SeaCube Container Leasing Ltd.
Form 10-K
March 10, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(Mark One)

R ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2010
or
£ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________

Commission File Number 001-34931

SeaCube Container Leasing Ltd.
(Exact name of registrant as specified in its charter)

Bermuda	98-0655416
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1 Maynard Drive Park Ridge, New Jersey	07656
(Address of principal executive offices)	(Zip Code)

(201) 391-0800
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes o No x

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements

incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer o	Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x

The aggregate market value of the voting common shares held by non-affiliates of the registrant on June 30, 2010 is not applicable as the registrant was not publicly traded as of that date. As of December 31, 2010, the last business day of the Registrant's most recently completed fiscal quarter, the aggregate market value of shares held by non-affiliates (based upon the closing sale price of such shares on the New York Stock Exchange on December 31, 2010) was approximately $154,974,000.

The number of outstanding shares of the Registrant's Common Stock as of February 28, 2011 was 20,142,812.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 25, 2011, to be filed within 120 days after the close of the Registrant's fiscal year, are incorporated by reference into Part II, Item 5 and Part III of this Annual Report on Form 10-K.

SEACUBE CONTAINER LEASING LTD.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that involve substantial risks and uncertainties. All statements, other than statements of historical facts, including statements regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management are forward-looking statements. You can identify these forward-looking statements by the use of forward-looking words such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “cou “approximately,” “predicts,” “intends,” “plans,” “estimates,” “anticipates,” “target,” “projects,” “contemplates” or the negativ those words or other comparable words. Any forward-looking statements contained in this annual report are based upon our historical performance and on our current plans, estimates and expectations in light of information currently available to us. The inclusion of this forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. Such forward-looking statements are subject to various risks and uncertainties and assumptions relating to our operations, financial results, financial condition, business, prospects, growth strategy and liquidity. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements. We believe that these factors include, but are not limited to, a decrease in the overall demand for leased container assets, the economic condition of the global container asset leasing industry and the ability of our lessees and potential lessees to make operating lease payments to us, the condition of the global economy and world financial markets, changes in the values of our assets, acquisition risks, competitive pressures within the industry, risks related to the geographic markets in which we and our lessees operate, our ability to retain key personnel, the impact of new or existing regulations, whether we are replaced as manager of any containers that we manage for third parties and other factors described in the section entitled “Item 1A – Risk Factors”.

The forward-looking statements made in this annual report relate only to events as of the date on which the statements are made. We do not undertake any obligation to publicly update or review any forward-looking statement except as required by law, whether as a result of new information, future developments or otherwise. We caution you not to unduly rely on the forward-looking statements when evaluating the information presented this report.

WEBSITE AND ACCESS TO COMPANY’S REPORTS

Our Internet website can be found at www.seacubecontainers.com. Our annual reports on Forms 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) are available free of charge through our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. Our Corporate Governance Guidelines, Code of Business Conduct and Ethics, and Board of Directors committee charters (including the charters of the Audit Committee, Compensation Committee, and Nominating, Corporate Governance and Conflicts Committee) are also available on our website.

The information on our website is not part of, or incorporated by reference, into this report, or any other report we file with, or furnish to, the SEC.

PART I

ITEM 1. BUSINESS

Our Company

We are one of the world's largest container leasing companies based on total assets. Containers are the primary means by which products are shipped internationally because they facilitate the secure and efficient movement of goods via multiple transportation modes, including ships, rail and trucks. The principal activities of our business include the acquisition, leasing, re-leasing and subsequent sale of refrigerated and dry containers and generator sets. We lease our containers primarily under long-term contracts to a diverse group of the world's leading shipping lines. As of December 31, 2010, we employed 75 people in seven offices worldwide, and we had total assets of $1.1 billion. We operate in a single segment.

Formation and Corporate History

We were incorporated by Seacastle Operating Company Ltd. (our "Initial Shareholder") in Bermuda in March 2010. Our Initial Shareholder is a subsidiary of Seacastle Inc. ("Seacastle"). Seacastle is owned by private equity funds that are managed by an affiliate of Fortress Investment Group LLC ("Fortress") and by employees of Seacastle and other shareholders. Container Leasing International, LLC (d/b/a SeaCube Containers, LLC), the entity through which we conduct all of our operations ("CLI"), was founded in 1993 and was acquired by an affiliate of our Initial Shareholder in 2006.

In March 2010, in preparation of our initial public offering ("IPO"), we and our Initial Shareholder formed SeaCube Container Holdings Ltd., SeaCube Container Investment LLC and SeaCube Operating Company Ltd. and entered into a series of intercompany transactions to finalize the separation of our container leasing business from the other businesses of Seacastle and to establish the appropriate organizational structure for us (the "Structure Formation"). Among other things, the formation of SeaCube Container Holdings Ltd. and SeaCube Container Investment LLC helped to simplify certain tax reporting obligations and eliminated the need for public shareholders to make certain additional tax elections that might otherwise need to be made when SeaCube formed a new subsidiary. In March 2010, all of the equity interests in CLI were transferred to one of our wholly owned subsidiaries and we continue to conduct all of our operations through CLI and its operating subsidiaries.

On October 27, 2010, the U.S. Securities and Exchange Commission (the "SEC") declared effective the registration statement relating to the Company's IPO of 10,925,000 shares at a price to the public of $10.00 per share. The Company issued 3,450,000 shares in the offering (inclusive of the underwriters' over-allotment), which less underwriting discounts and expenses resulted in net proceeds of approximately $27.3 million. The Initial Shareholder sold 7,475,000 of previously outstanding shares (inclusive of the underwriters' over-allotment).

Competitive Strengths –

We believe that the key competitive strengths that will enable us to execute our strategy include:

Leading Market Position. We are one of the world's largest container lessors and the world's largest lessor of refrigerated containers, or reefers, with approximately 27% of the refrigerated container market share based on TEUs as of December 31, 2010 (twenty foot equivalent units, or TEUs, is the international standards measure of containers). Reefers have historically demonstrated greater stability in underlying demand, pricing and lease rates than other types of containers. We believe that our strength in the reefer market provides us with certain utilization, cost, marketing and capability advantages relative to other container leasing companies with lower reefer market share.

High and Stable Utilization. For the two years ended December 31, 2010, our utilization rate averaged 96.9%. In 2009, during the first period of decline in global container trade since 1980, our utilization rate averaged 96.5% of total units. As of December 31, 2010, approximately 88.8% of our owned assets based on net book value were on long-term lease to our customers. The average remaining term of our existing lease portfolio, including both short and long-term operating leases as well as direct finance leases, was approximately 3.7 years. We believe that our focus on reefers as well as our focus on long-term and direct finance leases has enabled us to maintain high and consistent utilization rates.

Our Assets Generate Significant Cash Flow. Our assets generate significant and predictable revenues and operating cash flow that reflects our high and stable asset utilization, low customer defaults and high recovery rates, strong operating profit margins and low working capital requirements. As of December 31, 2010, our existing leases provided for approximately $882 million of contracted cash flow through the life of the remaining leases.

Long-Standing Relationships with High Quality Customers. We have an extensive history with our customers which provide us with strong relationships at senior levels of management. In addition, we have built a reputation for service, reliability and quality. We lease our containers to a diversified customer base of over 160 shipping lines throughout the world, including all of the world's 20 largest international shipping lines. Our top customers include APL, CMA-CGM, CSAV, Hanjin, MSC and Maersk Line. We believe that our customer relationships are some of the best in the industry and will enable us to continue to grow our business.

Access to Significant Amounts of Capital to Expand our Business. As of December 31, 2010, we had over $200 million of available capital to invest in new containers and pursue sale/leaseback transactions. In addition, we manage containers for a number of third-party owners and we believe that these relationships may provide us with opportunities to grow our managed fleet. We believe that our access to capital and our relationships with third-party owners will provide us with a competitive advantage and enable us to grow our business.

Experienced Management, Global and Scaleable Business Platform. Our management team has extensive experience in the acquisition, leasing, financing, technical management and sale of containers. Our key officers have an average of 12 years of related industry experience. We operate globally, using modern asset management systems designed for container leasing companies and are capable of handling a significantly larger asset portfolio without a proportional increase in overhead costs.

Growth Strategy

We plan to leverage our competitive strengths to grow our fleet and earnings by employing the following business strategies:

Continue to Invest in New Container Assets. We believe that the current industry dynamics support significant growth opportunities. Demand for containers is driven by global trade growth and slow-steaming (running containerships at slower speeds to reduce fuel costs), which means that shipping lines require more containers to deliver the same amount of cargo. Furthermore, due to the extensive capital requirements for their containership fleets, we believe that a number of shipping lines will increase the percentage of containers they lease rather than own in the near- to medium-term.

Continue to Maintain Disciplined Lease Terms. We plan to continue to target attractive returns on our assets over their life cycle by concentrating on long-term leases with a disciplined pricing structure in order to maximize our profitability and fleet utilization. Over the last three years, our renewal rate has averaged 85.0% of total units. Furthermore, we plan to continue to maintain strict underwriting standards as well as proactive credit monitoring to minimize any future credit write-offs. Over the last five years, we had net write-offs of less than $8.0 million on total billings of approximately $2.0 billion, representing approximately 0.4% of such billings.

Opportunistically Pursue Growth Opportunities. We may pursue strategic acquisitions of container leasing companies, container fleets (both on an owned and managed basis), and sale/leaseback transactions with liner companies. We believe that each of these types of transactions can allow us to grow our fleet profitably. Our management team has proven its ability to successfully execute transactions of this nature and we have confidence that we can execute more of these transactions over time. We believe that our existing management platform and expertise can support more assets without significant increases to our infrastructure or expense base due to the scalable nature of our operations.

Industry Trends

The market for container leasing is characterized by the following key trends:

Strong Growth in Container Trade. Container trade is an important component of the movement of goods through the global economy. According to Harrison Consulting, worldwide container trade has grown at an annual rate of more than 8% for over 30 years. In 2009, container trade decreased for the first time in over 30 years, with a decline of approximately 7%. Beginning in late 2009 and into 2010, trade volumes recovered. Harrison Consulting believes that worldwide containerized trade growth will revert to historical levels in the future.

Limited Supply of Existing Containers. In late 2008 and throughout 2009, new container production was limited as shipping lines and container leasing companies virtually ceased ordering new equipment. As a result, according to Harrison Consulting, the world fleet of containers shrank by approximately 4%. Furthermore, while reduced demand for containers led to declining utilization rates during the first half of 2009, utilization rates for container leasing companies began to increase in the fourth quarter of 2009, and continued to increase in 2010 for most of our peer companies.

Significant Use of Leased Equipment. Approximately 45% of the global container fleet of over 28 million TEUs is owned or managed by container leasing companies according to Harrison Consulting. We believe that the reliance on operating lessors increased in 2010 and that this is continuing into 2011 as our customers look for alternative sources of capital as well as the operational flexibility of leasing.

Our Assets

Our fleet of equipment consists of three types of container assets: refrigerated containers, dry freight containers and generator sets. These assets are either owned or managed by us on behalf of other third party owners. We lease our equipment to a diversified customer base of the world’s leading shipping lines. As of December 31, 2010, we operated approximately 520,113 containers and generator sets, representing 819,184 TEUs of containers and generator sets. As of December 31, 2010, the average age of our owned container fleet is 5.1 years.

Refrigerated Containers. Refrigerated containers, or reefers, are insulated containers that include an integrated cooling machine. These containers are typically used to carry perishable cargo such as fresh and frozen produce, meat, poultry, fish and other temperature sensitive products.

Dry Containers. A dry container is essentially a steel box with a set of doors on one end. Dry containers are the least-expensive type of intermodal container and are used to carry most types of freight.

Generator Sets. Generator sets, or gensets, are portable diesel fueled generators used to power reefers. They can be used when reefers are transported by trucks. When a reefer is carried on a containership, it is usually plugged in to the containership’s main power supply.

Our containers are either owned by us or owned by third-parties and managed by us. The table below summarizes the composition of our total fleet by the type of unit as of December 31, 2010:

Container Fleet by Units

	Refrigerated	Dry	Gensets	Total
Operating Leases	29,912	52,464	2,773	85,149
Direct Finance Leases	17,870	217,375	2,655	237,900

Total Owned	47,782	269,839	5,428	323,049
Managed	29,911	165,735	1,418	197,064
Total Fleet	77,693	435,574	6,846	520,113

The table below summarizes the composition of our owned fleet by net book value as of December 31, 2010:

Container Fleet by Net Book Value ($ in thousands)

	Refrigerated	Dry	Gensets	Total
Operating Leases	$ 332,976	$ 128,916	$ 14,674	$ 476,566
Direct Finance Leases	165,496	334,891	15,771	516,158
Total Fleet	$ 498,472	$ 463,807	$ 30,445	$ 992,724

Lease Overview

We focus on leasing our containers on long-term leases. Substantially all of our new equipment is initially leased for terms of five to eight years and approximately 88.8% of our owned assets were on long-term and direct finance leases as measured by net book value. Approximately 6.2% of our assets as measured by net book value are leased on a short-term basis to satisfy customers' peak or seasonal requirements, generally at higher rates than under long-term leases to reflect the added flexibility that short-term leases provide to our customers. As of December 31, 2010, the average remaining duration of the leases on our owned containers was 3.7 years, and our existing leases provided for total contractual cash flow of approximately $882 million (assuming early terminations only for which there are no penalties and no renewals).

