that holds the asset or owes the liability. Therefore, the definition focuses on the price that would be received to sell the asset or paid to transfer the liability (an exit price), not the price that would be paid to acquire the asset or received to assume the liability (an entry price).

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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, 2014 and December 31, 2013:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2014			
Assets			
Interest rate swaps, collars and caps	\$	\$ 1,519	\$
Total	\$	\$ 1,519	\$
Liabilities			
Interest rate swaps, collars and caps	\$	\$ 3,166	\$
Total	\$	\$ 3,166	\$
December 31, 2013			
Assets			
Interest rate swaps, collars and caps	\$	\$ 1,831	\$
Total	\$	\$ 1,831	\$
Liabilities			
Interest rate swaps, collars and caps	\$	\$ 3,994	\$
Total	\$	\$ 3,994	\$

The following table summarizes the Company's assets measured at fair value on a non-recurring basis as of March 31, 2014 and December 31, 2013:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2014			
Assets			
Containers held for sale (1)	\$	\$ 8,050	\$
Total	\$	\$ 8,050	\$
December 31, 2013			
Assets			
Containers held for sale (1)	\$	\$ 7,418	\$
Total	\$	\$ 7,418	\$

- (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.

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 recorded impairments during the three months ended March 31, 2014 and 2013 of \$1,636 and \$494, respectively, as a part of depreciation expense and container impairment to write down the value of containers held for sale to their estimated fair value less cost to sell.

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The Company measures the fair value of its \$1,327,228 notional amount of interest rate swaps, collars and caps using observable (Level 2) market inputs. The valuation also reflects the credit standing of the Company and the counterparties to the interest rate swaps, collars and caps. The valuation technique utilized by the Company to calculate the fair value of the interest rate swaps, collars and caps 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, collar and cap agreements had a fair value asset and liability of \$1,519 and \$3,166, respectively, as of March 31, 2014 and a fair value asset and liability of \$1,831 and \$3,994, respectively, as of December 31, 2013. The credit valuation adjustment was determined to be \$128 (which was an addition to the net liability) and \$181 (which was an addition to the net liability) as of March 31, 2014 and December 31, 2013, respectively. The change in fair value for the three months ended March 31, 2014 and 2013 of \$516 and \$2,287, respectively, was recorded in the condensed consolidated statements of comprehensive income as unrealized gains on interest rate swaps, collars and caps, net.

The Company calculates the fair value of its 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, container contracts payable, due to owners, net, debt and interest rate swaps and caps. At March 31, 2014 and December 31, 2013, the fair value of the Company's financial instruments approximated the related book value of such instruments except that, the fair value of net investment in direct financing and sales-type leases (including the short-term balance) was approximately \$276,002 and \$272,258 at March 31, 2014 and December 31, 2013, respectively, compared to book values of \$303,950 and \$282,121 at March 31, 2014 and December 31, 2013, respectively, and the fair value of long-term debt (including current maturities) based on the borrowing rates available to the Company was approximately \$2,714,002 and \$2,672,406 at March 31, 2014 and December 31, 2013, respectively, compared to book values of \$2,709,217 and \$2,667,284 at March 31, 2014 and December 31, 2013, respectively.

(3) Immaterial Correction of an Error in Prior Periods

Revenue is earned and recognized on direct financing and sales-type leases over the lease terms so as to produce a constant periodic rate of return on the net investment in the leases. During the quarter ended December 31, 2013, the Company identified an error related to the classification of this revenue in the statements of cash flows which resulted in an understatement of net cash flows provided from operations and an understatement of net cash flows used in investing activities. In accordance with FASB Accounting Standards Codification 250, *Accounting Changes and Error Corrections*, the Company evaluated the materiality of the error from both a quantitative and qualitative perspective, and concluded that the error was immaterial to the Company's prior period interim and annual consolidated financial statements. Since these revisions were not material to any prior period interim or annual

consolidated financial statements, no amendments to previously filed interim or annual reports are required. Consequentially, the Company has adjusted for the error by revising its comparative historical condensed consolidated financial statements presented herein resulting in an increase in net cash flows provided by operating activities and an increase in net cash used in investing activities of \$5,166 during the three months ended March 31, 2013.

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(4) Container Purchase

In January 2014, the Company concluded a purchase of approximately 24,146 containers that it had been managing for an institutional investor, including related net investment in direct financing and sales-type leases, for total purchase consideration of \$34,649 (consisting of cash of \$34,592 and elimination of the Company's intangible asset for the management rights relinquished of \$57). The total purchase price, which was allocated based on the fair value of the assets and liabilities acquired, was recorded as follows:

Containers, net	\$ 32,374
Net investment in direct financing and sales-type leases	2,275
	\$ 34,649

(5) 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. There were no amounts due from affiliates at March 31, 2014 and December 31, 2013.

Management fees, including acquisition fees and sales commissions for the three months ended March 31, 2014 and 2013 were as follows:

	Three Months Ended March 31,	
	2014	2013
Fees from affiliated owner	\$ 930	\$ 1,143
Fees from unaffiliated owners	2,677	3,631
Fees from owners	3,607	4,774
Other fees	794	509
Total management fees	\$ 4,401	\$ 5,283

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, 2014 and December 31, 2013 consisted of the following:

	2014	2013
Affiliated owners	\$ 828	\$ 884
Unaffiliated owners	9,382	11,891
Total due to owners, net	\$ 10,210	\$ 12,775

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(6) Direct Financing and Sales-type Leases

The Company leases containers under direct financing and sales-type leases. The Company had 135,716 and 120,338 containers under direct financing and sales-type leases as of March 31, 2014 and December 31, 2013, respectively.

The components of the net investment in direct financing and sales-type leases, which are reported in the Company's Container Ownership segment in the condensed consolidated balance sheets as of March 31, 2014 and December 31, 2013 were as follows:

	March 31, 2014	December 31, 2013
Future minimum lease payments receivable	\$ 350,990	\$ 326,273
Residual value of containers on sales-type leases	9,055	9,055
Less unearned income	(56,095)	(53,207)
Net investment in direct financing and sales-type leases	\$ 303,950	\$ 282,121
Amounts due within one year	\$ 70,956	\$ 64,811
Amounts due beyond one year	232,994	217,310
Net investment in direct financing and sales-type leases	\$ 303,950	\$ 282,121

The carrying value of TW's net investment in direct financing and sales-type leases was \$119,184 and \$104,803 at March 31, 2014 and December 31, 2013, respectively.

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 financing leases and sales-type leases as of March 31, 2014, the aging would be as follows:

1-30 days past due	\$ 90,351
31-60 days past due	
61-90 days past due	13,010
Greater than 90 days past due	5,488
Total past due	108,849
Current	242,141
Total future minimum lease payments	\$ 350,990

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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. The changes in the carrying amount of the allowance for doubtful accounts related to billed amounts under direct financing and sales-type leases and included in accounts receivable, net, during the three months ended March 31, 2014 are as follows:

Balance as of December 31, 2013	\$ 613
Net recoveries	(32)
Write-offs	
Balance as of March 31, 2014	\$ 581

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, 2014:

Twelve months ending March 31:	
2015	\$ 92,500
2016	84,390
2017	72,963
2018	66,388
2019 and thereafter	34,749
Total future minimum lease payments receivable	\$ 350,990

Lease rental income includes income earned from direct financing and sales-type leases in the amount of \$5,956 and \$5,057 for the three months ended March 31, 2014 and 2013, respectively.

(7) Income Taxes

In November 2012, the Company received notification from the IRS that the 2010 United States tax return for TGH had been selected for examination. On March 5, 2014, the IRS issued a letter indicating that it had completed its examination of TGH's tax return for 2010 and would make no changes to the return as filed. As a result of this, the Company recognized a discrete benefit during the three months ended March 31, 2014 of \$22,707 for the re-measurement of its unrecognized tax benefits for the impacted years.

The Company's effective income tax rates were -49.93% and 8.35% for the three months ended March 31, 2014 and 2013, respectively. Excluding the discrete benefit recognized for the re-measurement of unrecognized tax benefits related to the completion of the IRS examination, the Company's effective income tax rate was 5.91% for the three months ended March 31, 2014.

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(8) Revolving Credit Facilities, Bonds Payable, Secured Debt Facilities and Term Loan, and Derivative Instruments

The following represents the Company's debt obligations as of March 31, 2014 and December 31, 2013:

	March 31, 2014	December 31, 2013
Revolving Credit Facilities, Bonds Payable and Secured Debt Facility		
TL Revolving Credit Facility, weighted average variable interest at 1.67% and 1.71% at March 31, 2014 and December 31, 2013, respectively	\$ 647,500	\$ 648,500
TW Revolving Credit Facility, weighted average variable interest at 2.53% and 2.54% at March 31, 2014 and December 31, 2013, respectively	103,734	91,476
TAP Funding Revolving Credit Facility, weighted average variable interest at 2.16% and 2.17% at March 31, 2014 and December 31, 2013, respectively	119,500	120,500
2005-1 Bonds, variable interest at 0.69% and 0.70% at March 31, 2014 and December 31, 2013, respectively	60,083	72,958
2011-1 Bonds, fixed interest at 4.70%	290,000	300,000
2012-1 Bonds, fixed interest at 4.21%	323,333	333,333
2013-1 Bonds, fixed interest at 3.90%	284,467	291,917
TMCL II Secured Debt Facility, weighted average variable interest at 2.11% and 2.12% at March 31, 2014 and December 31, 2013, respectively	850,100	775,100
TMCL IV Secured Debt Facility, weighted average variable interest at 2.41% and 2.42% at March 31, 2014 and December 31, 2013, respectively	30,500	33,500
Total debt obligations	\$ 2,709,217	\$ 2,667,284
Amount due within one year	\$ 161,315	\$ 161,307
Amounts due beyond one year	\$ 2,547,902	\$ 2,505,977

Revolving Credit Facilities

TL has a credit agreement, dated as of September 24, 2012, with a group of banks that provides for a revolving credit facility (the TL Revolving Credit Facility) with an aggregate commitment amount of up to \$700,000 (which includes a \$50,000 letter of credit facility). The TL Revolving Credit Facility provides for payments of interest only during its term beginning on its inception date through September 24, 2017 when all borrowings are due in full. Interest on the outstanding amount due under the TL Revolving Credit Facility at March 31, 2014 was based either on the U.S. prime rate or LIBOR plus a spread between 1.0% and 2.0%, which varies based on TGH's leverage. Total outstanding principal under the TL Revolving Credit Facility was \$647,500 and \$648,500 as of March 31, 2014 and December 31, 2013, respectively. The Company had no outstanding letters of credit under the TL Revolving Credit Facility as of March 31, 2014 and December 31, 2013.

The TL Revolving Credit Facility is secured by the Company's containers and under the terms of the TL Revolving Credit Facility, the total outstanding principal may not exceed the lesser of the commitment amount and an amount determined by a formula based on the Company's net book value of containers and outstanding debt. The additional amount available for borrowing under the TL Revolving Credit Facility, as limited by the Company's borrowing base, was \$52,500 as of March 31, 2014.

TGH acts as an unconditional guarantor of the TL Revolving Credit Facility. The TL Revolving Credit Facility contains restrictive covenants, including limitations on certain liens, indebtedness and investments. In addition, the TL Revolving Credit Facility contains certain restrictive financial covenants on TGH's leverage and interest coverage and on TL's leverage and interest coverage. The Company was in compliance with all such covenants at March 31, 2014. There is a commitment fee of 0.30% to 0.40% on the unused portion of the TL Revolving 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.

TW is party to a credit agreement, dated as of October 1, 2012, with WFB as the lender, which provides for a revolving credit facility with an aggregate commitment amount of up to \$250,000 (the TW Revolving

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Credit Facility). The TW Revolving Credit Facility provides for payments of interest, payable monthly in arrears, during its term beginning on its inception date through August 5, 2014. Interest on the outstanding amount due under the TW Revolving Credit Facility is based on one-month LIBOR plus 2.375%. There is a commitment fee of 0.5% on the unused portion of the TW Revolving Credit Facility, which is payable monthly in arrears. In addition, there is an agent's fee of 0.025% on the aggregate commitment amount of the TW Revolving Credit Facility, which is payable monthly in arrears. TW is required to make principal payments on a monthly basis to the extent that the outstanding amount due exceeds TW's borrowing base. The aggregate loan principal balance is due on the maturity date, August 5, 2024. Total outstanding principal under the TW Revolving Credit Facility was \$103,734 and \$91,476 as of March 31, 2014 and December 31, 2013, respectively.

The TW Revolving Credit Facility is secured by TW's containers and under the terms of the TW Revolving Credit Facility, the total outstanding principal may not exceed the lesser of the commitment amount or the borrowing base, a formula based on TW's net book value of containers and restricted cash and direct financing and sales-type leases. There was no additional amount available for borrowing under the TW Revolving Credit Facility, as limited by TW's borrowing base, as of March 31, 2014.

The TW Revolving Credit Facility is secured by a pledge of TW's total assets. TW's total assets amounted to \$130,046 as of March 31, 2014. The TW Revolving Credit Facility contains restrictive covenants, including limitations of TW's finance lease default ratio, debt service coverage ratio, certain liens, indebtedness and investments. In addition, the TW Revolving Credit Facility contains certain restrictive financial covenants on TGH's tangible net worth, leverage, debt service coverage, TGH's container management subsidiary net income and debt levels and TW's overall Asset Base minimums, in which TW, TGH and TGH's container management subsidiary were in full compliance at March 31, 2014.

TAP Funding Ltd. (TAP Funding) (a Bermuda company), a subsidiary in which TL owns 50.1% of TAP Funding's common shares, has a credit agreement dated as of May 1, 2012 that provides for a revolving credit facility with an aggregate commitment amount of up to \$170,000 (the TAP Funding Revolving Credit Facility). The interest rate on the TAP Funding Revolving Credit Facility, payable monthly in arrears, is one-month LIBOR plus 2.00% beginning on its inception date, as amended, through its maturity date, April 26, 2016. There is a commitment fee of 0.65% (if aggregate loan principal balance is less than 70% of the commitment amount) and 0.50% (if aggregate loan principal balance is equal to or greater than 70% of the commitment amount) on the unused portion of the TAP Funding Revolving Credit Facility, which is payable monthly in arrears. TAP Funding is required to make principal payments on a monthly basis to the extent that the outstanding amount due exceeds TAP Funding's borrowing base. The revolving credit period ends on April 26, 2016 and the aggregate loan principal balance is due on the maturity date. Total outstanding principal under the TAP Funding Revolving Credit Facility was \$119,500 and \$120,500 as of March 31, 2014 and December 31, 2013, respectively.

The TAP Funding Revolving Credit Facility is secured by TAP Funding's containers and under the terms of the TAP Funding Revolving Credit Facility, the total outstanding principal may not exceed the lesser of the commitment amount or the borrowing base, a formula based on TAP Funding's net book value of containers and direct financing and sales-type leases. The additional amount available for borrowing under the TAP Funding Revolving Credit Facility, as limited by TAP Funding's borrowing base, was \$19,995 as of March 31, 2014.

The TAP Funding Revolving Credit Facility is secured by a pledge of TAP Funding's assets. TAP Funding's total assets amounted to \$186,781 as of March 31, 2014. The TAP Funding Revolving Credit Facility also contains restrictive covenants, including limitations on TGH's container management subsidiary net income and debt levels, TAP Funding's certain liens, indebtedness, investments, overall Asset Base minimums, certain earnings ratios, tangible net worth and the average age of TAP Funding's container fleet, in which TAP Funding was in full compliance at March 31, 2014.

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Bonds Payable, Term Loan and Secured Debt Facilities

In 2005, Textainer Marine Containers Limited (TMCL) (a Bermuda company), one of the Company's wholly owned subsidiaries, 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, 2014 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 and the cost of this insurance coverage, which is equal to 0.275% of 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.

In June 2011, TMCL issued \$400,000 aggregate principal amount of Series 2011-1 Fixed Rate Asset Backed Notes (the 2011-1 Bonds) to qualified institutional investors pursuant to Rule 144A under the Securities Act of 1933, as amended (the Securities Act) and to non-U.S. persons in accordance with Regulation S promulgated under the Securities Act. The \$400,000 in 2011-1 Bonds represent fully amortizing notes payable on a straight-line basis over a scheduled payment term of 10 years, but not to exceed a maximum payment term of 15 years. Based on the outstanding principal amount at March 31, 2014 and under the 10-year amortization schedule, \$40,000 in 2011-1 Bond principal will amortize per year. Under the terms of the 2011-1 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 2011-1 Bonds. The interest rate for the outstanding principal balance of the 2011-1 Bonds is fixed at 4.70% per annum. The final target payment date and legal final payment date are June 15, 2021 and June 15, 2026, respectively.

In April 2012, TMCL issued \$400,000 aggregate principal amount of Series 2012-1 Fixed Rate Asset Backed Notes (the 2012-1 Bonds) to qualified institutional investors pursuant to Rule 144A under the Securities Act and to non-U.S. persons in accordance with Regulation S promulgated under the Securities Act. The \$400,000 in 2012-1 Bonds represent fully amortizing notes payable on a straight-line basis over a scheduled payment term of 10 years, but not to exceed a maximum payment term of 15 years. Based on the outstanding principal amount at March 31, 2014 and under the 10-year amortization schedule, \$40,000 in 2012-1 Bond principal will amortize per year. Under the terms of the 2012-1 Bonds, both principal and interest incurred are payable monthly. TMCL is not permitted to make voluntary prepayments of all, or a portion of, the principal balance of the 2012-1 Bonds prior to May 15, 2014. The interest rate for the outstanding principal balance of the 2012-1 Bonds is fixed at 4.21% per annum. The final target payment date and legal final payment date are April 15, 2022 and April 15, 2027, respectively.