We offer our customers both long-term operating leases as well as direct finance leases. Long-term operating leases are triple net leases (lessee pays rent as well as taxes, insurance and maintenance expenses that arise from the use of the leased equipment) with fixed per diems and typically have an initial term of five to eight years. Under operating leases, we bear the re-leasing and residual value risks. Long-term operating leases for our assets can contain an early termination provision allowing the lessee to return equipment prior to expiration of the lease upon payment of an early termination fee or a retroactively applied increase in lease payments. We have experienced minimal early returns of our equipment under our long-term leases, primarily because of the penalties involved. Additionally, customers may bear substantial costs related to repositioning and repair upon return of the equipment.

Under a direct finance lease, the customer commits to a fixed lease term and typically receives a bargain purchase option at the expiration of the lease. Under this type of lease, the substantive risks and rewards of equipment ownership are transferred to the lessee. The lease payments are segregated into principal and interest components similar to a loan. The interest component, calculated using the effective interest method over the term of the lease, is recognized by us as finance revenue. The principal component of the lease payments is reflected as a reduction to the net investment in the direct finance lease asset in our cash flow statement. As a result, we do not bear utilization or residual value risk for assets that are subject to direct finance leases.

Frequently, a lessee will retain long-term leased equipment well beyond the initial lease term. In these cases, long-term leases will be renewed at the then prevailing market rate, for one to five- year periods or as a direct finance lease. Over the last three years, our renewal rate averaged 85.0% of total units.

We believe that our fleet of reefers as well as our portfolio of long-term and direct finance leases has enabled us to maintain high and consistent historical utilization rates. The average utilization rates for our total fleet as measured in units are as follows:

Average Utilization (Units)

	Q1	Q2	Q3	Q4	Year
2010	97.2 %	98.2 %	98.2 %	98.1 %	97.9 %

2009	97.5	%	96.7	%	95.6	%	96.3	%	96.5	%
2008	98.5	%	98.0	%	98.3	%	98.1	%	98.2	%

Lease rentals are typically calculated on a per diem basis, regardless of the term of the lease. Our leases generally provide for monthly billing and require payment by the lessee within 60 days after presentation of an invoice. Typically, the lessee is responsible for payment of all taxes, handling charges and other charges arising out of use of the equipment and must carry specified amounts of insurance to cover physical damage to and loss of equipment, as well as bodily injury and property damage to third parties. In addition, our leases usually require lessees to repair any damage to the containers other than normal wear and tear. Lessees are also required to indemnify the lessor of the equipment against losses arising from accidents and other occurrences involving the leased equipment. All of our operating leases, both short-term and long-term, generally set forth a list of locations where lessees may return equipment, along with any monthly quantity return limits. In addition, our containers typically remain on-hire at the contractual per diem rate for an additional six to twelve months beyond the end of the contractual lease term due to the logistical requirements of our customers having to return containers to specific drop-off locations.

Marketing and Customer Service

We lease our containers to a diversified customer base of over 160 shipping lines throughout the world, including all of the world's 20 largest international shipping lines. Our global sales and customer service force is responsible for developing and maintaining relationships with senior operations staff at our shipping line customers, negotiating lease contracts and maintaining day-to-day coordination with operating level staff at our customers. This close customer communication allows us to negotiate lease contracts that satisfy both our financial return requirements and our customers' operating needs and ensures that we are aware of our customers' potential equipment shortages and that they are aware of our available container inventories.

Operations

All container equipment, whether owned or managed, is operated as a single fleet. We are responsible for providing marketing, billing and collection services as well as arranging for the repair of all equipment in the fleet that is not on lease. To the extent that equipment is managed for other third party investors, these investors bear the risks of equipment ownership. We remit the revenues earned by their equipment, net of any operating expenses and bad debts related to their equipment. In addition, they receive the proceeds from the sale of their equipment at the end of its useful life. In return for these management services, we earn management fees based on the net operating income of the fleet.

Depots. We have relationships with 193 depot facilities and operate in all major containerized transportation markets throughout the world. Depots are facilities owned by third parties at which containers and other items of transportation equipment are stored, maintained and repaired. We utilize independent agents/depots to handle and inspect containers delivered to, or returned by lessees, as well as to store containers that are not leased and to perform maintenance and repairs. Some agents are paid a fixed monthly retainer to defray recurring operating expenses and some are paid a minimum level of commission income. In addition, we generally reimburse our agents for incidental expenses.

Repositioning and Other Operating Expenses. If lessees return a large number of units to a location with a larger supply than demand, we, as the owner of equipment, may incur additional expenses in repositioning the equipment to a more favorable location. In addition, there are other operating expenses associated with the containers, such as costs of maintenance and repairs not required to be made by lessees, agent fees, depot expenses for handling, inspection and storage, and insurance coverage in excess of that maintained by the lessee.

Maintenance, Repairs and Refurbishment. As containers age, the need for maintenance increases. Our customers are generally responsible for maintenance and repairs of equipment other than normal wear and tear. When normal wear and tear or other damage is extensive, the container is usually sold or scrapped since major repairs are typically not cost effective.

Redeployment and Disposition of Containers. Containers that were previously on lease are generally redeployed by us under new leases or are sold by us to shipping or transportation companies for continued use in the intermodal transportation industry or to secondary market buyers such as wholesalers, depot operators, mini-storage operators, construction companies and others, for use as storage sheds and similar structures. The presence of our dedicated resale team in Europe, Asia, North and South America allows us to sell our used containers directly to the retail market that generally commands higher pricing.

The decision to sell depends on the equipment's condition, remaining useful life and suitability for continued leasing or for other uses, as well as prevailing local market resale prices and an assessment of the economic benefits of repairing and continuing to lease the equipment compared to the benefits of selling.

The selling price of a container will depend upon, among other factors, its mechanical or economic obsolescence, its physical condition and its location. While there have been no major technological advances in the history of dry freight containerization that have made active dry freight equipment obsolete, several changes in standards have decreased the demand for older equipment, such as the increase in the standard height of containers from 8 feet to 81/2 feet in the early 1970s, and for 20 foot long containers, an increase in the gross weight rating to 30 tons from 24 tons. In addition, 40 foot long containers are manufactured to a standard height of 81/2 feet as well as to a height of 91/2 feet (also referred to as a "high cube"). While containers of both heights continue to be manufactured, 40 foot long high cube containers have become more popular recently.

Our Suppliers

We purchase the majority of our containers in China. We primarily use three large manufacturers of reefers and three large manufacturers of dry freight containers. Four companies are active in manufacturing the refrigeration units for reefers. Our technical staff reviews the designs for our containers and periodically audits the production facilities of our suppliers. In addition, we use our Asian operations group and third-party inspectors to visit factories when our containers are being produced to provide an extra layer of quality control. We have long relationships with all of our major container suppliers.

Competition

We are one of the world's largest container lessors and the world's largest lessor of reefers. According to Harrison Consulting, as of December 31, 2010, we had approximately 27% of the refrigerated containers market share based on TEUs and our share of the total container market was approximately 9% based on replacement cost. We compete with several other major container leasing companies, many smaller leasing companies, manufacturers of container equipment, financial institutions such as banks, promoters of container ownership and leasing as a tax shelter investment, shipping lines, which sometimes lease their excess container stock, and suppliers of alternative types of equipment for freight transport. The top five container leasing companies control approximately 64% of the total equipment held by all container leasing companies based on TEUs. It is common for the shipping lines to utilize several leasing companies to meet their container needs.

Our competitors compete with us in many ways, including pricing, lease flexibility, supply reliability, customer service and access to capital. While we compete aggressively on price, we believe that our reliable supply of containers, in-depth customer knowledge and high level of customer service are often defining factors in winning business. We invest heavily to ensure adequate container availability in high demand locations, dedicate large portions of our organization to building customer relationships and maintain close day-to-day coordination with our customers' operating staffs. We believe that our close customer relationships, experienced staff, reputation for market leadership, scale efficiencies and proprietary systems provide important competitive advantages.

Environmental and Other Regulations

We are subject to federal, state, local and foreign laws and regulations relating to the protection of the environment, including those governing the discharge of pollutants to air and water, the management and disposal of hazardous substances and wastes and the cleanup of contaminated sites. Under some environmental laws in the United States and certain other countries, the owner or operator of a container may be liable for environmental damage, cleanup or other costs in the event of a spill or discharge of material from the container without regard to the fault of the owner or operator. We could incur substantial costs, including cleanup costs, fines and third-party claims for property or natural resource damage and personal injury, as a result of violations of or liabilities under environmental laws and regulations in connection with our or our lessee's current or historical operations. While we typically maintain liability insurance coverage and typically require our lessees to provide us with indemnity against certain losses, the insurance coverage is subject to large deductibles, limits on maximum coverage and significant exclusions and may not be sufficient or available to protect against any or all liabilities and such indemnities may not cover or be sufficient to protect us against losses arising from environmental damage.

Many countries, including the United States, restrict, prohibit or otherwise regulate the use of certain kinds of refrigerants. The refrigerant specified by virtually all reefer box operators is R134a (also known as HFC134a). R134a is used in substantially all of our reefers. Regulation of refrigerants may become stricter in the future and R134a may, at some point, become due for replacement and phase-out. Market pressure or government regulation of refrigerants and synthetic insulation materials may require reefers using non-conforming substances to be retrofitted with refrigerants deemed to be less destructive to atmosphere ozone at substantial cost to us. In addition, reefers that are not retrofitted may command lower prices in the market for used containers once we retire these containers from our fleet.

Insurance

Lessees and storage depots generally must either carry physical damage and liability insurance providing primary insurance coverage for loss and damage to the containers, cargo, and third parties while the containers are in their care, custody and control or provide proof of creditworthiness to self insure. In addition, we maintain liability coverage, including contingent liability coverage for any claims or losses, including while the containers are on-hire to a lessee or otherwise in the possession of a third party.

Existing insurance guidelines for lessees are explicitly stated in each lease and we require certificates evidencing lessees' insurance prior to delivery of containers. Minimum insurance guidelines generally requested in most of the lease agreements are as follows:

All Risks Physical Damage Insurance in an amount equal to 100% of the replacement value of all equipment leased thereunder while on land, afloat, in transit, or at rest anywhere in the world.

Comprehensive General Liability Insurance, including contractual liability against claims for bodily injury or death and property damage, including cargo damage, in an amount not less than $1 million combined single limit.

The insurance companies from which the policies are purchased must be acceptable to us. To the extent any claim is not recovered by the policy, the lessee remains liable for the full amount of the claim. We do not offer any insurance product except, in limited instances, a Damage Protection Plan (DPP) which covers certain damages to the containers. The precise nature and amount of such insurance may vary from lessee to lessee. Some lessees may also be self-insured.

Credit Process

We maintain detailed customer credit records. Our credit policy sets maximum exposure guidelines for each customer. Credit criteria may include, but are not limited to financial strength, customer trade route, country, social and political climate, assessments of net worth, asset ownership, bank and trade credit references, credit bureau reports, operational history and payment history with us.

We have benefited from strong credit performance. The table below shows write-offs, net of recoveries, as a percentage of net billings over the last five years. The figures below are adjusted to coincide with the year of default.

Net Write-Offs as a Percentage of Net Billings

2006	2007	2008	2009	2010
0.10 %	0.59 %	0.86 %	0.79 %	0.00 %

We believe that this strong credit performance is due to our comprehensive credit underwriting and monitoring in addition to certain attributes of our business including the size and quality of our customers and our ability to recover containers and remarket them in default situations.

In some cases, we seek to reduce credit risk by maintaining insurance coverage against customer insolvency and related equipment losses. We maintain contingent physical damage, recovery and loss of revenue insurance, which provides coverage upon the occurrence of a customer's insolvency, bankruptcy or default giving rise to our demand for return of all of our equipment. Subject to the applicable deductible, the policy covers the cost of recovering our equipment from the customer, including repositioning cost, damage to the equipment and the value of equipment which could not be located or was uneconomical to recover. It also covers a portion of the equipment leasing revenues that we might lose as a result of the customer's default (i.e., up to 180 days of lease payments following an occurrence under the policy).

This insurance policy provides coverage for both the equipment owned by us and the equipment we manage for third party investors. We are reimbursed for the premiums related to the portion of the coverage related to the managed equipment. Any losses related to managed equipment in excess of the amounts due from the insurance coverage are the responsibility of the third party investor.

Customer Concentration

Revenue from our ten largest customers represented 64% of revenue for the year ended December 31, 2010. Although each individual lease covers a distinct group of containers and no single lease with any customer contributed more than 5% of our revenue, for the year ended December 31, 2010, the aggregate revenue from CSAV, our single largest customer, accounted for approximately 16% of our revenue for the year ended December 31, 2010. In addition, Mediterranean Shipping and CMA-CGM accounted for approximately 14% and 10%, respectively, of our revenue for the year ended December 31, 2010.

Our customers use containers to conduct their global trading operations which utilize a vast network of worldwide trade routes. We earn our revenues from such customers when the equipment is in use carrying cargo around the world. Substantially all of our revenues are denominated in U.S. dollars. All of our containers are used internationally and no one container is domiciled in one particular place for a prolonged period of time. As such, substantially all of our long-lived assets are considered to be international with no single country of use.

Systems and Information Technology

We have fully integrated equipment fleet management systems. Our systems track all of our assets individually by unit number, provide design specifications for the equipment, track on-hire and off-hire transactions, match each on-hire asset to a lease contract and each off-hire asset to a depot contract, maintain the major terms for each lease contract, track accumulated depreciation, calculate the monthly bill for each customer and track bills for equipment repairs. Our systems are EDI capable, which means they can receive and process container activity transactions electronically.