On April 30, 2014, TL entered into a \$500,000 five-year term loan (the TL Term Loan) with a group of financial institutions. The TL Term Loan represents a partially-amortizing term loan with the remaining principal due in full on April 30, 2019. Interest on the TL Term Loan at its inception was based on LIBOR plus 1.50%. The Company intends to use proceeds from the TL Term Loan, along with TL s working capital and borrowings from the Company s other debt facilities to redeem the 2005-1 Bonds, the 2011-1 Bonds and the 2012-2 Bonds on May 15, 2014.

In September 2013, Textainer Marine Containers III Limited (TMCL III) (a Bermuda company), one of the Company s wholly owned subsidiaries, issued \$300,900 aggregate principal amount of Series 2013-1 Fixed Rate Asset Backed Notes (the 2013-1 Bonds) to qualified institutional investors pursuant to Rule 144A under the Securities Act and to non-U.S. persons in accordance with Regulation S promulgated under the Securities Act. The 2013-1 Bonds were issued at 99.5% of par value, resulting in a discount of \$1,542 which is being accreted to interest expense using the interest rate method over a 10 year term. The \$300,900

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in 2013-1 Bonds represent fully amortizing notes payable on a straight-line basis over a scheduled payment term of 10 years, but not to exceed a maximum payment term of 25 years. Based on the outstanding principal amount at March 31, 2014 and under the 10-year amortization schedule, \$30,090 in 2013-1 Bond principal will amortize per year. Under the terms of the 2013-1 Bonds, both principal and interest incurred are payable monthly. TMCL III is not permitted to make voluntary prepayments of all, or a portion of, the principal balance of the 2013-1 Bonds prior to September 20, 2015. The interest rate for the outstanding principal balance of the 2013-1 Bonds is fixed at 3.90% per annum. The final target payment date and legal final payment date are September 20, 2023 and September 20, 2038, respectively.

Textainer Marine Containers II Limited (TMCL II) (a Bermuda company), one of the Company's wholly owned subsidiaries, has a securitization facility (the TMCL II Secured Debt Facility) that provides for an aggregate commitment amount of up to \$1,200,000. The TMCL II Secured Debt Facility provides for payments of interest only during the period from its inception until its Conversion Date (May 7, 2015), with a provision that if not renewed the TMCL II Secured Debt Facility will partially amortize over a five year period and then mature. The interest rate on the TMCL II Secured Debt Facility, payable monthly in arrears, is one-month LIBOR plus 1.95% during the revolving period prior to the Conversion Date. There is also a commitment fee of 0.50% (if the aggregate principal balance is less than 50% of the commitment amount) and 0.375% (if the aggregate principal balance is equal to or greater than 50% of the commitment amount) on the unused portion of the TMCL II Secured Debt Facility, which is payable in arrears. Overdue payments of principal and interest accrue interest at a rate of 2.0% above the interest rate ordinarily applicable to such amounts. The total outstanding principal under the TMCL II Secured Debt Facility was \$850,100 and \$775,100 as of March 31, 2014 and December 31, 2013, respectively.

Under the terms of the TMCL II Secured Debt Facility, the total outstanding principal may not exceed the lesser of the commitment amount and the asset base, a formula based on TMCL II's net book value of containers and direct financing and sales-type leases. There was no additional amount available for borrowing under the TMCL II Secured Debt Facility, as limited by the Company's asset base, as of March 31, 2014.

Textainer Marine Containers IV Limited (TMCL IV) (a Bermuda company), one of the Company's wholly owned subsidiaries, has a securitization facility (the TMCL IV Secured Debt Facility) that provides for an aggregate commitment amount of up to \$300,000. TMCL IV is required to make principal payments on any payment date for the outstanding loan principal amount that exceeds the borrowing base on such payment date. The interest rate on the TMCL IV Secured Debt Facility, payable monthly in arrears, is LIBOR plus 2.25% from its inception until its Conversion Date (August 5, 2015). There is a commitment fee, which is payable monthly in arrears, of 0.70% on the unused portion of the TMCL IV Secured Debt Facility if total borrowings under the TMCL IV Secured Credit Facility are less than 50% of the total commitment and a designated bank's commitment is more than \$150,000; otherwise, the commitment fee is 0.50%. In addition, there is an agent's fee, which is payable monthly in arrears. The total

outstanding principal under the TMCL IV Secured Credit Facility was \$30,500 and \$33,500 as of March 31, 2014 and December 31, 2013, respectively.

The TMCL IV Secured Debt Facility is secured by TMCL IV's containers and under the terms of the TMCL IV Secured Debt Facility, the total outstanding principal may not exceed the lesser of the commitment amount and the asset base, a formula based on TMCL IV's net book value of containers and direct financing and sales-type leases. The additional amount available for borrowing under the TMCL IV Secured Debt Facility, as limited by TMCL IV's asset base, was \$485 as of March 31, 2014.

Under the terms of the 2005-1 Bonds, 2011-1 Bonds, 2012-1 Bonds, 2013-1 Bonds, TMCL II Secured Debt Facility and TMCL IV Secured Debt Facility, the total outstanding principal of each of these six programs may not exceed an amount (the Asset Base), which is calculated by a formula based on TMCL, TMCL II, TMCL III and TMCL IV's book value of equipment, restricted cash and direct financing and sales-type leases as specified in each of the relevant bond and secured debt facility indentures. The total obligations under the 2005-1 Bonds, 2011-1 Bonds, 2012-1 Bonds are secured by a pledge of TMCL's assets. The total

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(All currency expressed in United States dollars in thousands)

obligations under the 2013-1 Bonds are secured by a pledge of TMCL III's assets. The total obligations under the TMCL II Secured Debt Facility are secured by a pledge of TMCL II's assets. The total obligations under the TMCL IV Secured Debt Facility are secured by a pledge of TMCL IV's assets. As of March 31, 2014, TMCL, TMCL II, TMCL III and TMCL IV's total assets amounted to \$1,116,366, \$1,102,985, \$387,117 and \$64,029, respectively. The 2005-1 Bonds, 2011-1 Bonds, 2012-Bonds, 2013-1 Bonds, TMCL II Secured Debt Facility and TMCL IV Secured Debt Facility also contain restrictive covenants regarding the average age of TMCL, TMCL II, TMCL III and TMCL IV's container fleet, certain earnings ratios, ability to incur other obligations and to distribute earnings, TGH's tangible net worth, leverage, debt service coverage, TGH's container management subsidiary net income and debt levels, and TMCL, TMCL II, TMCL III and TMCL IV's overall Asset Base minimums, for which TMCL, TMCL II, TMCL III, TMCL IV, TGH and TGH's container management subsidiary were in compliance at March 31, 2014.

The following is a schedule by year, of future scheduled repayments, as of March 31, 2014:

	Twelve months ending March 31:					Total
	2015	2016	2017	2018	2019 and thereafter	
TL Revolving Credit Facility	\$	\$	\$	\$ 647,500	\$	\$ 647,500
TW Revolving Credit Facility					103,734	103,734
TAP Funding Revolving Credit Facility			119,500			119,500
2005-1 Bonds	51,500	8,583				60,083
2011-1 Bonds	40,000	40,000	40,000	40,000	130,000	290,000
2012-1 Bonds	40,000	40,000	40,000	40,000	163,333	323,333
2013-1 Bonds (1)	30,090	30,090	30,090	30,090	165,495	285,855
TMCL II Secured Debt Facility		70,842	85,010	85,010	609,238	850,100
TMCL IV Secured Debt Facility		30,500				30,500
Total	\$ 161,590	\$ 220,015	\$ 314,600	\$ 842,600	\$ 1,171,800	\$ 2,710,605

(1) Future scheduled payments for the 2013-1 Bonds exclude an unamortized discount of \$1,388.

The future repayments schedule for the TMCL II 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 five-year partially amortizing note payable.