Employees

As of December 31, 2010, we employed 75 people, in seven offices worldwide. We believe that our relations with our employees are good. We are not a party to any collective bargaining agreements.

ITEM 1A. RISK FACTORS

The section below discusses the most significant risks that may materially affect our business, results of operations and financial condition. Because of the following risks, as well as other factors affecting the Company's business, results of operations and financial condition, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods.

Risks Related to Our Business

Global economic growth and the volume of world trade are critical factors affecting demand for containerized leasing, and a decline in world trade can adversely affect our business.

Demand for leasing our containers depends largely on the extent of world trade and economic growth, with U.S. consumer demand being the most critical factor affecting this growth. Economic downturns in one or more countries, particularly in the United States, the European Union, Asia and other countries and regions with consumer-oriented economies, have in the past, and in the future could, reduce world trade volume and/or demand by container shipping, rail and trucking lines for leased containers. Cyclical recessions can negatively affect lessors' operating results because during economic downturns or periods of reduced trade, shipping lines tend to lease fewer containers and related assets or lease containers only at reduced rates, and tend to rely more on their own equipment and fleets to satisfy a greater percentage of their requirements. Thus, decreases in the volume of world trade may adversely affect our leased asset utilization and lease rates and lead to reduced revenue, reduced capital investment, increased operating expenses (such as storage and positioning) and reduced financial performance.

The recent global recession, which began in 2008 and deepened in 2009, demonstrated the negative impact that an economic downturn can have on our business. As a result of that downturn, container trade decreased by approximately 7% during the year ended December 31, 2009. This led to reduced demand for containers, lower utilization and lease rates and adversely affected our results of operations. Although the containerized trade market has recovered, we cannot assure you that any recovery will continue, and further cannot predict whether, or when, any future economic downturns will occur. If demand for container shipping recovers more slowly than we anticipate, or if demand starts to decrease again, our financial performance may be adversely affected, and the impact to our financial results could be significant.

The demand for leased containers depends on many economic, political and other factors beyond our control and these factors may adversely affect our business.

We believe that a substantial amount of our leasing business involves shipments of goods exported from Asia. As a result, a negative change in economic conditions in any Asia Pacific country, particularly in China or Japan, may have an adverse affect on our business and results of operations, as well as our future prospects. In particular, in recent years, China has been one of the world's fastest growing economies in terms of gross domestic product and has become one of the world's largest and fastest growing exporters. We cannot assure you that such growth will be sustained or that the Chinese economy will not experience slower or negative growth in the future, or that trade relations with China will not deteriorate. Moreover, if changes in exchange rates between the Chinese yuan and other currencies were to occur, the growth of Chinese exports could be affected. In addition, from time to time, there have been other disruptions in Asia, such as health scares, including SARS and avian flu, financial markets turmoil, natural disasters and political instability in certain countries. If these events were to occur in the future, they could adversely affect our lessees, a number of whom are entities domiciled in Asian countries, and the general demand for shipping and lead to reduced demand for leased containers or otherwise adversely affect us.

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

- the available supply and prices of new and used containers;
- the availability and terms of equipment financing;

- fluctuations in interest rates and foreign currency values;
- economic conditions, and competitive pressures and consolidation in the shipping industry;
- the globalization of manufacturing;
- changes in the operating efficiency of our customers;
- fluctuations in supply and demand for products suitable for shipping in containers;
- fuel costs and their impact on overall transportation costs;
- developments in international trade and shifting trends and patterns of cargo and trucking traffic;
- the price of steel and other raw materials;
- acts of God such as droughts, storms, or other natural disasters such as the recent earthquake in Chile, which is reported to have damaged shipping ports and disrupted agricultural and fishing operations, flu or other pandemics that result in economic disruptions that may disrupt or interfere with trade or otherwise affect local and global economies;
- overcapacity or undercapacity of the container manufacturers;
- the lead times required to purchase containers;
- the number of containers purchased by competitors and lessees;
- increased repositioning by container shipping lines of their own empty containers, as the case may be, to higher-demand locations in lieu of leasing equipment from us;
- consolidation or withdrawal of individual lessees in the container shipping industry;
- import/export tariffs, trade barriers and restrictions;
- customs procedures, foreign exchange controls and other environmental and regulatory developments; and
- global and regional economic and political conditions.

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

Our ability to grow our business depends on a continuing recovery of global demand for containers.

Our ability to grow our business depends on a continuing recovery of global demand for containers. Although we have begun to see signs of recovery in containerized trade volume and our utilization rate, this recovery may not continue as rapidly and strongly as anticipated or at all. If demand for container shipping does not continue to recover as we expect, or if demand starts to decrease again, it is possible we may not be able to grow our business and our results of operations may be adversely affected for several years.

Volatile macroeconomic and business conditions have and could continue to negatively impact our business.

The global financial markets recently have undergone and may continue to experience significant volatility and disruption. The sustainability of an economic recovery is uncertain and additional macroeconomic, business and financial disruptions could have a material adverse effect on our business, cash flows and financial condition, as well as our future prospects. Continued issues involving liquidity and capital adequacy affecting lenders could affect our ability to fully access our credit facilities or obtain additional debt and could affect the ability of our lenders to meet their funding requirements when we need to borrow. Further, the volatility in the equity markets may make it difficult in the future for us to access the equity markets for additional capital at attractive prices, if at all. The recent credit crisis in Greece, for example, and concerns over debt levels of certain other European Union member states, increased volatility in global credit and equity markets. If we are unable to access existing credit, obtain new credit or access the capital markets, our business could be negatively impacted, as could our ability to pay dividends. See "We intend to incur substantial additional debt and issue substantial additional equity in order to expand our business and pay dividends."

We further believe that many of our customers are reliant on liquidity from global credit markets and, in some cases, require external financing to fund a portion of their operations. As a consequence, if our customers lack liquidity, it would likely negatively impact their ability to pay amounts due to us.

These and other factors affecting the container industry are inherently unpredictable and beyond our control.

Equipment prices and lease rates may decrease, which may adversely affect our earnings.

Container lease rates depend on the cost of the container, the type and length of the lease, the type and age of the container equipment, competition, the location of the container being leased, and other factors more fully discussed herein. Because steel is the major component used in the construction of new containers, the price for new containers, as well as prevailing lease rates, are both highly correlated with the price of steel. In the late 1990s, new equipment prices and lease rates declined due to, among other factors, a drop in worldwide steel prices and a shift in container manufacturing from Taiwan and Korea to areas with lower labor costs in mainland China. Such factors, among others, may cause container prices and leasing rates to fall again. In 2009, new equipment prices and lease rates declined due to a lack of demand for containerized cargo. However, in 2010, new equipment prices and lease rates increased due to a shortage of production capacity and increased demand for containers.

In addition, lease rates can be negatively impacted by the entrance of new leasing companies, overproduction of new containers by factories and over-buying by shipping lines and leasing competitors. For example, during 2001 and 2005, overproduction of new containers, coupled with a build-up of container inventories in Asia by leasing companies and shipping lines, led to decreasing prices and utilization rates. In the event that the container shipping industry were to be characterized by over-capacity in the future, or if available supply of intermodal assets were to increase significantly as a result of, among other factors, new companies entering the business of leasing and selling intermodal equipment, both utilization and lease rates can be expected to decrease, thereby adversely affecting the revenues generated by our container leasing business.

We face extensive competition in the container leasing industry, and if we are not able to compete successfully, our business will be harmed.

The container leasing industry is highly competitive. We compete with many domestic and foreign container leasing companies, many smaller lessors, financial institutions such as banks, promoters of container ownership, shipping lines, which sometimes lease their excess container stocks, and suppliers of alternative types of equipment for freight transport. Some of these competitors may have large, underutilized inventories of containers, which could lead to significant downward pressure on lease rates, asset utilization and operating margins.

Competition among container leasing companies depends upon many factors, including, among others, lease rates, lease terms (including lease duration, drop-off restrictions and repair provisions), customer service, and the location, availability, quality and individual characteristics of equipment as well as quality and experience of an equipment manager. New entrants into the leasing business have been attracted by the high rate of containerized trade growth in recent years, and new entrants have generally been less disciplined, in our opinion, than we are in pricing and structuring leases. As a result, the entry of new market participants together with the already highly competitive nature of our industry, may undermine our ability to maintain a high level of asset utilization or, alternatively, could force us to reduce our pricing and accept lower revenue and profit margins in order to achieve our growth plans.

Our customers may decide to buy rather than lease containers, which would adversely affect our earnings.

We, like other suppliers of leased containers, are dependent upon decisions by shipping lines to lease rather than buy their containers. If shipping lines decide to buy a larger percentage of the containers they operate, our utilization rates would decrease, resulting in decreased leasing revenue, increased storage and repositioning costs and lower operating cash flow. Most of the factors affecting the decisions of our customers, including whether to lease or buy their equipment, are outside our control. See “The demand for leased containers depends on many economic, political and other factors beyond our control and these factors may adversely affect our business.”

While the percentage of containers leased compared with the percentage of containers owned by shipping companies has been fairly steady historically, several factors may cause the percentage of leased containers to decrease in the future. These factors include, among other things, access of shipping lines to lower-cost bank financing, the consolidation of the shipping industry and improvements in information technology. The materialization of any of such trends could negatively affect our business.

Lessee defaults and terminations of agreements by our customers may adversely affect our financial condition, results of operation and cash flow by decreasing revenue and increasing storage, positioning, repair, collection and recovery expenses.

Our containers are leased to numerous customers. Lease payments and other compensation, as well as indemnification for damage to or loss of leased containers, is generally payable by the end users under leases and other arrangements. Inherent in the nature of the leases and other arrangements for use of the containers is the risk that once a lease is consummated, we may not receive, or may experience delay in realizing, all of the compensation and other amounts to be paid in respect of the leased containers. Furthermore, not all of our customers provide detailed financial information regarding their operations. As a result, customer risk is in part assessed on the basis of our customers' reputation in the market, and there can be no assurance that they can or will fulfill their obligations under the contracts we enter into with them. Our customers could incur financial difficulties, or otherwise have difficulty making payments to us when due for any number of factors which may be out of our control and which we may be unable to anticipate. If a sufficient number of our customers were to default or were to terminate or restructure their agreements with us, in particular one or more of our largest customers, it could have a material adverse effect on our results of operation. We do not maintain any credit insurance with respect to non-payment of receivables by our lessees. A delay or diminution in amounts received under the leases and other arrangements could adversely affect our business and financial prospects and our ability to make payments on our debt or to pay dividends to our shareholders.

In general, the profitability of our shipping line customers deteriorated significantly in 2008 due to decreasing freight rates caused by excess vessel capacity and most major shipping lines recorded large financial losses in 2009. These losses increased the risk of default by our customers. While most of our customers have reported improving financial performance and productivity, we cannot be assured this will continue in the future.

The cash flow from our containers, principally lease rentals, management fees, and proceeds from the sale of owned containers, is affected significantly by the ability to collect payments under leases and other arrangements for the use of the leased equipment and the ability to replace cash flows from terminating leases by re-leasing or selling leased equipment on favorable terms. All of these factors are subject to external economic conditions and the performance by lessees and service providers that will not fully be within our control.

When lessees default, we may fail to recover all of our leased containers, and the containers we do recover may be returned in damaged condition or to locations where we will not be able to efficiently re-lease or sell them. We may have to repair and reposition such recovered containers to other places where we can re-lease or sell them, which could be expensive depending on the locations and distances involved. As a result, we may lose lease or management revenues and incur additional operating expenses in repossessing, repositioning, repairing and storing the equipment.

We depend on a limited number of customers for a substantial portion of our revenue, and the loss of, or a significant reduction in revenue resulting from a default by, any key customer could significantly reduce our revenue.

A significant portion of our revenue is derived from a relatively small number of customers. We earned approximately 64%, 61% and 64% of revenues from our top ten customers for the years ended December 31, 2010, 2009 and 2008, respectively. Although each individual lease covers a distinct group of containers and no single lease with any customer contributed more than 5% of our revenue for the year ended December 31, 2010, the aggregate revenue from CSAV, our single largest customer, accounted for approximately 16% of our revenue for the year ended December 31, 2010. In addition, Mediterranean Shipping and CMA-CGM accounted for approximately 14% and 10%, respectively, of our revenue for the year ended December 31, 2010. Our operating results in the foreseeable future will continue to depend on our ability to enter into agreements with these customers. The loss of, or a significant reduction in revenue from, any of our key customers, or a default by any key customers on its obligations under any contract with us, or the restructuring of lease agreements due to economic circumstances facing our customers would significantly reduce our revenue and adversely affect our business.

In addition, some of the contracts under which we lease our containers contain early termination provisions. Although in the past we have experienced minimal early returns due in part to penalties including early termination fees and costs associated with repairs and repositioning upon return borne by lessees, we cannot assure you that the number of leases that our customers terminate early will not increase in the future. This increase could happen due to any number of factors that are outside of our control, such as financial difficulty or a business downturn experienced by any of our customers. We may also elect to terminate leases with a customer and demand the immediate redelivery of our containers due to non-payment or other defaults, which would significantly reduce our revenue and adversely impact our business.

The volatility of the residual value of containers upon expiration of their leases or at the time of their sale could adversely affect our operating results.

Although our operating results primarily depend upon equipment leasing, profitability is also affected by the residual values (either for sale or re-leasing) of the containers upon expiration of their leases or at the time of their sale. These values, which can vary substantially, depend upon, among other factors:

- the age of our equipment;
- expenses associated with off-hire, storage, repair, repositioning and re-marketing of returned equipment;
- prevailing economic conditions;
- supply and demand for similar types of equipment;
- the current cost of comparable new equipment, which is partially dependent on raw material costs including steel;
- changes in lessees’ requirements;
- the availability of used equipment;
- rates of inflation; and
- the obsolescence of certain types of equipment in our fleet.

Most of these factors are outside of our control. Operating leases, under which we derived 53% of our revenue for the year ended December 31, 2010, are subject to greater residual risk than direct finance leases because we own the containers at the expiration of an operating lease term. If the residual value of our assets during any period proves lower than anticipated, our operating results may be adversely affected. Furthermore, we base our decision to invest in new containers in part on our expectations of our ability to sell or re-lease existing assets. To the extent we fail to anticipate the degree to which we need to replace existing assets, we may not have sufficient assets to meet demand and would therefore forgo revenues.

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

Changes in the political, economic or financial conditions of China, which could increase the market price, availability or transportation costs of containers, could adversely affect our ability to maintain our supply of equipment. China is currently the largest container producing nation in the world. We currently purchase the vast majority of our containers from manufacturers in China. In the event that it were to become more expensive for us to procure containers in China or to transport these containers at a low cost from China to the locations where they are needed, because of changes in exchange rates between the U.S. Dollar and Chinese Yuan, further consolidation among container suppliers, a shift in United States trade policy towards China, increased tariffs imposed by the United States or other governments, increased fuel costs, a significant downturn in the political, economic or financial conditions in China, or for any other reason, we would have to seek alternative sources of supply. We may not be able to make alternative arrangements quickly enough to meet our equipment needs, and any alternative arrangements may increase our costs.

We depend on key personnel, and we may not be able to operate and grow our business effectively if we lose the services of any of our key personnel or are unable to attract qualified personnel in the future.

The success of our business is heavily dependent on our ability to retain our current management and other key personnel and to attract and retain qualified personnel in the future. In particular, we are dependent upon the management and leadership of Joseph Kwok. Competition for senior management personnel is intense, and we may not be able to retain our personnel. The loss of key personnel could affect our ability to run our business effectively. Although we have entered into at will employment agreements with certain of our key personnel, these agreements do not ensure that our key personnel will continue in their present capacity with us for any particular period of time. Although Mr. Kwok also serves as the Chairman of Seacastle Inc., the parent company of our Initial Shareholder, and as the Chairman of Seacastle Holdings LLC, a wholly owned subsidiary of our Initial Shareholder, he is required to devote 80% or more of his time and attention to our business. We do not have key man insurance for any of our current management or other key personnel. The loss of any key personnel requires the remaining key personnel to divert immediate and substantial attention to seeking a replacement. An inability to find a suitable replacement for any departing executive officer on a timely basis could adversely affect our ability to operate and grow our business.

The international nature of the industry exposes us to numerous risks.

Our ability to enforce lessees' obligations under our leases for use of our containers will be subject to applicable law in the jurisdictions in which enforcement is sought or the country of domicile of the lessee. Our containers are manufactured primarily in China and are predominantly used on international waterways, and our lessees are domiciled in many different countries. It is not possible to predict, with any degree of certainty, the jurisdictions in which enforcement proceedings may be commenced. For example, repossession from defaulting lessees may be difficult and more expensive in jurisdictions whose laws do not confer the same security interests and rights to creditors and lessors as those in the United States and in jurisdictions where recovery of equipment from the defaulting lessee is more cumbersome. As a result, the relative success and expedience of enforcement proceedings with respect to the containers in various jurisdictions also cannot be predicted. As more of our business shifts to areas outside of the United States and Europe, such as China, it may become more difficult and expensive to enforce our rights and recover our containers. If the number and size of defaults increases in the future, and if a large percentage of the defaulted containers are located in countries with less developed legal systems, losses resulting from recovery payments and unrecovered containers could be large and could negatively impact our profitability.

We are also subject to risks inherent in conducting business across national boundaries, any one of which could adversely impact our business. These risks include:

- regional or local economic downturns;
- changes in governmental policy or regulation;
- restrictions on the transfer of funds into or out of the country;
- potential liabilities relating to foreign withholding taxes;
- compliance with U.S. Treasury sanctions regulations restricting doing business with certain nations or specially designated nationals;
- compliance with the Foreign Corrupt Practices Act;
- import and export duties and quotas;
- domestic and foreign customs and tariffs;
- military outbreaks or terrorist attacks;
- government instability;
- nationalization of foreign assets;
- government protectionism;
- compliance with export controls, including those of the U.S. Department of Commerce;
- compliance with import procedures and controls, including those of the U.S. Department of Homeland Security;
- potentially negative consequences from changes in tax laws;
- higher interest rates;
- requirements relating to withholding taxes on remittances and other payments by subsidiaries;
- labor or other disruptions at key ports;
- difficulty in staffing and managing widespread operations; and
- restrictions on our ability to own or operate subsidiaries, make investments or acquire new businesses in these jurisdictions.

Any one of these factors could impair our current or future international operations and, as a result, harm our overall business, financial condition and results of operations.

We may incur costs and business disruptions associated with new security regulations regarding our containers.

We are, and will likely continue to be, subject to regulations promulgated in various countries, including the United States, seeking to protect the integrity of international commerce and prevent the use of containers for international terrorism or other illicit activities. For example, the Container Security Initiative, the Customs-Trade Partnership Against Terrorism and Operation Safe Commerce are among the programs administered by the U.S. Department of Homeland Security that are designed to enhance security for cargo moving throughout the international transportation system by identifying existing vulnerabilities in the supply chain and developing improved methods for ensuring the security of containerized cargo entering and leaving the United States, including pre-screening containers that pose a risk at the port of departure prior to arrival at U.S. ports and/or the use of conveyance security devices. Moreover, the International Convention for Safe Containers, 1972 (CSC), as amended, adopted by the International Maritime Organization, applies to new and existing containers and seeks to maintain a high level of safety of human life in the transport and handling of containers by providing uniform international safety regulations. Inspection procedures can result in the seizure of contents of our containers, delays in the loading, offloading or delivery and, in some instances, the levying of customs duties, fines or other penalties against container operators and owners. Changes to inspection procedures could also impose additional costs and obligations on our lessees and may, in certain cases, render the shipment of certain types of cargo uneconomic or impractical.

As these regulations develop and change, we may incur increased compliance costs due to the acquisition of new, compliant containers and/or the adaptation of existing containers to meet any new requirements imposed by such regulations. Additionally, certain companies are currently developing or may in the future develop products designed to enhance the security of containers transported in international commerce. Regardless of the existence of current or future government regulations mandating the safety standards of intermodal shipping containers, our competitors may adopt such products or our customers may require that we adopt such products in the conduct of our container leasing business. In responding to such market pressures, we may incur increased costs, which could have a material adverse effect on our financial condition and results of operations.

Terrorist attacks could negatively impact our operations and our profitability and may expose us to liability and reputational damage.

Terrorist attacks may negatively affect our operations and your investment. Such attacks in the past have caused uncertainty in the world financial markets and economic instability in the United States and elsewhere, and further acts of terrorism, violence or war could similarly affect world financial markets and trade, as well as the industries in which we and our customers operate. In addition, terrorist attacks or hostilities may directly impact ports our containers come in and out of, depots, our physical facilities or those of our suppliers or customers and could impact our sales and our supply chain. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all. A severe disruption to the worldwide ports system and flow of goods could result in a reduction in the level of international trade in which our containers are involved and lower demand for containers. The consequences of any terrorist attacks or hostilities are unpredictable, and we may not be able to foresee events that could have an adverse effect on our operations or your investment.

It is also possible that our containers could be involved in a terrorist attack. Although our lease agreements require our lessees to indemnify us against all damages arising out of the use of our containers, and we carry insurance to potentially offset any costs in the event that our customer indemnifications prove to be insufficient, we may not be fully protected from liability arising from a terrorist attack which utilizes our containers. In addition, any terrorist attack involving any of our containers may cause reputational damage, or other losses, which could be catastrophic to our business.

Environmental liability may adversely affect our business and financial condition.

Like other companies, we are subject to federal, state, local and foreign laws and regulations relating to the protection of the environment, including those regulating discharges to air and water, health and safety and the use and disposal of hazardous substances. We and the third party equipment owners could incur substantial costs, including cleanup costs, fines and third-party claims for property damage and personal injury, as a result of violations of or liabilities under environmental laws and regulations in connection with our current or historical operations. Under some environmental laws in the United States and certain other countries, the owner of a leased container may be liable for environmental damage, cleanup or other costs in the event of a spill or discharge of material from a container without regard to the owner’s fault. While we maintain insurance and require lessees to indemnify us against certain losses, such insurance and indemnities may not cover or be sufficient to protect us and our third party equipment owners against losses arising from environmental damage.

Moreover, environmental laws are subject to frequent change and have tended to become more stringent over time. For example, the refrigerant specified by virtually all reefer box operators and used in substantially all of our reefers is R134a (also known as HFC134a). R134a, like other refrigerants used before R134a became the industry standard, may, at some point, become due for replacement and phase-out. Market pressure or government regulation of refrigerants and synthetic insulation materials may require reefers using non-conforming substances to be retrofitted with refrigerants deemed to be less destructive to atmosphere ozone at substantial cost to us. Regulatory initiatives in the European Union and California to phase out R134a in automotive cooling systems may in the future increase pressure on the continued use of R134a in reefers. In addition, reefers that are not retrofitted may command lower prices in the market for used containers once we retire these containers from our fleet.

Increased concerns over climate change and current and future regulation of greenhouse gas emissions could have a material effect on our business. Regulatory initiatives at international, national and local levels to reduce the emission of greenhouse gasses could increase the cost of container shipping and the demand for our containers. Concerns over climate change could also favor competing local products over products shipped over long distances. In addition, the effects of climate change may produce more variable or severe weather events that can adversely affect marine shipping. Each of these events could increase our cost of operations or affect our profitability.

These or other additional environmental laws and regulations may be adopted that could limit our ability to conduct business or increase the cost of our doing business, which may have a materially negative impact on our business, results of operation and financial condition. New regulations could diminish the resale value or useful lives of our containers, require us to retrofit our assets for continued use, or other operational changes or restrictions. For example, restrictions could be imposed on the use of certain woods in container flooring. Additionally, environmental-related laws and regulations may prohibit or restrict shipment of certain cargos that could impact the use of our containers. For example, the Lacey Act prohibits the importation of certain protected woods into the United States.

Certain liens may arise on our equipment.

Substantially all of our container assets currently are subject to liens relating to existing financing arrangements and, in the event of a default under any of those arrangements, the lenders thereunder would be permitted to take possession of or sell our container assets.

In addition, depot operators, repairmen, transporters, vessel mortgagees and other parties may come into possession of our containers from time to time and have sums due to them from the lessees or sublessees of the containers. In many jurisdictions, a maritime lienholder may enforce its lien by arresting a containership through foreclosure proceedings. In the event of nonpayment of those charges by the lessees or sublessees, we may be delayed in, or entirely barred from, repossessing the containers or be required to make payments or incur expenses to discharge such liens on the equipment.

The lack of an international title registry for containers increases the risk of ownership disputes.

Although the Bureau International des Containers registers and allocates a unique four letter prefix to every container in accordance with ISO standard 6346 (Freight container coding, identification and marking) there is no internationally recognized system of recordation or filing to evidence our title to containers nor is there an internationally recognized system for filing security interest in containers. While this has not historically been an issue, the lack of a title recordation system with respect to containers could result in disputes with lessees, end-users, or third parties, such as creditors of end-users, who may improperly claim ownership of the containers, especially in countries with less developed legal systems.

Container investors may elect not to have us manage their containers, which could adversely affect our business, results of operations and financial condition.

A percentage of our revenue is attributable to management fees earned on services related to the leasing of containers owned by container investors. Our ability to continue to retain and attract management contracts depends upon a number of factors, including our ability to lease and release containers on attractive lease terms, to maintain a high utilization rate for our owned and managed fleets, to efficiently manage the billing, collection, repositioning, maintenance and repair, storage and disposition of containers and the management fees that we charge. In the event container investors believe another container leasing company can better provide stable and attractive rates of return on their investment, we may lose management contract opportunities in the future, which could adversely affect our business, results of operations and financial condition.

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We could face litigation involving our management of containers for container investors.

We manage containers for third-party container owners under management agreements that are negotiated with each container investor. We make no assurances to container investors that they will make any amount of profit on their investment or that our management activities will result in any particular level of income or return of their initial capital, although some of these agreements do contain provisions that permit owners to terminate them if certain performance metrics are not met during relevant time periods. As the number of containers that we manage for container investors increases, the possibility that we may be drawn into litigation and/or arbitration relating to these managed containers may also increase. Although our management agreements contain contractual protections and indemnities that are designed to limit our exposure to such litigation, such provisions may not be effective and we may be subject to a significant loss in a successful litigation by a container investor.

Manufacturers of our equipment may be unwilling or unable to honor manufacturer warranties covering defects in our equipment.

We obtain warranties from the manufacturers of our equipment. When defects in the containers occur, we work with the manufacturers to identify and rectify the problem. However, there is no assurance that manufacturers will be willing or able to honor warranty obligations. If defects are discovered in containers that are not covered by manufacturer warranties, we could be required to expend significant amounts of money to repair the containers and/or the useful life of the containers could be shortened and the value of the containers reduced, all of which could adversely affect our results of operations.