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Derivative Instruments

The Company has entered into several interest rate cap, collar and swap agreements with several banks to reduce the impact of changes in interest rates associated with its debt obligations. The following is a summary of the Company's derivative instruments as of March 31, 2014:

Derivative instruments	Notional amount
Interest rate cap contracts with several banks with fixed rates between 3.15% and 5.63% per annum, non-amortizing notional amounts, with termination dates through November 2015	\$ 595,220
Interest rate collar contracts with a bank which caps rates between 1.30% and 1.75% per annum, and sets floors for rates between 0.80% and 1.25% per annum, with termination dates through March 2021	16,784
Interest rate swap contracts with several banks, with fixed rates between 0.41% and 2.96% per annum, amortizing notional amounts, with termination dates through July 2023	715,224
Total notional amount as of March 31, 2014	\$ 1,327,228

The Company's interest rate swap, collar and cap agreements had a fair value asset and a fair value liability of \$1,519 and \$3,166 as of March 31, 2014, respectively, and a fair value asset and a fair value liability of \$1,831 and \$3,994 as of December 31, 2013, respectively, which are inclusive of counterparty risk. The primary external risk of the Company's interest rate swap agreements is the counterparty credit exposure, as defined as the ability of a counterparty to perform its financial obligations under a derivative contract. The Company monitors its counterparties' credit ratings on an on-going basis and they were in compliance with the related derivative agreements at March 31, 2014. 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, collar and cap agreements are included in interest rate swaps, collars and caps in the accompanying condensed consolidated balance sheets. The change in fair value was recorded in the condensed consolidated statements of comprehensive income as unrealized gains on interest rate swaps, collars and caps, net.

During April 2014, the Company entered into an interest rate cap contract with a bank, which caps one-month LIBOR at 3.15% per annum, in non-amortizing notional amount of \$24,000 and a term from April 15, 2014 to May 15, 2014.

During April 2014, the Company entered into an interest rate cap contract with a bank, which caps one-month LIBOR at 3.15% per annum, in non-amortizing notional amount of \$220,000 and a term from April 15, 2014 to June 15, 2014.

During May 2014, the Company entered into an interest rate cap contract with a bank, which caps one-month LIBOR at 3.15% per annum, in non-amortizing notional amount of \$10,500 and a term from May 6, 2014 to August 5, 2014.

During May 2014, the Company entered into an interest rate cap contract with a bank, which caps one-month LIBOR at 3.15% per annum, in non-amortizing notional amount of \$4,050 and a term from May 6, 2014 to November 5, 2014.

During May 2014, the Company entered into an interest rate swap contract with a bank, with a fixed rate of 0.62% per annum, an amortizing notional amount with initial notional amount of \$30,020 and a term from May 6, 2014 to June 30, 2016.

During May 2014, the Company entered into an interest rate swap contract with a bank, with a fixed rate of 1.40% per annum, an amortizing notional amount with initial notional amount of \$14,250 and a term from May 6, 2014 to June 30, 2018.

During May 2014, the Company entered into an interest rate swap contract with a bank, with a fixed rate of 1.66% per annum, an amortizing notional amount with initial notional amount of \$23,085 and a term from May 6, 2014 to April 30, 2019.

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(9) Segment Information

As described in Note 1 Nature of Business, the Company operates in three reportable segments: Container Ownership, Container Management and Container Resale. The following tables show segment information for the three months ended March 31, 2014 and 2013, reconciled to the Company's income before taxes as shown in its condensed consolidated statements of comprehensive income:

Three Months Ended March 31, 2014	Container Ownership	Container Management	Container Resale	Other	Eliminations	Totals
Lease rental income	\$ 120,221	\$ 433	\$	\$	\$	\$ 120,654
Management fees from external customers	86	3,660	655			4,401
Inter-segment management fees		11,905	2,417		(14,322)	
Trading container sales proceeds			6,840			6,840
Gains on sale of containers, net	3,527					3,527
Total revenue	\$ 123,834	\$ 15,998	\$ 9,912	\$	\$ (14,322)	\$ 135,422
Depreciation expense	\$ 41,614	\$ 235	\$	\$	\$ (1,434)	\$ 40,415
Interest expense	\$ 22,189	\$	\$	\$	\$	\$ 22,189
Unrealized gains on interest rate swaps, collars and caps, net	\$ 516	\$	\$	\$	\$	\$ 516
Segment income before income taxes and noncontrolling interest	\$ 33,165	\$ 7,689	\$ 2,135	\$ (1,058)	\$ (1,263)	\$ 40,668
Total assets	\$ 3,956,495	\$ 105,018	\$ 14,705	\$ 5,663	\$ (85,616)	\$ 3,996,265
Purchases of long-lived assets	\$ 213,996	\$ 300	\$	\$	\$	\$ 214,296
Three Months Ended March 31, 2013	Container Ownership	Container Management	Container Resale	Other	Eliminations	Totals

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Lease rental income	\$ 112,928	\$ 299	\$	\$	\$	\$ 113,227
Management fees from external customers	94	4,326	863			5,283
Inter-segment management fees		11,930	2,103		(14,033)	
Trading container sales proceeds			2,793			2,793
Gains on sale of containers, net	7,460					7,460
Total revenue	\$ 120,482	\$ 16,555	\$ 5,759	\$	\$ (14,033)	\$ 128,763
Depreciation expense	\$ 33,762	\$ 209	\$	\$	\$ (1,288)	\$ 32,683
Interest expense	\$ 21,629	\$	\$	\$	\$	\$ 21,629
Unrealized gains on interest rate swaps, collars and caps, net	\$ 2,287	\$	\$	\$	\$	\$ 2,287
Segment income before income taxes and noncontrolling interest	\$ 45,506	\$ 8,787	\$ 2,262	\$ (868)	\$ (1,330)	\$ 54,357
Total assets	\$ 3,549,289	\$ 104,741	\$ 6,917	\$ 3,745	\$ (68,269)	\$ 3,596,423
Purchases of long-lived assets	\$ 206,517	\$ 247	\$	\$	\$	\$ 206,764

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 Resale segments and the Container Ownership segment.

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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 hire. Substantially all of the Company's leasing related revenue is denominated in U.S. dollars. As all of the Company's containers are used internationally, where no single 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.

(10) 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 TW Revolving Credit Facility, TAP Funding Revolving Credit Facility, 2005-1 Bonds, 2011-1 Bonds, 2012-1 Bonds, 2013-1 Bonds, TMCL II Secured Debt Facility and TMCL IV Secured Debt Facility. The total balance of these restricted cash accounts was \$56,615 and \$63,160 as of March 31, 2014 and December 31, 2013, respectively.

(b) Container Commitments

At March 31, 2014, the Company had placed orders with manufacturers for containers to be delivered subsequent to March 31, 2014 in the total amount of \$63,712.

(11) Share Option and Restricted Share Unit Plan

As of March 31, 2014, the Company maintained one active share option and restricted share unit plan, the 2007 Share Incentive Plan (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, 2014, 705,460 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. Restricted share units granted to directors fully vest one year after their grant date.

Share-based compensation expense for the three months ended March 31, 2014 and 2013 of \$1,826 and \$1,255, respectively, was recorded as a part of long-term incentive compensation expense in the condensed consolidated statements of comprehensive income for share options and restricted share units awarded to employees under the 2007 Plan.

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The following is a summary of activity in the Company's 2007 Plan for the three months ended March 31, 2014:

	Share options (common share equivalents)	Weighted average exercise price
Balances, December 31, 2013	943,382	\$ 26.43
Options granted during the period		\$
Options exercised during the period	(29,091)	\$ 22.46
Options forfeited during the period	(2,852)	\$ 32.57
Balances, March 31, 2014	911,439	\$ 26.54
Options exercisable at March 31, 2014	444,167	\$ 19.87
Options vested and expected to vest at March 31, 2014	891,648	\$ 26.37
	Restricted share units	Weighted average grant date fair value
Balances, December 31, 2013	703,903	\$ 24.57
Share units granted during the period		\$
Share units vested during the period	(176,651)	\$ 15.93
Share units forfeited during the period	(3,177)	\$ 26.97
Balances, March 31, 2014	524,075	\$ 27.47
Share units outstanding and expected to vest at March 31, 2014	503,350	\$ 26.39

As of March 31, 2014, \$16,299 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 2.7 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 \$38.27 per share as of March 31, 2014 was \$8,173. 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, 2014. The aggregate intrinsic value of all options exercised during the three months ended March 31, 2014, based on the closing share price on the date each option was exercised was \$424.

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The following table summarizes information about share options exercisable and outstanding at March 31, 2014:

	Share options exercisable		Share options outstanding	
	Number of	Weighted average	Number of shares	Weighted average
	shares	exercise price	(in	exercise price
	(in thousands)		thousands)	
Range of per- share exercise prices:				
\$7.10	58,805	\$ 7.10	58,805	\$ 7.10
\$16.50	126,284	16.50	126,284	16.50
\$16.97	90,442	16.97	90,442	16.97
\$28.05	41,470	28.05	179,658	28.05
\$28.26	63,478	28.26	96,915	28.26
\$28.54	58,688	28.54	136,647	28.54
\$31.34	5,000	31.34	10,000	31.34
\$38.36		38.36	212,688	38.36
	444,167	\$ 19.87	911,439	\$ 22.47

The weighted average contractual life of share options exercisable and share options outstanding as of March 31, 2014 was 5.6 years and 7.2 years, respectively.

(12) Subsequent Events*Dividend*

On April 29, 2014, TGH's board of directors approved and declared a quarterly cash dividend of \$0.47 per share on TGH's issued and outstanding common shares, payable on May 28, 2014 to shareholders of record as of May 16, 2014.

Other Subsequent Events

See Note 8 Revolving Credit Facilities, Bonds Payable, Secured Debt Facilities and Term Loan and Derivative Instruments for other subsequent events.

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, 2013 filed with the U.S. Securities and Exchange Commission (the SEC) on March 19, 2014 (our 2013 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 2013 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 1.7 CEU; and the cost of a 40 high cube refrigerated container is 8.0 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

We are the world's largest lessor of intermodal containers based on fleet size, with a total fleet of approximately 2.0 million containers, representing more than 3.0 million TEU. Containers are an integral component of intermodal trade, providing a secure and cost-effective method of transportation because they can be used to transport freight by ship, rail or truck, making it possible to move cargo from point of origin to final destination without repeated unpacking and repacking. We lease containers to approximately 400 shipping lines and other lessees, including each of the world's top 20 shipping lines, as measured by the total TEU capacity of their container vessels. We believe that our scale, global presence, access to capital, customer service, market knowledge and long history with our customers have made us one of the most reliable suppliers of leased containers. We have a long track record in the industry, operating since 1979, and have developed long-standing relationships with key industry participants. Our top 25 customers, as measured by revenues, have leased containers from us for an average of over 27 years.

We have provided an average of more than 199,000 TEU of new containers per year for the past five years, and have been one of the world's largest buyers of new containers over the same period. We are one of the world's largest sellers of used containers, having sold an average of more than 80,000 containers per year for the last five years to more than 1,200 customers.

We provide our services worldwide via an international network of regional and area offices and independent depots. Trecor, a company publicly traded on the JSE Limited in Johannesburg, South Africa, and its affiliates currently have beneficial interest in 48.1% of our issued and outstanding common shares.

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We operate our business in three core segments:

Container Ownership. As of March 31, 2014, we owned containers accounting for approximately 76% of our fleet.

Container Management. As of March 31, 2014, we managed containers on behalf of 16 affiliated and unaffiliated container owners, providing acquisition, management and disposal services. As of March 31, 2014, managed containers account for approximately 24% of our fleet.

Container Resale. We generally sell containers from our fleet when they reach the end of their useful lives in marine service or when we believe it is financially attractive for us to do so, considering the location, sale price, cost of repair and possible repositioning expenses. We also purchase and lease or resell containers from shipping line customers, container traders and other sellers of containers.

The table below summarizes the composition of our fleet, in TEU and CEU, by type of containers, as of March 31, 2014:

	Standard Dry Freight	Refrigerated	Other Specialized	Total	Percent of Total Fleet
TEU					
Owned	2,202,201	78,640	49,997	2,330,838	76.4%
Managed	693,884	12,398	12,124	718,406	23.6%
Total fleet	2,896,085	91,038	62,121	3,049,244	100.0%
CEU					
Owned	1,967,338	321,265	73,357	2,361,960	77.4%
Managed	620,564	50,071	20,093	690,728	22.6%
Total fleet	2,587,902	371,336	93,450	3,052,688	100.0%

Our fleet as of March 31, 2014, by lease type, as a percentage of total TEU on hire was as follows:

	Percent of Total On- Hire Fleet
Term leases	75.1%
Master leases	14.6%
Direct financing and sales-type leases	7.5%

Spot leases	2.8%
Total	100.0%

The following table summarizes our average total fleet utilization (CEU basis) for the three months ended March 31, 2014 and 2013:

	Three months ended	
	March 31,	
	2014	2013
Utilization	94.4%	95.7%

We measure the utilization rate on the basis of CEU on lease, using the actual number of days on hire, expressed as a percentage of CEU available for lease, using the actual days available for lease. CEU available for lease excludes CEU that have been manufactured for us but have not been delivered yet to a lessee and CEU designated as held-for-sale units.

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Effective January 1, 2014, we began reporting utilization including containers on direct financing and sales-type leases. We previously reported utilization only for containers under operating leases but, as direct financing and sales-type leases become a more significant part of our business, we believe that including these containers provides a better indication of the utilization of our total fleet and it makes our calculation comparable with some of our public peers. Accordingly, utilization for the three months ended March 31, 2013 was revised to include direct financing and sales-type leases to conform to the current presentation.

Our total revenues primarily consist of leasing revenues derived from the leasing 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 operating costs primarily consist of depreciation expense and container impairment, interest expense, direct operating expenses, administrative expenses and amortization expense. 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.

Key Factors Affecting Our Performance

We believe there are a number of key factors that have affected, and are likely to continue to affect, our operating performance. These key 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;

the creditworthiness of our customers;

further consolidation of container manufacturers and/or decreased access to new containers; and

global and macroeconomic factors that affect trade generally, such as recessions, terrorist attacks, pandemics 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 2013 Form 20-F.

Results of Operations**Comparison of the Three Months Ended March 31, 2014 and 2013**

The following table summarizes our total revenues for the three months ended March 31, 2014 and 2013 and the percentage changes between those periods:

	Three Months Ended March 31, 2014 2013 (Dollars in thousands)		% Change Between 2014 and 2013
Lease rental income	\$ 120,654	\$ 113,227	6.6%
Management fees	4,401	5,283	(16.7%)
Trading container sales proceeds	6,840	2,793	144.9%
Gain on sale of containers, net	3,527	7,460	(52.7%)
Total revenues	\$ 135,422	\$ 128,763	5.2%

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Lease rental income for the three months ended March 31, 2014 increased \$7,427 (6.6%) compared to the three months ended March 31, 2013 primarily due to a 16.0% increase in our owned fleet size, partially offset by an 8.0% decrease in per diem rental rates and a 1.0 percentage point decrease in utilization for our owned fleet.

Management fees for the three months ended March 31, 2014 decreased \$882 (-16.7%) compared to the three months ended March 31, 2013 due to a \$351 decrease resulting from lower fleet performance, a \$208 decrease in sales commissions, a \$200 decrease resulting from a 4.8% decrease in the size of the managed fleet primarily due to our January 2014 acquisition of approximately 30,000 TEU of containers that we previously managed and a \$123 decrease from lower acquisition fees due to fewer managed container purchases.

Trading container sales proceeds for the three months ended March 31, 2014 increased \$4,047 (144.9%) compared to the three months ended March 31, 2013 due to a \$6,905 increase resulting from a 247.2% increase in unit sales due to an increase in the number of trading containers that we were able to source and sell, partially offset by a \$2,858 decrease due to a decrease in average sales proceeds per container.

Gain on sale of containers, net for the three months ended March 31, 2014 decreased \$3,933 (-52.7%) compared to the three months ended March 31, 2013 due to a \$7,058 decrease resulting from a decrease in average sales proceeds of \$337 per unit and a \$40 decrease resulting from 330 containers placed on sales-type leases for the three months ended March 31, 2014 compared to 609 containers placed on sales-type leases for the three months ended March 31, 2013, partially offset by a \$3,001 increase due to a 40.7% increase in the number of containers sold and a \$164 increase resulting from an increase in average net gains on sales-type leases of \$498 per unit.

The following table summarizes our total operating expenses for the three months ended March 31, 2014 and 2013 and the percentage changes between those periods:

	Three Months Ended March 31, 2014 2013		% Change Between 2014 and 2013
	(Dollars in thousands)		
Direct container expense	\$ 12,282	\$ 9,004	36.4%
Cost of trading containers sold	7,075	2,465	187.0%
Depreciation expense and container impairment	40,415	32,683	23.7%
Amortization expense	953	1,087	(12.3%)
General and administrative expense	6,699	6,437	4.1%
Short-term incentive compensation expense	695	687	1.2%
Long-term incentive compensation expense	1,558	1,080	44.3%
Bad debt expense (recovery), net	1,405	(750)	(287.3%)
Total operating expenses	\$ 71,082	\$ 52,693	34.9%

Direct container expense for the three months ended March 31, 2014 increased \$3,278 (36.4%) compared to the three months ended March 31, 2013 primarily due to a decrease in utilization for our owned fleet and an increase in the size of our owned fleet and included a \$2,192 increase in storage expense, a \$442 increase in maintenance expense, a \$218 increase in repositioning expense and a \$163 increase in handling expense.

Cost of trading containers sold for the three months ended March 31, 2014 increased \$4,610 (187.0%) compared to the three months ended March 31, 2013 due to a \$6,094 increase resulting from a 247.2% increase in unit sales due to an increase in the number of trading containers that we were able to source and sell, partially offset by a \$1,484 decrease due to a 17.3% decrease in the average cost per unit of containers sold.