We rely on our information technology systems to conduct our business. If these systems fail to adequately perform these functions, or if we experience an interruption in their operation, our business and financial results could be adversely affected.

The efficient operation of our business is highly dependent on equipment tracking and billing systems. We rely on such systems to track transactions, such as container pick-ups and drop-offs, repairs, and to bill our customers for the use of and damage to our equipment. We also use the information provided by these systems in our day-to-day business decisions in order to effectively manage our lease portfolio and improve customer service. The failure of this system to perform as we anticipate could disrupt our business and results of operation and cause our relationships with our customers to suffer. In addition, our information technology systems are vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disasters, power loss and computer systems failures and viruses. Any such interruption could negatively affect our business.

Increases in the cost of or the lack of availability of insurance could increase our risk exposure and reduce our profitability.

Our lessees and depots are required to maintain all risks physical damage insurance, comprehensive general liability insurance and to indemnify us against loss. We also maintain our own contingent liability insurance and off-hire physical damage insurance. Nevertheless, lessees' and depots' insurance or indemnities and our insurance may not fully protect us. The cost of such insurance may increase or become prohibitively expensive for us and our customers, and such insurance may not continue to be available. Other types of industry insurance that we have maintained from time to time based on our evaluation of risk, such as default insurance providing coverage for the cost to recover our containers due to a customer's insolvency, bankruptcy or default may not be available, which could increase our risk. This is the case currently with credit insurance for our lessee's non-payment of receivables, which is not currently available in today's insurance market for our fleet.

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Our future business prospects could be adversely affected by consolidation within the container shipping industry.

We primarily lease containers to shipping lines. Over the last several years, there have been several large shipping line acquisitions that have resulted in some consolidation within the container shipping industry, including among some of our customers. This consolidation has reduced the number of large shipping lines and also increased the concentration of business in a smaller number of larger customers. Our future business prospects could be adversely affected if there is a continued reduction in the number of shipping lines in the world. Due to concentration risk and resulting impact on credit risk, we might decide to limit the amount of business exposure we have with any single customer if the exposure were deemed unacceptable, which could negatively impact the volume of equipment we lease and the revenues we would otherwise earn if we had leased assets despite the concentration risk or had the previously separate customers not combined.

Our strategy to pursue acquisition opportunities may subject us to considerable business and financial risk, and unforeseen integration obstacles or risks.

In order to grow our business, we expect to employ various strategies, including consummating strategic and complementary acquisitions and joint ventures from time to time. We may not be successful in identifying acquisition opportunities, assessing the value, strengths and weaknesses of these opportunities and consummating acquisitions on acceptable terms. Furthermore, suitable acquisition opportunities may not be made available or known to us. Unanticipated issues may arise in the implementation of these contemplated strategies, which could impair our ability to expand our business as expected. For example:

then-favorable conditions in the equipment leasing and shipping markets, including the rate of world trade and economic growth, could deteriorate;

equipment prices and lease rates could decrease as a result of a variety of factors, including a decrease in worldwide steel prices;

the financial condition of our third party depot operators and other business partners may deteriorate;

turmoil in, or tightening of the credit markets may limit our ability to obtain debt financing for acquisitions;

we may be unable to obtain financing through additional debt facilities or by issuing additional debt or equity, in each case on terms acceptable to us;

our customers could decide to buy rather than lease a larger percentage of the containers they operate; and

we may not be able to execute strategic acquisitions or to integrate such acquired assets successfully into our business.

Any of the above risks could adversely affect our financial position and results of operations and could cause us to abandon some or all of our growth strategies. Furthermore, any acquisitions or joint ventures may expose us to particular business and financial risks that include, but are not limited to:

diverting management's attention;

incurring additional indebtedness and assuming liabilities;

incurring significant additional capital expenditures, transaction and operating expenses and non-recurring acquisition-related charges;

experiencing an adverse impact on our earnings from the amortization or write-off of acquired goodwill and other intangible assets;

failing to integrate the operations and personnel of the acquired businesses;

acquiring businesses with which we are not familiar;

entering new markets with which we are not familiar;

increasing the scope, geographic diversity and complexity of our operations; and

failing to retain key personnel, suppliers and customers of the acquired businesses.

We may not be able to successfully manage acquired businesses or increase our cash flow from these operations. If we are unable to successfully implement our acquisition strategy or address the risks associated with acquisitions, or if we encounter unforeseen expenses, difficulties, complications or delays frequently encountered in connection with the integration of acquired entities and the expansion of operations, our growth and ability to compete may be impaired, we may fail to achieve acquisition synergies, and we may be required to focus resources on integration of operations rather than on other profitable areas. We anticipate that we may finance acquisitions through cash provided by operating activities, borrowings under our credit facilities and other indebtedness, which would reduce our cash available for other purposes, including the repayment of indebtedness and payment of dividends.

If we are unable to enter into interest rate swaps on reasonable commercial terms or if a counterparty under our interest rate swap agreements defaults, our exposure associated with our variable rate debt could increase.

We have typically funded a significant portion of the purchase price of new containers through borrowings under our revolving credit facility and our secured debt facilities. We intend to use borrowings under our revolving credit facility and our secured debt facility for such funding purposes in the future. The amounts outstanding under these facilities are subject to variable interest rates. We have entered into various interest rate swap agreements to mitigate our exposure associated with this variable rate debt. There can be no assurance that these interest rate swaps will be available in the future, or if available, will be available on terms satisfactory to us. If we are unable to obtain such interest rate swaps or if a counterparty under our interest rate swap agreements defaults, our exposure associated with our variable rate debt could increase.

Storage space for containers may become limited, increasing depot costs for the storage of containers.

Land in and around many port areas is limited, and nearby depot space could become difficult to find and more costly with limited space and fewer depots in the area. In addition, local communities in port areas may impose regulations that prohibit the storage of containers near their communities, further limiting the availability of storage facilities, and increasing storage, repair costs, and transportation charges relating to the use of our containers. Additionally, depots in prime locations may become filled to capacity based on market conditions, and may refuse additional redeliveries due to space restraints. This could require us to enter into higher cost storage agreements with depot operators in order to accommodate our customers' redelivery requirements, and could result in increased costs and expenses for us.

Because we are a recently formed company with a limited separate operating history, our historical financial and operating data may not be representative of our future results.

We are a recently incorporated company with limited separate operating history. Our results of operations, financial condition and cash flows reflected in our consolidated financial statements may not be indicative of the results we would have achieved had we operated as a stand-alone or public entity for all periods presented.

Our loan agreements contain restrictive covenants that may limit our liquidity and corporate activities.

Our loan agreements impose operating and financial restrictions on us. These restrictions may limit our ability to, among other things:

- incur additional indebtedness on satisfactory terms or at all;
- incur liens on our assets;
- sell capital stock of our subsidiaries;
- make investments;
- engage in amalgamations, mergers or acquisitions;
- pay dividends (following an event of default or our breach of a covenant or in the event of CLI not maintaining certain net worth);
- enter into the sale and leaseback of our containers;
- make capital expenditures;
- compete effectively to the extent our competitors are subject to less onerous financial restrictions; and
- sell our containers.

We are required to maintain certain financial ratios. If we are unable to maintain these ratios, our creditors could accelerate our debt, which could materially harm our financial condition and business. Therefore, we may need to seek permission from our lenders in order to engage in certain corporate actions. Our lenders' interests may be different from ours, and we cannot guarantee that we will be able to obtain our lenders' permission when needed. This restriction may prevent us from taking actions that are in our best interest.

We intend to incur substantial additional debt and may issue substantial additional equity in order to expand our business and pay dividends.

We plan to expand our business substantially by continuing to acquire containers each year. We intend to fund a portion of this growth with additional borrowings from time to time, which will increase our indebtedness and interest expense. We may also fund a portion of this growth with sales of additional equity securities, and such sales may be significant, which could have a significant dilutive effect on our shareholders. There is no assurance that we will continue to be able to access the debt and equity markets to the extent necessary to fund our plans, or that our cash flow will increase sufficiently to enable us to cover our increased borrowing costs and dividend payments. If our cash flow is insufficient to meet our needs, we may need to restrict our growth or dividend payments, or both, and we could face an increased risk of default. Our ability to fund our plans will depend on market conditions in our industry and in the financial markets as well as on our operating performance, each of which, to a significant extent, is out of our control. The recent downturn in the world's major economies, constraints in the credit markets and turbulence in the financial markets generally underscore the uncertainty concerning our ability to achieve our plans for growth and dividend payments. In addition, our ability to draw funds under our existing credit facility is subject to our compliance with various covenants and requirements under the facility.

Our inability to service our debt obligations or to obtain additional financing as needed would have a material adverse effect on our business, financial condition and results of operations.

Our ability to meet our debt obligations will depend upon, among other things, our financial and operating performance, which will be affected by prevailing economic conditions and by financial, business, regulatory and other factors affecting our operations. Many of these factors are beyond our control. If our cash flow is insufficient to service our current and future indebtedness and to meet our other obligations and commitments, or if we are unable to obtain new financing on a timely basis, we will be required to adopt one or more alternatives, such as reducing or delaying our business activities, acquisitions, investments, capital expenditures, the payment of dividends or the implementation of our other strategies, refinancing or restructuring our debt obligations, selling intermodal assets, seeking to raise additional debt or equity capital or seeking bankruptcy protection. However, we may not be able to effect any of these remedies or alternatives on a timely basis, on satisfactory terms or at all.

Risks Related to Our Organization and Structure

If the ownership of our common shares continues to be highly concentrated, it may prevent you and other minority shareholders from influencing significant corporate decisions and may result in conflicts of interest.

As of February 28, 2011, the Initial Shareholder, an entity primarily owned by certain private equity funds managed by an affiliate of Fortress, beneficially owns approximately 42.3% of our common shares. As a result, the Initial Shareholder may be able to control voting over corporate matters and transactions, including: the election of directors; amalgamations, consolidations or acquisitions; the sale of all or substantially all of our assets and other decisions affecting our capital structure; the amendment of our memorandum of association and our bye-laws, and our winding up and dissolution. This concentration of ownership may delay, deter or prevent acts that would be favored by our other shareholders. The interests of the Initial Shareholder may not always coincide with our interests or the interests of our other shareholders. This concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of us. Also, the Initial Shareholder may seek to cause us to take courses of action that, in its judgment, could enhance its investment in us, but which might involve risks to our other shareholders or adversely affect us or our other shareholders. As a result, the market price of our common shares could decline or shareholders might not receive a premium over the then-current market price of our common shares upon a change in control. In addition, this concentration of share ownership may adversely affect the trading price of our common shares because investors may perceive disadvantages in owning shares in a company with significant shareholders.

We are a holding company with no operations and rely on our operating subsidiaries to provide us with funds necessary to meet our financial obligations and to pay dividends.

We are a holding company with no material direct operations. Our principal assets are the equity interests we directly or indirectly hold in our operating subsidiaries, which own our operating assets. As a result, we are dependent on loans, dividends and other payments from our subsidiaries to generate the funds necessary to meet our financial obligations and to pay dividends on our common shares. Our subsidiaries are legally distinct from us and may be prohibited or restricted from paying dividends or otherwise making funds available to us under certain conditions. If we are unable to obtain funds from our subsidiaries, we may be unable to, or our board may exercise its discretion not to, pay dividends.

We are a Bermuda exempted company, and it may be difficult for you to enforce judgments against us or our directors and executive officers.

We are a Bermuda exempted company and, as such, the rights of holders of our common shares will be governed by Bermuda law and our memorandum of association and bye-laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions. A substantial portion of our assets are located outside the United States. As a result, it may be difficult for investors to effect service of process on those persons in the United States or to enforce in the United States judgments obtained in U.S. courts against us or those persons based on the civil liability provisions of the U.S. securities laws. Uncertainty exists as to whether courts in Bermuda will enforce judgments obtained in other jurisdictions, including the United States, against us or our directors or officers under the securities laws of those jurisdictions or entertain actions in Bermuda against us or our directors or officers under the securities laws of other jurisdictions.

Our bye-laws restrict shareholders from bringing legal action against our officers and directors.

Our bye-laws contain a broad waiver by our shareholders of any claim or right of action, both individually and on our behalf, against any of our officers or directors. The waiver applies to any action taken by an officer or director, or the failure of an officer or director to take any action, in the performance of his or her duties, except with respect to any matter involving any fraud or dishonesty on the part of the officer or director. This waiver limits the right of shareholders to assert claims against our officers and directors unless the act or failure to act involves fraud or dishonesty.

Certain provisions of the Shareholders Agreement and our bye-laws could hinder, delay or prevent a change in control of our company, which could adversely affect the price of our common shares.

Certain provisions of the shareholders agreement (“the Shareholders Agreement”) which we entered into with the Initial Shareholder prior to the completion of our IPO, and our bye-laws contain provisions that could make it more difficult for a third party to acquire us without the consent of our board of directors or the Initial Shareholder. These provisions provide for:

a classified board of directors with staggered three-year terms;

provisions in our bye-laws regarding the election of directors, classes of directors, the term of office of directors, amalgamations and the bye-law governing the amendment of the foregoing bye-laws to be rescinded, altered or amended only upon approval by a resolution of the directors and by a resolution of our shareholders, including the affirmative votes of at least 66% of the votes attaching to all shares in issue entitling the holder to vote on such resolution (provided, however, that for so long as the Initial Shareholder and certain other affiliates of Fortress and permitted transferees (referred to collectively, as the “Fortress Shareholders”) beneficially own at least 25% of our issued and outstanding common shares, no such bye-law shall be rescinded, altered or amended and no new bye-law shall be made which would have the effect of rescinding, altering or amending or would be inconsistent with the purpose and intent of the provisions of such bye-laws, until the same has been approved by a resolution of the directors and by a resolution of our shareholders, including the affirmative votes of at least a majority of all votes attaching to all shares in issue entitling the holder to vote on such resolution);

provisions in our bye-laws dealing with the removal of directors, filling vacancies on the board, the right of shareholders to call special meetings, shareholder action by resolution in writing, corporate opportunity to be rescinded, altered or amended only upon approval by a resolution of the directors and by a resolution of our shareholders, including the affirmative votes of at least 80% of the votes attaching to all shares in issue entitling the holder to vote on such resolution;

removal of directors only for cause and only with the affirmative vote of at least 80% of the votes attaching to all shares in issue entitling the holder to vote on such resolution (provided, however, that for so long as the Fortress Shareholders beneficially own at least 40% of our issued and outstanding common shares, directors may be removed with or without cause with the affirmative vote of a majority of the votes attaching to all shares in issue entitling the holder to vote on such resolution);

our board of directors to determine the powers, preferences and rights of our preference shares and to issue such preference shares without shareholder approval;

advance notice requirements by shareholders for director nominations and actions to be taken at annual meetings;

the Shareholders Agreement will provide certain rights to the Fortress Shareholders with respect to the designation of directors for nomination and election to our board of directors, including the ability to appoint a majority of the members of our board of directors for so long as the Fortress Shareholders continue to hold at least 40% of our issued and outstanding common shares.;

no provision in our bye-laws for cumulative voting in the election of directors, which means that the holders of a majority of the issued and outstanding common shares can elect all the directors standing for election; and

our bye-laws only permit action by our shareholders outside a meeting by unanimous written consent, provided, however, that for so long as the Fortress Shareholders beneficially own at least 25% of our issued and outstanding common shares, our shareholders may act without a meeting by written consent of a majority of our shareholders, such majority being that majority of our shareholders who at the date of the notice of any written consent represent such majority of votes as would be required if the resolution had been voted on at a meeting of the shareholders.

In addition, these provisions may make it difficult and expensive for a third party to pursue a tender offer, change in control or takeover attempt that is opposed by our Initial Shareholder, our management and/or our board of directors. Public shareholders who might desire to participate in these types of transactions may not have an opportunity to do so, even if the transaction is considered favorable to shareholders. These anti-takeover provisions could substantially impede the ability of public shareholders to benefit from a change in control or change our management and board of directors and, as a result, may adversely affect the market price of our common shares and your ability to realize any potential change of control premium.

Certain of our shareholders have the right to engage or invest in the same or similar businesses as us.

The Fortress Shareholders have other investments and business activities in addition to their ownership of us. Under our bye-laws, the Fortress Shareholders have the right, and have no duty to abstain from exercising such right, to engage or invest in the same or similar businesses as us, do business with any of our clients, customers, lessors or vendors or employ or otherwise engage any of our officers, directors or employees. In particular, Joseph Kwok, our Chief Executive Officer, served as Chief Executive Officer of Seacastle Inc., the parent company of our Initial Shareholder, until our incorporation in March 2010, and continues to serve as Chairman of Seacastle Inc. and Seacastle Holdings LLC. Mr. Kwok will receive additional compensation from a subsidiary of Seacastle Holdings LLC. Two of our directors are individuals affiliated with Fortress, one of whom also serves on the board of directors of Seacastle Inc. Seacastle Inc. is a holding company that owns businesses that are engaged in the business of acquiring and leasing chassis and containerships, two other types of intermodal equipment that are used in global containerized cargo trade. Mr. Kwok currently holds restricted common shares in Seacastle Inc. If the Fortress Shareholders or any of their officers, directors or employees acquire knowledge of a potential transaction that could be a corporate opportunity, they have no duty, to the fullest extent permitted by law, to offer such corporate opportunity to us, our shareholders or our affiliates.

In the event that any of our directors and officers who is also a director, officer or employee of any of the Fortress Shareholders acquires knowledge of a corporate opportunity or is offered a corporate opportunity, provided that this knowledge was not acquired solely in such person’s capacity as a director or officer of SeaCube and such person acts in good faith, then to the fullest extent permitted by law such person is deemed to have fully satisfied such person’s duties owed to us and is not liable to us, if the Fortress Shareholder pursues or acquires the corporate opportunity or if the Fortress Shareholder does not present the corporate opportunity to us.

Risks Related to the Company’s Common Stock

Future offerings of debt or equity securities by us may adversely affect the market price of our common shares.

In the future, we may attempt to obtain financing or to further increase our capital resources by issuing common shares or additional equity securities or offering debt securities, including commercial paper, medium-term notes, senior or subordinated notes or preference shares. Issuing additional common shares or other equity offerings may dilute the economic and voting rights of our existing shareholders or reduce the market price of our common shares, or both. Upon liquidation, holders of such debt securities and preferred shares, if issued, and lenders with respect to other borrowings, would receive a distribution of our available assets prior to the holders of our common shares. Preferred shares, if issued, could have a preference with respect to liquidating distributions or a preference with respect to dividend payments that could limit our ability to pay dividends to the holders of our common shares. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of our common shares bear the risk of our future offerings reducing the market price of our common shares and diluting their share holdings in us.

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The market price of our common shares could be negatively affected by sales of substantial amounts of our common shares in the public markets.

As of February 28, 2011, there were 20,142,812 common shares issued and outstanding. All of our issued and outstanding common shares will be freely transferable, except for approximately 45.4% of our issued and outstanding common shares held by the Initial Shareholder and members of our management, directors and employees, which can be resold into the public markets in the future in accordance with the requirements of Rule 144 under the Securities Act of 1933, as amended (the "Securities Act").

Pursuant to our Shareholders Agreement, the Initial Shareholder and certain of its affiliates and permitted third-party transferees will have the right, in certain circumstances, to require us to register their 8,525,000 common shares that they own for sale into the public markets. Upon the effectiveness of such a registration statement, all shares covered by the registration statement will be freely transferable.

On October 28, 2010, we filed a registration statement on Form S-8 under the Securities Act to register an aggregate of 1,000,000 common shares reserved for issuance under our incentive plans. We may increase the number of shares registered for this purpose at any time. Subject to any restrictions imposed on the shares and options granted under our incentive plans, shares registered under the registration statement on Form S-8 will be available for sale into the public markets.

The sale of, or a report of the possible sale of, any substantial portion of these shares may negatively impact the market price of our shares. A decline in the price of our common shares might impede our ability to raise capital through the issuance of additional common shares or other equity securities.

The future issuance of additional common shares in connection with our incentive plans, acquisitions or otherwise will dilute all other shareholdings.

As of February 28, 2011, we will have an aggregate of 379,072,188 common shares authorized but unissued and not reserved for issuance under our incentive plans. We may issue all of these common shares without any action or approval by our shareholders, subject to certain exceptions. We also intend to continue to actively pursue acquisitions of containers and container businesses and may issue common shares in connection with these acquisitions. Any common shares issued in connection with our incentive plans, our acquisitions, the exercise of outstanding share options or otherwise would dilute the percentage ownership held by current investors.

We may not be able to pay or maintain dividends at their current level and the failure to pay or maintain dividends may adversely affect our share price.

On January 18, 2011, we paid our first quarterly dividend of $0.20 per common share and we intend to continue to pay regular quarterly dividends to the holders of our common shares. Our ability to maintain dividends at this level will depend on, among other things, our cash flows, our cash requirements, our financial condition, cash available under our existing credit facilities, contractual restrictions binding on us, legal restrictions on the payment of dividends, including a statutory dividend test and other limitations under Bermuda law, and other factors that our board of directors may deem relevant. Because we intend to use funds available under our existing credit facilities from time to time as an efficient source to pay a portion of any future dividends, our ability to pay dividends will depend, in part, on our ability to maintain credit facilities or other external sources of financing with favorable terms. In addition, our loan agreements contain certain restrictions on our ability to make dividend payments if an event of default under a loan agreement has occurred and is continuing, or would result therefrom, or upon the occurrence of specified amortization events. There can be no assurance that we will generate sufficient cash from continuing operations or external sources of financing in the future, or have sufficient surplus or net profits, as the case may be, under the laws of Bermuda or jurisdictions where our subsidiaries are located, to pay dividends on our common shares. Our dividend policy is based upon our directors' current assessment of our business and the environment in which we operate and that assessment could change based on a number of factors, including competitive developments (which could, for example, increase our need for capital expenditures), market conditions or new growth opportunities. Our board of directors may, in its discretion, amend or repeal this dividend policy to decrease the level of dividends or entirely discontinue the payment of dividends. The reduction or elimination of declaring and paying dividends may negatively affect the market price of our common shares.

Under Bermuda law a company may not declare or pay dividends if there are reasonable grounds for believing that: (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) that the realizable value of its assets would thereby be less than the sum of its liabilities and its issued share capital (par value) and share premium accounts (share premium being the amount of consideration paid for the subscription of shares in excess of the par value of those shares). As a result, in future years, if the realizable value of our assets decreases, our ability to pay dividends may require our shareholders to approve resolutions reducing our share premium account by transferring an amount to our contributed surplus account.

We are required by Section 404 of the Sarbanes-Oxley Act to evaluate the effectiveness of our internal controls by the end of fiscal 2011, and we cannot predict the outcome of that effort.

As a U.S.-listed public company, we are required to comply with Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") by December 31, 2011. Section 404 requires that we evaluate our internal control over financial reporting to enable management to report on, and our independent auditors to audit as of the end of the 2011 fiscal year, the effectiveness of those controls. While we have begun the lengthy process of evaluating our internal controls, we are in the early phases of our review and cannot predict the outcome of our review at this time. During the course of our review, we may identify control deficiencies of varying degrees of severity, and we may incur significant costs to remediate those deficiencies or otherwise improve our internal controls. As a public company, we are required to report control deficiencies that constitute a "material weakness" in our internal control over financial reporting. We are also be required to obtain an audit report from our independent auditors regarding the effectiveness of our internal controls over financial reporting. If we fail to implement the requirements of Section 404 in a timely manner, we may be subject to sanctions or investigation by regulatory authorities, including the SEC or the NYSE. Furthermore, if we discover a material weakness or our auditor does not provide an unqualified audit report, our share price could decline, our reputation could be significantly harmed and our ability to raise capital could be impaired.

Risks Related to Taxation

We expect to be a passive foreign investment company ("PFIC") and may be a controlled foreign corporation ("CFC") for U.S. federal income tax purposes.

We expect to be treated as a PFIC and may be a CFC for U.S. federal income tax purposes. If you are a U.S. person and do not make certain elections with respect to your investment, unless we are a CFC and you own 10% of our voting shares, you would be subject to special deferred tax and interest charges with respect to certain distributions on our common shares, any gain realized on a disposition of our common shares and certain other events. The effect of these deferred tax and interest charges could be materially adverse to you. Alternatively, if you are such a shareholder and make one of such elections, or if we are a CFC and you own 10% or more of our voting shares, you will not be subject to those charges, but could recognize taxable income in a taxable year with respect to our common shares in excess of any distributions that we make to you in that year, thus giving rise to so-called "phantom income" and to a potential out-of-pocket tax liability.

Distributions made to a U.S. person that is an individual will not be eligible for taxation at reduced tax rates generally applicable to dividends paid by certain United States corporations and "qualified foreign corporations" on or prior to December 31, 2012. The more favorable rates applicable to regular corporate dividends could cause individuals to perceive investment in our shares to be relatively less attractive than investment in the shares of other corporations, which could adversely affect the value of our shares.

We may become subject to unanticipated tax liabilities that may have a material adverse effect on our results of operations.

We may be subject to income, withholding or other taxes in other jurisdictions by reason of our activities and operations, where our containers are used, or where the lessees of our containers (or others in possession of our containers) are located, and it is also possible that taxing authorities in any such jurisdictions could assert that we are subject to greater taxation than we currently anticipate. A portion of our income is treated as effectively connected with our conduct of a trade or business within the U.S., and is accordingly subject to U.S. federal income tax. It is possible that the U.S. Internal Revenue Service could assert that a greater portion of our income is effectively connected income that should be subject to U.S. federal income tax. If we become subject to a significant amount of unanticipated tax liabilities, our business would be adversely affected and decreased earnings would be available for distribution to our shareholders.

Our exemption from certain Bermuda taxes is effective until March 28, 2016, and if it is not extended our results of operations and your investment could be adversely affected.

The Bermuda Minister of Finance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, has given us an assurance that if any legislation is enacted in Bermuda that would impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax will not be applicable to us or any of our operations, shares, debentures or other obligations, except insofar as such tax applies to persons ordinarily resident in Bermuda or to any taxes payable by us in respect of real property leased by us in Bermuda.

This assurance by the Bermuda Minister of Finance expires on March 28, 2016. There is no guarantee that we will receive a renewed assurance from the Bermuda Minister of Finance, or that the Bermuda Government will not take action to impose taxes on our business. If the Bermuda Government imposed significant taxes on our business, our earnings could decline significantly.