Depreciation expense and container impairment for the three months ended March 31, 2014 increased \$7,732 (23.7%) compared to the three months ended March 31, 2013 primarily due to an increase in fleet size and an increase in impairments of \$1,142 to write down the value of containers held for sale to their estimated fair value less cost to sell.

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Amortization expense represents the amortization of the amounts paid to acquire the rights to manage the container fleets of Capital Lease Limited, Hong Kong (Capital); Amphibious Container Leasing Limited (Amficon); and Capital Intermodal Limited, Capital Intermodal GmbH, Capital Intermodal Inc., Capital Intermodal Assets Limited and Xines Limited (Capital Intermodal). Amortization expense decreased \$134 (-12.3%) for the three months ended March 31, 2014 compared to the three months ended March 31, 2013 due to a revision in amortization estimates for management fees for the Capital, Amficon and Capital Intermodal fleets.

General and administrative expense increased \$262 (4.1%) for the three months ended March 31, 2014 compared to the three months ended March 31, 2013 primarily due to a \$533 increase in professional fees, partially offset by a \$287 decrease in travel costs.

Long-term incentive compensation expense increased \$478 (44.3%) for the three months ended March 31, 2014 compared to the three months ended March 31, 2013 primarily due to an increase due to additional share options and restricted share units that were granted under our 2007 Share Incentive Plan (2007 Plan) in November 2013 and an adjustment to forfeiture rates in January 2014.

Bad debt expense (recovery), net changed from a net recovery of \$750 for the three months ending March 31, 2013 to a net expense of \$1,405 for the three months ended March 31, 2014 primarily due to collections on accounts during the three months ended March 31, 2013 that had previously been included in the allowance for doubtful accounts and management's assessment during the three months ended March 31, 2014 that the financial condition of certain lessees and their ability to make required payments had deteriorated.

The following table summarizes other income (expense) for the three months ended March 31, 2014 and 2013 and the percentage changes between those periods:

	Three Months Ended March 31, 2014 2013		% Change Between 2014 and 2013
	(Dollars in thousands)		
Interest expense	\$ (22,189)	\$ (21,629)	2.6%
Interest income	30	38	(21.1%)
Realized losses on interest rate swaps and caps, net	(2,022)	(2,390)	(15.4%)
Unrealized gains on interest rate swaps, collars and caps, net	516	2,287	(77.4%)
Other, net	(7)	(19)	(63.2%)
Net other	\$ (23,672)	\$ (21,713)	9.0%

Interest expense for the three months ended March 31, 2014 increased \$560 (2.6%) compared to the three months ended March 31, 2013 due to a \$2,042 increase resulting from an increase in average debt balances of \$231,882, partially offset by a \$1,482 decrease due to a decrease in average interest rates on the Company's debt of 0.22 percentage points.

Realized losses on interest rate swaps and caps, net for the three months ended March 31, 2014 decreased \$368 (-15.4%) compared to the three months ended March 31, 2013 due to a \$802 decrease resulting from a decrease in the

average net settlement differential between variable interest rates received compared to fixed interest rates paid on interest rate swaps of 0.45 percentage points, partially offset by a \$434 increase due to an increase in average interest rate swap notional amounts of \$110,644.

Unrealized gains on interest rate swaps, collars and caps, net for the three months ended March 31, 2014 decreased \$1,771 (-77.4%) compared to the three months ended March 31, 2013 due to a smaller decrease in the net fair value liability of interest rate swap agreements held during the three months ended March 31, 2014 compared to the decrease in the net fair value liability of interest rate swaps held during the three months ended March 31, 2013. The decrease in the net fair value liability of interest rate swaps held for three months ended March 31, 2014 was due to a decrease in long-term interest rates, a decrease in the notional amount of interest rate swaps held and a decrease in remaining contract terms of interest rate swaps held during the three months ended

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March 31, 2014. The decrease in the net fair value liability of interest rate swaps held during the three months ended March 31, 2013 was due to a decrease in long-term interest rates and a decrease in the notional amount of interest rate swaps held, partially offset by an increase in remaining contract terms of interest rate swaps held during the three months ended March 31, 2013.

The following table summarizes income tax expense and net income attributable to the noncontrolling interests for the three months ended March 31, 2014 and 2013 and the percentage changes between those periods:

	Three Months Ended March 31,		% Change Between
	2014	2013	2014 and 2013
	(Dollars in thousands)		
Income tax (benefit) expense	\$ (20,305)	\$ 4,541	(547.1%)
Net income attributable to the noncontrolling interests	\$ 1,324	\$ 1,482	(10.7%)

Income tax (benefit) expense changed from an income tax expense of \$4,541 for the three months ended March 31, 2013 to an income tax benefit of \$20,305 for the three months ended March 31, 2014. In November 2012, the Company received notification from the IRS that the 2010 United States tax return for TGH had been selected for examination. On March 5, 2014 the IRS issued a letter indicating that it had completed its examination of TGH's tax return for 2010 and would make no changes to the return as filed. As a result of this, the Company recognized a discrete benefit of \$22,707 for the re-measurement of its unrecognized tax benefits for the impacted years. The remaining change in income tax (benefit) expense for the three months ended March 31, 2014 compared to March 31, 2013 was due to a \$1,144 decrease resulting from a lower level of income before tax and noncontrolling interests and a \$995 decrease resulting from a lower effective tax rate excluding the re-measurement of unrecognized tax benefits.

Net income attributable to the noncontrolling interests represents the noncontrolling interests' portion of TW Container Leasing Ltd. (TW) and TAP Funding Limited's (TAP Funding) net income for the period. TW is a joint venture between Textainer Limited (TL), TGH's wholly owned subsidiary, and Wells Fargo Container Corp. (WFC) in which TL owns 25% and WFC owns 75% of the common shares of TW. TW's profits and losses are allocated to TL and WFC on the same basis as their ownership percentages. TAP Funding is a joint venture between TL and TAP Ltd. (TAP) in which TL owns 50.1% and TAP owns 49.9% of the common shares of TAP Funding. TAP Funding's profits and losses are allocated to TL and TAP on the same basis as their ownership percentages. Net income attributable to the noncontrolling interests decreased \$158 (-10.7%) for the three months ended March 31, 2014 compared to the three months ended March 31, 2013 primarily due to a decrease in TAP Funding Limited's net income.

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The following table summarizes our income before taxes attributable to each of our business segments for the three months ended March 31, 2014 and 2013 (before inter-segment eliminations) and the percentage changes between those periods:

	Three Months Ended March 31, 2014 2013		% Change Between 2014 and 2013
	(Dollars in thousands)		
Container Ownership	\$ 33,165	\$ 45,506	(27.1%)
Container Management	7,689	8,787	(12.5%)
Container Resale	2,135	2,262	(5.6%)
Other	(1,058)	(868)	21.9%
Eliminations	(1,263)	(1,330)	(5.0%)
	\$ 40,668	\$ 54,357	

Income before income tax and noncontrolling interest attributable to the Container Ownership segment for the three months ended March 31, 2014 decreased \$12,341 (-27.1%) compared to the three months ended March 31, 2013. The following table summarizes the variances included within this decrease:

Increase in depreciation expense and container impairment	\$ (7,852)(1)
Decrease in gain on sale of containers, net	(3,933)(2)
Increase in direct container expense	(3,541)(3)
Change from a bad debt recovery, net for the three months ended March 31, 2013 to a bad debt expense, net for the three months ended March 31, 2014	(2,155)(4)
Decrease in unrealized gains on interest rate swaps, collars and caps, net	(1,771)(5)
Increase in interest expense	(560)(6)
Increase in lease rental income	7,293(7)
Decrease in realized losses on interest rate swaps and caps, net	368(8)
Other	(190)
	\$ (12,341)

- (1) The increase in depreciation expense and container impairment was primarily due to an increase in fleet size and an increase in impairments of \$1,142 to write down the value of containers held for sale to their estimated fair value less cost to sell.
- (2) The decrease in gain on sale of containers, net was due to a decrease in average sales proceeds of \$337 per unit and a 45.8% decrease in the number of containers placed on sales-type leases, partially offset by a 40.7% increase in the number of containers sold and an increase in average net gains on sales-type leases of \$498 per unit.

- (3) The increase in direct container expense was primarily due to a decrease in utilization for our owned fleet and an increase in the size of our owned fleet. The increase in direct container expense included an increase in inter-segment sales commissions and \$314 paid to our Container Resale segment primarily due to an increase in the volume of owned container sales and a \$173 decrease in inter-segment management fees paid to our Container Management segment primarily due to lower performance for the owned fleet, partially offset by an increase in the size of the owned fleet. Inter-segment sales commissions and management fees are eliminated in consolidation.

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- (4) Bad debt expense (recovery), net changed from a net recovery of \$750 for the three months ended March 31, 2013 to net expense of \$1,405 for the three months ended March 31, 2014 primarily due to collections on accounts during the three months ended March 31, 2013 that had previously been included in the allowance for doubtful accounts and management's assessment during the three months ended March 31, 2014 that the financial condition of certain lessees and their ability to make required payments had deteriorated.
- (5) The decrease in unrealized gains on interest rate swaps and caps, net was due to a smaller decrease in the net fair value liability of interest rate swap agreements held during the three months ended March 31, 2014 compared to the decrease in the net fair value liability of interest rate swaps held during the three months ended March 31, 2013. The decrease in the net fair value liability of interest rate swaps held for three months ended March 31, 2014 was due to a decrease in long-term interest rates, a decrease in the notional amount of interest rate swaps held and a decrease in remaining contract terms of interest rate swaps held during the three months ended March 31, 2014. The decrease in the net fair value liability of interest rate swaps held during the three months ended March 31, 2013 was due to a decrease in long-term interest rates and a decrease in the notional amount of interest rate swaps held, partially offset by an increase in remaining contract terms of interest rate swaps held during the three months ended March 31, 2013.
- (6) The increase in interest expense was due to a \$2,042 increase resulting from an increase in average debt balances of \$231,882, partially offset by a \$1,482 decrease due to a decrease in average interest rates of 0.22 percentage points.
- (7) The increase in lease rental income was primarily due to a 16.0% increase in our owned fleet size, partially offset by an 8.0% decrease in per diem rental rates and a 1.0 percentage point decrease in utilization for our owned fleet.
- (8) The decrease in realized losses on interest rate swaps and caps, net was due to a decrease in the average net settlement differential between variable interest rates received compared to fixed interest rates paid on interest rate swaps of 0.45 percentage points, partially offset by an increase in average interest rate swap notional amounts of \$110,644.

Income before income tax and noncontrolling interest attributable to the Container Management segment for the three months ended March 31, 2014 decreased \$1,098 (-12.5%) compared to the three months ended March 31, 2013. The following table summarizes the variances included within this increase:

Decrease in management fees	\$ (691)(1)
Increase in long-term incentive compensation expense	(639)(2)
Decrease in amortization expense	174(3)
Other	58
	\$ (1,098)

- (1) The decrease in management fees was primarily due to a \$666 decrease in management fees from external customers resulting from a 4.8% decrease in the size of the managed fleet primarily due to our January 2014 acquisition of approximately 30,000 TEU of containers that we previously managed and a \$173 decrease in inter-segment management fees received from our Container Ownership segment primarily due to lower performance from our owned fleet, partially offset by a \$95 increase in inter-segment acquisition fees received from our Container Ownership segment due to an increase in the amount of owned container purchases. Inter-segment management fees and acquisition fees are eliminated in consolidation.
- (2)

The increase in long-term incentive compensation expense was primarily due to additional share options and restricted share units that were granted under our 2007 Plan in November 2013 and an adjustment to forfeiture rates in January 2014.

- (3) Amortization expense decreased \$174 for the three months ended March 31, 2014 compared to the three months ended March 31, 2013 due to a revision in amortization estimates for management fees for the Capital, Amficon and Capital Intermodal fleets.

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Income before income tax and noncontrolling interest attributable to the Container Resale segment for the three months ended March 31, 2014 decreased \$127 (-5.6%) compared to the three months ended March 31, 2013. The following table summarizes the variances included within this decrease:

Change from gains on container trading, net for the three months ended March 31, 2013 to losses on container trading, net for the three months ended March 31, 2014	\$ (563)(1)
Decrease in long-term incentive compensation expense	145(2)
Decrease in overhead expense	119(3)
Increase in management fees	106(4)
Other	66
	\$ (127)

- (1) Gains (losses) on container trading, net changed from gains on container trading, net of \$328 for the three months ended March 31, 2013 to losses on container trading, net of \$235 for the three months ended March 31, 2014. The change was primarily due to a decrease in the average sales margin per container, partially offset by a 247.2% increase in unit sales resulting from an increase in the number of trading containers that we were able to source and sell.
- (2) The decrease in long-term incentive compensation expense was primarily due to an adjustment to forfeiture rates in January 2014.
- (3) The decrease in overhead expense was primarily due to a decrease in travel costs.
- (4) The increase in management fees was due to an increase in sales commissions resulting from an increase in inter-segment sales commissions of \$314 received from our Container Ownership segment primarily due to an increase in the volume of owned container sales, partially offset by a \$208 decrease in sales commissions to external customers primarily due to a decrease in the volume of managed container sales. Inter-segment sales commissions are eliminated in consolidation.

Loss before income tax and noncontrolling interest attributable to Other activities unrelated to our reportable business segments for the three months ended March 31, 2014 increased \$190 (21.9%) compared to the three months ended March 31, 2013 primarily due a \$205 increase in professional fees.

Segment eliminations for the three months ended March 31, 2014 decreased \$67 (-5.0%) compared to the three months ended March 31, 2013. This decrease primarily consisted of \$158 decrease in depreciation expense related to capitalized acquisition fees received by our Container Management segment from our Container Ownership segment, partially offset by a \$95 increase in acquisition fees received by our Container Management segment from our Container Ownership segment. Our Container Ownership segment capitalizes acquisition fees billed by our Container Management segment as part of containers, net and records depreciation expense to amortize the acquisition fees over the useful lives of the containers, which is eliminated in consolidation

Currency

Almost all of our revenues are denominated in U.S. dollars and approximately 70% of our direct container expenses for the three months ended March 31, 2014 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 2013 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. For the three months ended March 31, 2014, our non-U.S. operating expenses were spread among 17 currencies, resulting in some level of self-hedging. We do not engage in currency hedging.

Liquidity and Capital Resources

As of March 31, 2014, we had cash and cash equivalents of \$90,515. Our principal sources of liquidity have been (1) cash flows from operations, (2) the sale of containers, (3) proceeds from the issuance of Textainer

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Marine Container II Limited's Series 2013-1 Fixed Rate Asset Backed Notes (the "2013-1 Bonds"), (4) borrowings under conduit facilities (which allow for recurring borrowings and repayments) granted to Textainer Marine Containers II Limited (the "TMCL II Secured Debt Facility") and Textainer Marine Containers IV Limited (the "TMCL IV Secured Debt Facility") and (5) borrowings under the revolving credit facilities extended to TL, TW and TAP Funding (the "TL Revolving Credit Facility", "TW Revolving Credit Facility" and "TAP Funding Revolving Credit Facility", respectively). As of March 31, 2014, we had the following outstanding borrowings and borrowing capacities under the TL Revolving Credit Facility, the TW Revolving Credit Facility, the TAP Funding Revolving Credit Facility, the TMCL II Secured Debt Facility, the TMCL IV Secured Debt Facility, Textainer Marine Containers Limited's variable rate amortizing bonds (the "2005-1 Bonds"), the Series 2011-1 Fixed Asset Backed Notes (the "2011-1 Bonds") and the Series 2012-1 Fixed Asset Backed Notes (the "2012-1 Bonds") and the 2013-1 Bonds (in thousands):

Facility:	Current Borrowing	Additional Borrowing Commitment	Total Commitment	Current Borrowing	Available Borrowing, as Limited by our Base	Current and Available Borrowing
TL Revolving Credit Facility	\$ 647,500	\$ 52,500	\$ 700,000	\$ 647,500	\$ 52,500	\$ 700,000
TW Revolving Credit Facility	103,734	146,266	250,000	103,734		103,734
TAP Funding Revolving Credit Facility	119,500	50,500	170,000	119,500	19,995	139,495
TMCL II Secured Debt Facility	850,100	349,900	1,200,000	850,100		850,100
TMCL IV Secured Debt Facility	30,500	269,500	300,000	30,500	485	30,985
2005-1 Bonds	60,083		60,083	60,083		60,083
2011-1 Bonds	290,000		290,000	290,000		290,000
2012-1 Bonds	323,333		323,333	323,333		323,333
2013-1 Bonds	285,855		285,855	285,855		285,855
Total	\$ 2,710,605	\$ 868,666	\$ 3,579,271	\$ 2,710,605	\$ 72,980	\$ 2,783,585

On April 30, 2014, TL entered into a \$500,000 five-year term loan (the "TL Term Loan") with a group of financial institutions. The TL Term Loan represents a partially-amortizing term loan with the remaining principal due in full on April 30, 2019. Interest on the TL Term Loan at its inception was based on LIBOR plus 1.50%. The Company intends to use proceeds from the TL Term Loan, along with TL's working capital and borrowings from the Company's other debt facilities to redeem the 2005-1 Bonds, the 2011-1 Bonds and the 2012-2 Bonds on May 15, 2014.