ITEM 1B. UNRESOLVED STAFF COMMENTS

NONE

ITEM 2. PROPERTIES

We maintain offices in Park Ridge, New Jersey; San Ramon, California; Bergen Op Zoom, Netherlands; Hong Kong; Shanghai, China; Taipei, Taiwan and Singapore. All properties are office space that is leased or sub-leased from third parties. We do not own any real estate.

We believe that our current offices are adequate to meet current requirements and that additional or substitute space will be available as needed to accommodate our growth.

ITEM 3. LEGAL PROCEEDINGS

We have been, and may from time to time be, involved in litigation and claims incidental to the conduct of our business in the ordinary course. Our industry is also subject to scrutiny by government regulators, which could result in enforcement proceedings or litigation related to regulatory compliance matters. We maintain insurance policies in amounts and with the coverage and deductibles we believe are adequate, based on the nature and risks of our business, historical experience and industry standards.

ITEM 4. REMOVED AND RESERVED

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common shares are listed for trading on the New York Stock Exchange under the symbol "BOX". As of February 28, 2011, there were approximately 24 record holders and we believe there were approximately 1,884 beneficial owners of our common shares.

The following table sets forth the quarterly high and low prices of our common shares on the New York Stock Exchange for the periods indicated since our initial public offering:

	High	Low
Year Ending December 31, 2010:		
Fourth Quarter(from October 28, 2010)	14.37	11.00

Performance Graph

The following graph illustrates the cumulative total return to holders of our common shares relative to the cumulative total returns of the Russell 2000 Index and a customized peer group for the period from October 28, 2010 (the date our common shares began trading) to December 31, 2010. The peer group consists of three companies as follows: Textainer Group Holdings Limited (NYSE: TGH), TAL International Group Inc (NYSE: TAL), and CAI International Inc (NYSE: CAP). The graph assumes the investment of $100 as of October 28, 2010 and the reinvestment of all dividends.

Company/Index	Base Period 10/28/2010	10/31/2010	11/30/2010	12/31/2010
SeaCube Container Leasing Ltd	100.00	105.91	108.09	129.66
Russell 2000 Index	100.00	100.33	103.81	112.05
Peer Group	100.00	103.82	112.18	116.33

Dividends

We declared the following dividends during the year ended December 31, 2010 on our issued and outstanding common shares:

Declaration Date	Record Date	Payment Date	Aggregate Payment		Per Share Payment	
April 22, 2010	April 22, 2010	May 28, 2010	$	2.8 million	$	0.175
November 11, 2010	January 3, 2011	January 18, 2011	$	4.0 million	$	0.200

Securities Authorized for Issuance Under Equity Compensation Plans

The information required by this Item is incorporated herein by reference from our Proxy Statement to be issued in connection with the Annual Meeting of Shareholders to be held on May 25, 2011 (the "2011 Proxy Statement"), which will be filed with the SEC within 120 days after the close of our fiscal year ended December 31, 2010.

ITEM 6. SELECTED FINANCIAL DATA

The selected historical consolidated financial data presented below have been derived from the audited consolidated financial statements, at the dates and for the periods indicated, for SeaCube Container Leasing Ltd. (formerly Container Leasing International, LLC and subsidiaries ("CLI")) ("SeaCube"). In March 2010, all of the equity interests in CLI were transferred from Seacastle Operating Company Ltd. (our "Initial Shareholder") to an indirect wholly owned subsidiary of SeaCube Container Leasing Ltd.

The selected historical consolidated financial data presented for the period from January 1, 2006 through February 14, 2006 (the predecessor period) have been derived from the audited consolidated financial statements of CLI prior to the acquisition by the Initial Shareholder. The selected historical consolidated financial data for the period from February 15, 2006 through December 31, 2006, as of and the years ended December 31, 2007, 2008, 2009 and 2010 (the successor period), have been derived from the audited consolidated financial statements of SeaCube subsequent to the acquisition by the Initial Shareholder.

You should read the following tables along with "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business," and our consolidated historical financial statements and the related notes included elsewhere in this report.

	Successor					Predecessor
	Year Ended December 31,				Period from February 15, 2006 through December 31,	Period from January 1, 2006 through February 14,
	2010	2009	2008	2007	2006	2006
	(dollars in thousands, except for per share amounts)					
Consolidated Statements of Operations Data:						
Total revenues	$137,249	$141,873	$238,819	$208,907	$ 138,422	$ 18,205
Direct operating expenses	6,139	9,073	13,780	9,133	5,889	790
Selling, general and administrative expenses	21,853	21,983	26,215	26,339	20,021	3,627
Depreciation expenses	35,341	37,769	79,491	75,179	55,723	6,812
Provision for doubtful accounts	(1,693)	4,678	1,468	1,256	—	—
Fair value adjustment for derivative instruments	—	—	—	—	—	(3,527)
Interest expense	44,522	51,922	81,114	63,353	39,490	5,196
Loss on terminations and modification of derivative instruments(1)	—	37,922	—	—	—	—
Gain on 2009 Sale(1)	—	15,583	—	—	—	—
Loss on retirement of debt(1)	—	1,330	413	—	7,631	—
Provision for income taxes	796	248	—	—	38	—
Net income (loss)	$29,620	$(15,004)	$30,036	$30,766	$ 3,614	$ 4,806
Net income (loss) per share of common stock:						
Basic and diluted	$1.75	$(0.94)	$1.88	$1.92		
Common shares used in computing net income (loss) per common share basic and diluted	16,842	16,000	16,000	16,000		
Consolidated Balance Sheet Data (at end of period):						
Cash and cash equivalents	$17,868	$8,014	$30,567	$11,146	$ 12,088	
Restricted cash	17,132	22,060	30,056	36,459	15,962	

Net investment in direct finance leases	516,158	555,990	582,320	604,303	171,714	
Leasing equipment, net of accumulated depreciation	476,566	360,847	863,730	1,003,183	843,401	
Total assets	1,098,227	1,097,229	1,581,386	1,738,322	1,098,407	
Deferred income taxes	3,406	120	38	38	38	
Debt, current	130,095	131,270	506,777	247,199	68,500	
Debt, long-term	664,107	666,994	709,437	1,121,573	720,667	
Total liabilities	908,921	862,875	1,327,783	1,457,547	855,111	
Total shareholders' equity/members' interest	$189,306	$234,354	$253,603	$280,775	$ 243,296	
Other Operating Data:						
Distribution to Initial Shareholder	$—	$60,000	$—	$—	$ —	$ —
Dividends	6,804	—	—	—	—	—
Contribution from Initial Shareholder	—	—	—	50,000	—	—
Non-cash distribution to Initial Shareholder	$96,874	$—	$—	$—	$ —	$ —
Consolidated Statement of Cash Flows Data:						
Cash flows provided by operating activities	$76,743	$50,966	$127,392	$96,667	$ 69,821	$ 5,839
Capital expenditures	$191,043	$55,304	$108,472	$326,793	$ 127,300	$ 4,533
Selected Fleet Data:						
Average container units(2)	515,671	550,560	599,831	632,714	595,995	657,696
Average utilization(3)	97.9 %	96.5 %	98.2 %	97.3 %	96.3 %	96.1 %

(1) Refer to the 2009 Sale described in "Management's Discussion and Analysis of Financial Condition and Results of Operations".

(2) Includes our operating fleet (which comprises our owned and managed fleet), the fleet of Interpool Limited for all periods presented and units under finance leases.

(3) Utilization excludes assets held for sale and new units at the factory.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

This management's discussion and analysis of financial condition and results of operations contains forward-looking statements that involve risks and uncertainties. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods, and our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to those listed under "Risk Factors" included elsewhere in this report.

Overview

SeaCube Container Leasing Ltd ("SeaCube" or "the Company") is one of the world's largest container leasing companies based on total assets. Containers are the primary means by which products are shipped internationally because they facilitate efficient movement of goods via multiple transportation modes including ships, rail and trucks. The principal activities of our business include the acquisition, leasing, re-leasing and subsequent sale of refrigerated and dry containers and generator sets. The Company leases our containers primarily under long-term contracts to a diverse group of the world's leading shipping lines. As of December 31, 2010, we employ 75 people in seven offices worldwide and have total assets of $1.1 billion.

As of December 31, 2010, we own or manage a fleet of 520,113 units, representing 819,184 TEUs of containers and generator sets. For the year ended December 31, 2010, our average utilization was 97.9% (1), as measured in units. We plan to grow our business by maximizing the profitability of our existing fleet and making additional investments in new containers.

The table below summarizes the composition of our total fleet by the type of unit as of December 31, 2010:

Container Fleet by Units

	Refrigerated	Dry	Gensets	Total
Operating Leases	29,912	52,464	2,773	85,149
Direct Finance Leases	17,870	217,375	2,655	237,900
Total Owned	47,782	269,839	5,428	323,049
Managed	29,911	165,735	1,418	197,064
Total Fleet	77,693	435,574	6,846	520,113

The table below summarizes the composition of our owned fleet by net book value as of December 31, 2010:

Container Fleet by Net Book Value

	Refrigerated	Dry	Gensets	Total
Operating Leases	$ 332,976	$ 128,916	$ 14,674	$ 476,566
Direct Finance Leases	165,496	334,891	15,771	516,158
Total Fleet	$ 498,472	$ 463,807	$ 30,445	$ 992,724

(1) Utilization excludes assets held for sale and new units at the factory.

Segment Reporting

The Company manages the business through a single set of product metrics and profitability measures that did not seek to allocate costs amongst the individual products. We employ a single sales force that sells each product and the back office functions are not allocable in total or in part to a single product. We expect to continue to operate our business as a single reportable segment.

2009 Sale of Containers (the “2009 Sale”)

On January 20, 2009, we entered into sale agreements with an unrelated third party investor group for the sale of approximately 65,000 containers and gensets for cash consideration of $454.2 million. The leasing assets sold had a book value of approximately $427.7 million, and we also sold accounts receivable with a carrying value of $10.9 million. This transaction resulted in a gain of approximately $15.6 million which was recorded in our 2009 consolidated financial statements. In conjunction with the sale of these assets, CLI entered into administrative services agreements, whereby, for a ten-year term subject to a maximum 3 year extension at the option of the container owner, CLI has agreed to operate, lease and re-lease the containers and to act on the owners’ behalf as so directed. Under the agreements, CLI does not retain any risk of ownership. The administrative services agreements are subject to an early termination right of the container owner if certain performance targets are not met as well as the requirement that CLI maintain a minimum consolidated tangible net worth of $75.0 million. Management fees will be paid by the owners to CLI depending upon the type of lease that the equipment is under (term, master lease or direct finance lease). CLI will collect lease receivables on behalf of the owners and remit amounts to the owners after deducting the applicable management fees. These fees are recorded in other revenue in the consolidated statements of operations.

The containers and gensets and associated lease interests that were sold in the 2009 Sale were a representative sample of our total operating lease fleet with regard to equipment type, customer mix, age, and utilization. The principal reasons why we entered into the 2009 Sale were (i) to provide us with an opportunity to establish a new relationship with a third-party capital provider, (ii) to allow us to mitigate some customer credit and residual risk of ownership to a third party, thereby reducing our aggregate risk exposure to several customers, and (iii) to provide us with additional revenue in the form of management fees from the long-term administrative services agreements that CLI entered into at the time of the sale.

Results of Operations

Comparison of the Year Ended December 31, 2010 to the Year Ended December 31, 2009

	Year ended December 31, 2010	Year ended December 31, 2009	Prior Period Change $ Change	Prior Period Change % Change
	(dollars in thousands)			
Revenues:				
Equipment leasing revenue	$ 73,404	$ 74,268	$ (864)	-1 %
Finance revenue	51,627	54,198	(2,571)	-5 %
Other revenue	12,218	13,407	(1,189)	-9 %
Total revenues (a)	137,249	141,873	(4,624)	-3 %
Expenses:				
Direct operating expenses (b)	6,139	9,073	(2,934)	-32 %
Selling, general and administrative expenses	21,853	21,983	(130)	-1 %
Depreciation expenses	35,341	37,769	(2,428)	-6 %
Provision for doubtful accounts	(1,693)	4,678	(6,371)	*
Impairment of leasing equipment held for sale	1,343	5,974	(4,631)	-78 %
Interest expense	44,522	51,922	(7,400)	-14 %
Interest income	(1,055)	(2,690)	1,635	-61 %
Loss on terminations and modifications of derivative instruments	—	37,922	(37,922)	*
Gain on 2009 Sale	—	(15,583)	15,583	*
Loss on retirement of debt	—	1,330	(1,330)	*
Other expenses (income), net	383	4,251	(3,868)	-91 %
Total expenses (c)	106,833	156,629	(49,796)	-32 %
Income (loss) before income taxes	30,416	(14,756)	45,172	*
Provision for income taxes	796	248	548	*
Net income (loss) (d)	$ 29,620	$ (15,004)	$ 44,624	*
Non-cash interest expense, net of tax	5,088	8,366	(3,278)	-39 %
Loss on retirement of debt, net of tax	—	1,317	(1,317)	*
Loss on terminations and modifications of derivative instruments, net of tax	—	37,922	(37,922)	*
Gain on 2009 Sale, net of tax	—	(15,427)	15,427	*
Adjusted net income** (e)	$ 34,708	$ 17,174	$ 17,534	102 %

* Not meaningful.

** Adjusted net income is a measure of financial and operational performance that is not defined by U.S. GAAP. See "Non-GAAP Measure" for the discussion of adjusted net income as a non-GAAP measure and the reconciliation of it to net income (loss).

We have provided adjusted results below that illustrate the impact of the 2009 Sale on total revenues, direct operating expenses, total expenses, net income (loss) and Adjusted net income as if it had occurred as of January 1, 2009. We made adjustments to equipment leasing revenue, finance revenue, other revenue, depreciation and direct operating expenses. These adjustments were based upon actual data for each container that was sold in the 2009 Sale. We estimated management fees for the 19 day period of January 1 through January 19, 2009 based upon the actual results of the managed assets in 2009. Interest expense associated with the sold units was estimated based upon proceeds available to reduce outstanding debt.

The adjusted results provided below are not a presentation made in accordance with U.S. GAAP, and they should not be considered in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. The adjusted results are a measure of our operating performance used by management to focus on the consolidated performance exclusive of income and expenses relating to the 2009 Sale. We believe this non-GAAP measure provides additional insight and understanding to management and investors of our results of operations on a comparative basis in identifying trends in our performance by removing the operational impact of the containers that were subject to the 2009 Sale.

Our calculation of the adjusted results may differ from analogous calculations of other companies in our industry, limiting its usefulness as a comparative measure. Because of these limitations, the adjusted results should not be considered a measure of our consolidated results. We compensate for these limitations by relying primarily on our U.S. GAAP results and using the adjusted results only supplementally.

The following presents the adjusted results as if the 2009 Sale had occurred as of January 1, 2009:

(a) Total revenues for the years ended December 31, 2010 and 2009 were $137.2 million on an actual basis and were $137.8 million on an adjusted basis, respectively, a decrease of $0.5 million or 0.4%.

	December 31, 2010	December 31, 2009		
	Actual	Historical	2009 Sale Adjustments	As Adjusted for 2009 Sale
		(dollars in thousands)		
Total revenues	$ 137,249	$ 141,873	$ (4,084)	$ 137,789

(b) Direct operating expenses for the years ended December 31, 2010 and 2009 were $6.1 million on an actual basis and were $9.1 million on an adjusted basis, respectively, a decrease of $2.9 million or 32%.

	December 31, 2010	December 31, 2009		
	Actual	Historical	2009 Sale Adjustments	As Adjusted for 2009 Sale
		(dollars in thousands)		
Direct operating expenses	$ 6,139	$ 9,073	$ (19)	$ 9,054

(c) Total expenses for the years ended December 31, 2010 and 2009 were $106.8 million on an actual basis and were $129.9 million on an adjusted basis, respectively, a decrease of $23.1 million or 18%.

	December 31, 2010	December 31, 2009		
	Actual	Historical	2009 Sale Adjustments	As Adjusted for 2009 Sale
		(dollars in thousands)		
Total expenses	$ 106,833	$ 156,629	$ (26,726)	$ 129,903

(d) Net income (loss) for the years ended December 31, 2010 and 2009 was $29.6 million on an actual basis and was $7.8 million on an adjusted basis, respectively, an increase of $21.8 million or 280%.

	December 31, 2010	December 31, 2009		
	Actual	Historical	2009 Sale Adjustments	As Adjusted for 2009 Sale
		(dollars in thousands)		
Net income (loss)	$ 29,620	$ (15,004)	$ 22,795	$ 7,791

(e) Adjusted net income for the years ended December 31, 2010 and 2009 was $34.7 million on an actual basis and was $16.2 million on an adjusted basis, respectively, an increase of $18.6 million or 115%.

	December 31, 2010	December 31, 2009		
			2009 Sale	As Adjusted
	Actual	Historical	Adjustments	for 2009 Sale
	(dollars in thousands)			
Adjusted net income	$ 34,708	$ 17,174	$ (1,017)	$ 16,157

Revenue

Total revenue was $137.2 million for the year ended December 31, 2010 compared to $141.9 million for the year ended December 31, 2009, a decrease of $4.6 million or 3%.

Equipment leasing revenue was $73.4 million for the year ended December 31, 2010 compared to $74.3 million for the year ended December 31, 2009, a decrease of $0.9 million or 1%. As part of the 2009 Sale, we sold 55,000 containers. These units generated approximately $4.0 million in equipment leasing revenue during the first 19 days of 2009. The average on-hire fleet increased by approximately 6,900 units which resulted in increased equipment leasing revenue of $3.1 million. Most of the additional units were added in the third and fourth quarter of 2010.

Finance revenue was $51.6 million for the year ended December 31, 2010 compared to $54.2 million for the year ended December 31, 2009, a decrease of $2.6 million or 5%. During the current year, amortization of the Company's current lease portfolio exceeded new investments resulting in lower finance revenue of $2.1 million. Additionally, the Company took back approximately 4,600 units representing $0.5 million of finance revenue. The majority of these units have been re-leased.

Other revenue, which includes management fee revenues and re-billable costs to our lessees, was $12.2 million for the year ended December 31, 2010 compared to $13.4 million for the year ended December 31, 2009, a decrease of $ 1.2 million or 9%. This decrease was due to lower rebillable costs of $1.1 million and by slightly lower management fee revenues of $0.1 million.

Direct Operating Expenses

Direct operating expenses were $6.1 million for the year ended December 31, 2010 compared to $9.1 million for the year ended December 31, 2009, a decrease of $2.9 million or 32%. The primary reasons for the decrease in direct operating expense was lower storage and positioning fees of $2.4 million and lower maintenance and repair costs of $0.2 million. Both of which are attributable to higher utilization (and thus fewer units repaired and stored).

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $21.9 million for the year ended December 31, 2010, compared to $22.0 million for the year ended December 31, 2009, a decrease of $0.1 million or 1%. The decrease is a result of lower employee expenses (primarily compensation related) of $1.6 million. This was offset by additional costs associated with the Company's transition to becoming a standalone entity.

Depreciation Expenses

Depreciation of leasing equipment was $35.3 million for the year ended December 31, 2010 compared to $37.8 million for the year ended December 31, 2009, a decrease of $2.4 million or 6%. The reduction of leasing equipment attributed to the 2009 Sale reduced depreciation expense by $1.9 million. Additionally, $2.9 million of the decrease was related to equipment reaching the end of their depreciable lives and the sales of equipment in the normal course of business. This was offset by $2.4 million for depreciation on new equipment purchased in 2010.

Provision for Doubtful Accounts

Provision for doubtful accounts decreased by $6.4 million from the year ended December 31, 2009 to ($1.7) million for the year ended December 31, 2010. The decrease was primarily a result of collections and other reversals for accounts during the year ended December 31, 2010 that had previously been included in the provision.

Impairment of Leasing Equipment Held for Sale

We recorded an impairment of leasing equipment held for sale of $1.3 million for the year ended December 31, 2010 as compared to $6.0 million for the year ended December 31, 2009, a decrease of $4.6 million or 78%. We evaluate the recovery of our containers and gensets designated for sale and record a loss if the ultimate sales value is expected to be below the current carrying cost. The evaluation of the expected ultimate sales price is performed on a quarterly basis. The majority of our impairments occur at the conclusion of an operating lease when our equipment is older and has incurred a certain amount of damage that the lessee is responsible for. The decision to sell the container is based upon a discounted cash flow model which includes rebillable costs. These rebillable costs are recorded as other revenues and are not recorded as a reduction in the impairment of leasing equipment held for sale. In 2010, we designated fewer units for sale in recognition of stronger market demand.

Interest Expense

Interest expense was $44.5 million for the year ended December 31, 2010, compared to $51.9 million for the year ended December 31, 2009, a decrease of $7.4 million or 14%. In connection with the 2009 Sale, we repaid the outstanding amount of $365.6 million on our container asset backed securitization Series 2006-2 Notes, and reduced our Series 2006-1 Notes by $48.0 million. In addition, we paid swap related termination and modification fees of $37.9 million. This repayment along with regularly scheduled debt amortization reduced our weighted average debt balance for 2010 by $65.9 million resulting in $4.0 million reductions in interest cost. We also benefited from lower average interest rates on our floating rate debt reducing interest by $0.2 million. In addition, our non-cash interest expense was $3.2 million lower in the current period. This non-cash interest included lower amortization on terminated derivatives of $4.0 million, which was partially offset by higher losses recognized directly into income for ineffective derivatives of $0.9 million.

Interest Income

Interest income was $1.1 million for the year ended December 31, 2010, compared to $2.7 million for the year ended December 31, 2009, a decrease of $1.6 million. The decrease is primarily attributable to the decrease in the interest received from the $94.8 million promissory note from the Initial Shareholder to CLI. In March 2010, SeaCube Operating Company Ltd assumed the obligation of the Initial Shareholder, which was treated as a non-cash equity distribution to the Initial Shareholder.

Loss on Terminations and Modification of Derivative Instruments

In January 2009, we incurred a one-time loss of $37.9 million on swap terminations and modification of derivative instruments. Upon completion of the 2009 Sale, we extinguished the Series 2006-2 Notes of our container asset-backed securitization for our containers sold, and terminated and modified the related swap agreements. The one-time terminations and modification of derivative instruments required us to recognize previously deferred losses in the value of the swaps. For the year ended December 31, 2010, we did not terminate or modify any of our existing derivative instruments.

Gain on 2009 Sale

In January 2009, we received net proceeds of $454.2 million related to the 2009 Sale. The leasing assets sold had a total net book value of approximately $427.7 million, and we also sold accounts receivable at the amount of $10.9 million. This transaction resulted in a gain of approximately $15.6 million (or $15.4 million net of tax).

Loss on Retirement of Debt

Loss on retirement of debt obligations were $1.3 million for the year ended December 31, 2009. These losses occurred when we paid off the Series 2006-2 Notes of our container asset-backed securitization in January 2009. We did not retire any outstanding debt other than normal amortization during the year ended December 31, 2010.

Other Expense (Income), Net

Other expense (income), net, was $0.4 million for the year ended December 31, 2010 compared to $4.3 million for the year ended December 31, 2009, a decrease of $3.9 million. The change in other expense (income) is due to an increase in default insurance proceeds of $1.0 million received in the year ended December 31, 2010, as well as a decrease in write off of equipment that has not been recovered from defaulted lessees of $1.8 million and other losses on sales of equipment of $1.1 million.

Provision for Income Taxes

Provision for income taxes was $0.8 million for the year ended December 31, 2010 and $0.2 million for the year ended December 31, 2009. The change in the effective tax rate is primarily attributable to the impact of the U.S. effectively connected income tax liability on the overall provision calculation.

Net (Loss) Income

Net income was $29.6 million for the year ended December 31, 2010 as compared to net loss of $15.0 million for the year ended December 31, 2009. The increase in net income was attributable to the items above; specifically, the 2009 Sale and the overall weaker demand for containers in 2009 relative to 2010.

Adjusted Net Income

Adjusted net income was $34.7 million for the year ended December 31, 2010 compared to $17.2 million for the year ended December 31, 2009, an increase of $17.5 million or 102%. In addition to the changes in net income noted above, the adjustment includes lower non-cash interest expense of $3.3 million in the current year.

Adjusted net income is a measure of financial and operational performance that is not defined by U.S. GAAP. See "Non-GAAP Measure" for the discussion of adjusted net income as a non-GAAP measure and the reconciliation of it to net income (loss).

Comparison of the Year Ended December 31, 2009 to the Year Ended December 31, 2008

	Year ended December 31, 2009	Year ended December 31, 2008	Prior Period Change	
			Change	%
Revenues:				
Equipment leasing revenue	$ 74,268	$ 168,868	$(94,600)	−56%
Finance revenue	54,198	58,803	(4,605)	−8%
Other revenue	13,407	11,148	2,259	20%
Total revenues (a)	141,873	238,819	(96,946)	−41%
Expenses:				
Direct operating expenses (b)	9,073	13,780	(4,707)	−34%
Selling, general and administrative expenses	21,983	26,215	(4,232)	−16%
Depreciation expenses	37,769	79,491	(41,722)	−52%
Provision for doubtful accounts	4,678	1,468	3,210	219%
Impairment of leasing equipment held for sale	5,974	6,688	(714)	−11%
Interest expense	51,922	81,114	(29,192)	−36%
Interest income	(2,690)	(1,055)	(1,635)	155%
Loss on terminations and modification of derivative instruments	37,922	—	37,922	*
Gain on 2009 Sale	(15,583)	—	(15,583)	*
Loss on retirement of debt	1,330	413	917	222%
Other expenses	4,251	669	3,582	535%
Total expenses (c)	156,629	208,783	(52,154)	−25%
Income (loss) before income tax	(14,756)	30,036	(44,792)	−149%
Provision for income taxes	248	—	248	*
Net income (loss) (d)	$ (15,004)	$ 30,036	$(45,040)	−150%
Non-cash interest expense, net of tax	8,366	8,418	(52)	−1%
Loss on retirement of debt, net of tax	1,317	413	904	219%
Loss on terminations and modification of derivative instruments, net of tax	37,922	—	37,922	*
Gain on the 2009 Sale, net of tax	(15,427)	—	(15,427)	*
Adjusted net income** (e)	$ 17,174	$ 38,867	$(21,693)	−56%

* Not meaningful.

** Adjusted net income is a measure of financial and operational performance that is not defined by U.S. GAAP. See "Non-GAAP Measure" for the discussion of adjusted net income as a non-GAAP measure and the reconciliation of it to net income (loss).

We have provided adjusted results below that illustrate the impact of the 2009 Sale on total revenues, direct operating expenses, total expenses, net income (loss) and Adjusted net income as if it had occurred as of Janua