Our condensed consolidated financial statements do not reflect the income taxes that would be payable to foreign taxing jurisdictions if the earnings of a group of corporations operating in those jurisdictions were to be transferred out of such jurisdictions, because such earnings are intended to be permanently reinvested in those countries. At March 31, 2014, cumulative earnings of approximately \$30,669 would be subject to income taxes of approximately \$9,201 if such earnings of foreign corporations were transferred out of such jurisdictions in the form of dividends.

Assuming that our lenders remain solvent, we currently believe that cash flows from operations, proceeds from the sale of containers and borrowing availability under our debt facilities are sufficient to meet our liquidity needs,

including 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 on the Company of continuing and further disruptions in the credit markets.

The TL Revolving Credit Facility, the TW Revolving Credit Facility, the TAP Funding Revolving Credit Facility, the TMCL II Secured Debt Facility, the TMCL IV Secured Debt Facility, the 2005-1 Bonds, the 2011-1 Bonds, the 2012-1 Bonds and the 2013-1 Bonds require us to comply with certain financial and nonfinancial covenants. As of March 31, 2014, we were in compliance with all of the applicable covenants.

On April 29, 2014, TGH's board of directors approved and declared a quarterly cash dividend of \$0.47 per share on TGH's issued and outstanding common shares, payable on May 28, 2014 to shareholders of record as of May 16, 2014.

Table of Contents*Cash Flow*

The following table summarizes historical cash flow information for the three months ended March 31, 2014 and 2013:

	Three Months Ended March 31, 2014 2013 (Dollars in thousands)		% Change Between 2014 and 2013
Net income	\$ 60,973	\$ 49,816	22.4%
Adjustments to reconcile net income to net cash provided by operating activities	16,602	20,491	-19.0%
Net cash provided by operating activities	77,575	70,307	10.3%
Net cash used in investing activities	(133,014)	(190,296)	-30.1%
Net cash provided by financing activities	25,700	96,930	-73.5%
Effect of exchange rate changes	31	(97)	-132.0%
Net decrease in cash and cash equivalents	(29,708)	(23,156)	28.3%
Cash and cash equivalents, beginning of year	120,223	100,127	20.1%
Cash and cash equivalents, end of the period	\$ 90,515	\$ 76,971	17.6%

Operating Activities

Net cash provided by operating activities for the three months ended March 31, 2014 increased \$7,268 (10.3%) compared to the three months ended March 31, 2013. The following table summarizes the variances included within this increase:

Decrease in accounts receivable, net during the three months ended March 31, 2014 compared to an increase during the three months ended March 31, 2013	\$ 11,013(1)
Decrease in gain on sale of containers, net	3,933(2)
Decrease in due from affiliates, net during the three months ended March 31, 2013	(4,300)(3)
Decrease in due to owners, net during the three months ended March 31, 2014 compared to an increase during the three months ended March 31, 2013	(3,093)(4)
Other	(285)
	\$ 7,268

- (1) The decrease in accounts receivable, net during the three months ended March 31, 2014 compared to an increase during the three months ended March 31, 2013 was due to improved working capital management.
- (2)

The decrease in gain on sale of containers, net was due to a decrease in average sales proceeds of \$337 per unit and a 45.8% decrease in the number of containers placed on sales-type leases, partially offset by a 40.7% increase in the number of containers sold and an increase in average net gains on sales-type leases of \$498 per unit.

- (3) The lower decrease in due from affiliates, net was due to the timing of payments received.
- (4) The decrease in due to owners, net during the three months ended March 31, 2014 compared to an increase during the three months ended March 31, 2013 was due to the timing of payments made.

Investing Activities

Net cash used in investing activities for the three months ended March 31, 2014 decreased \$57,282 (-30.1%) compared to the three months ended March 31, 2013 due to a lower amount of cash paid for container and fixed asset purchases, higher proceeds from the sale of containers and fixed assets and higher receipt of payments on direct financing and sales-type leases, net of income earned.

Table of Contents*Financing Activities*

Net cash provided by financing activities for the three months ended March 31, 2014 decreased \$71,230 (-73.5%) compared to the three months ended March 31, 2013. The following table summarizes the variances included within this decrease:

Decrease in net proceeds from revolving credit facilities	\$ (122,739)
Increase in principal payments on bonds payable	(7,524)
Increase in dividends paid	(1,313)
Decrease in excess tax benefit from share-based compensation awards	(995)
Decrease in proceeds received from the issuance of common shares upon the exercise of share options	(620)
Increase in net proceeds received from secured debt facilities	54,500
Higher decrease in restricted cash	6,186
Increase in capital contributions from noncontrolling interests	1,275
	\$ (71,230)

Contractual Obligations and Commercial Commitments

The following table sets forth our contractual obligations by due date as of March 31, 2014:

	Payments Due by Twelve Month Period Ending March 31,						
	Total	2015	2016	2017	2018	2019	2020 and thereafter
	(Dollars in thousands)						
	(Unaudited)						
Total debt obligations:							
TL Revolving Credit Facility	\$ 647,500	\$	\$	\$	\$ 647,500	\$	\$
TW Revolving Credit Facility	103,734						103,734
TAP Funding Revolving Credit Facility	119,500			119,500			
TMCL II Secured Debt Facility	850,100		70,842	85,010	85,010	85,010	524,228
TMCL IV Secured Debt Facility	30,500		30,500				
2005-1 Bonds	60,083	51,500	8,583				
2011-1 Bonds	290,000	40,000	40,000	40,000	40,000	40,000	90,000
2012-1 Bonds	323,333	40,000	40,000	40,000	40,000	40,000	123,333
2013-1 Bonds ⁽¹⁾	285,855	30,090	30,090	30,090	30,090	30,090	135,405
	321,033	71,676	65,672	56,407	43,982	32,175	51,121

Interest on obligations ⁽²⁾							
Interest rate swap and collar payables ⁽³⁾	19,538	7,108	4,712	3,319	2,841	1,370	188
Office lease obligations	4,403	1,597	1,478	1,053	100	100	75
Container contracts payable	56,703	56,703					
Total contractual obligations							
	\$ 3,112,282	\$ 298,674	\$ 291,877	\$ 375,379	\$ 889,523	\$ 228,745	\$ 1,028,084

- (1) Future scheduled payments for the 2013-1 Bonds exclude an unamortized discount of \$1,388.
- (2) Assuming an estimated current interest rate of London InterBank Offered Rate (LIBOR) plus a margin, which equals an all-in interest rate of 2.70%.
- (3) Calculated based on the difference between our fixed contractual rates and the counterparties' estimated average LIBOR rate of 0.15%, for all periods, for all interest rate contracts outstanding as of March 31, 2014.

Off Balance Sheet Arrangements

As of March 31, 2014, 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.

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Critical Accounting Policies and Estimates

We have identified the policies and estimates in Item 5, *Operating and Financial Review and Prospects* included in our 2013 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 2013 Form 20-F. Please refer to Item 5, *Operating and Financial Review and Prospects* included in our 2013 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, 2014, 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 Foreign Exchange Risk* or in Item 11, *Quantitative and Qualitative Disclosures About Market Risk Interest Rate Risk* included in our 2013 Form 20-F. Updated interest rate swap, collar and cap agreement information is set forth below.

Interest Rate Risk

We have entered into various interest rate swap, collar and cap agreements to mitigate our exposure associated with our variable rate debt. The swap agreements involve payments by us to counterparties at fixed rates in return for receipts based upon variable rates indexed to the London InterBank Offered Rate. The differentials between the fixed and variable rate payments under these agreements are recognized in realized losses on interest rate swaps and caps, net in the condensed consolidated statements of comprehensive income.

The notional amount of the interest rate swap agreements was \$715,224 as of March 31, 2014, with termination dates between August 15, 2014 and July 15, 2023. Through the interest rate swap agreements we have obtained fixed rates between 0.41% and 2.96%. The net fair value liability of these agreements was \$1,647 and \$2,163 as of March 31, 2014 and December 31, 2013, respectively.

The notional amount of the interest rate collar agreements was \$16,784 as of March 31, 2014, with termination dates between April 15, 2019 and March 15, 2021.

The notional amount of the interest rate cap agreements was \$595,220 as of March 31, 2014, with termination dates between April 15, 2014 and November 16, 2015.

Based on the debt balances and derivative instruments as of March 31, 2014, it is estimated that a 1% increase in interest rates would result in a decrease in the net fair value liability of interest rate swaps, collars and caps of \$14,833, an increase in interest expense of \$6,676 and a decrease in realized losses on interest rate swaps and caps, net of \$1,805.

Quantitative and Qualitative Disclosures About Credit Risk

For the three months ended March 31, 2014, 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 2013 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 2013 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 13, 2014

Textainer Group Holdings Limited

/s/ PHILIP K. BREWER
Philip K. Brewer
President and Chief Executive Officer