

SeaCube Container Leasing Ltd.
Form 10-Q
November 09, 2011

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

(Mark One)

R QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2011

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
(State of other jurisdiction of incorporation or
organization)

98-0655416
(I.R.S. Employer Identification Number)

1 Maynard Drive
Park Ridge, New Jersey
(Address of principal executive offices)

07656
(Zip Code)

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

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

The number of outstanding shares of the Registrant’s Common Stock as of November 1, 2011 was 20,163,359.

SeaCube Container Leasing Ltd.

FORM 10-Q

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SeaCube Container Leasing Ltd.
Consolidated Balance Sheets
(Amounts in thousands, except for share amounts)

	September 30, 2011 (unaudited)	December 31, 2010
Assets		
Cash and cash equivalents	\$21,004	\$17,868
Restricted cash	25,314	17,132
Accounts receivable, net of allowance of \$3,122 and \$2,957, respectively	36,997	27,168
Net investment in direct finance leases	555,154	516,158
Leasing equipment, net of accumulated depreciation of \$162,512, and \$141,783, respectively	728,886	476,566
Goodwill	22,483	22,483
Shareholder note	8,434	8,247
Other assets	12,835	12,605
Total assets	\$1,411,107	\$1,098,227
Liabilities and shareholders' equity		
Liabilities:		
Equipment purchases payable	\$64,559	\$39,379
Accrued expenses and other liabilities	28,227	24,068
Fair value of derivative instruments	42,594	45,496
Deferred income	2,806	2,370
Deferred income taxes	3,328	3,406
Debt:		
Due within one year	140,359	130,095
Due after one year	921,837	664,107
Total debt	1,062,196	794,202
Total liabilities	1,203,710	908,921
Commitments and contingencies (Note 9)		
Shareholders' equity:		
Preferred shares, \$0.01 par value, 100,000,000 shares authorized	—	—
Common shares, \$0.01 par value 400,000,000 shares authorized; 20,163,359 shares issued and outstanding at September 30, 2011; 20,017,812 shares issued and outstanding at December 31, 2010	201	200
Additional paid in capital	218,589	217,789
Retained earnings	25,500	12,030
Accumulated other comprehensive income (loss)	(36,893)	(40,713)
Total shareholders' equity	207,397	189,306
Total liabilities and shareholders' equity	\$1,411,107	\$1,098,227

See accompanying notes.

SeaCube Container Leasing Ltd.
Consolidated Statements of Operations
(Amounts in thousands, except for per share amounts)
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Revenues:				
Equipment leasing revenue	\$28,726	\$18,527	\$75,444	\$52,708
Finance revenue	13,945	12,660	40,281	38,989
Other revenue	2,558	3,286	7,089	9,619
Total revenues	45,229	34,473	122,814	101,316
Expenses:				
Direct operating expenses	2,092	1,656	4,341	5,715
Selling, general and administrative expenses	5,996	5,453	17,641	15,691
Depreciation expenses	12,242	8,886	33,159	25,684
Provision for doubtful accounts	180	122	220	(234)
Impairment of leasing equipment held for sale	539	291	904	1,073
Interest expense, including non-cash interest of \$2,320, \$3,823, \$3,559 and \$6,226, respectively	15,424	13,704	39,283	35,359
Interest income	(68)	(58)	(211)	(965)
Other expenses (income), net	6	(417)	438	(945)
Total expenses	36,411	29,637	95,775	81,378
Income before provision for income taxes	8,818	4,836	27,039	19,938
Provision (benefit) for income taxes	35	9	(142)	580
Net income	\$8,783	\$4,827	\$27,181	\$19,358
Net income per common share				
Basic	\$0.44	\$0.29	\$1.35	\$1.19
Diluted	\$0.44	\$0.29	\$1.35	\$1.19
Dividend per common share	\$0.24	\$—	\$0.68	\$0.175

See accompanying notes.

SeaCube Container Leasing Ltd.
Consolidated Statements of Cash Flows
(Amounts in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2011	2010
Cash flows from operating activities		
Net income	\$27,181	\$19,358
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	34,945	26,585
Provision for doubtful accounts	220	(234)
Loss on sale of leasing equipment	262	667
Stock based compensation	865	192
Derivative loss reclassified into earnings	2,911	4,852
Ineffective portion of cash flow hedges	(1,148)	431
Impairment of leasing equipment held for sale	904	1,073
Changes in operating assets and liabilities:		
Accounts receivable	(8,641)	1,970
Other assets	2,906	264
Accounts payable, accrued expenses and other liabilities	4,078	5,347
Deferred income	436	(1,572)
Net cash provided by operating activities	64,919	58,933
Cash flows from investing activities		
Proceeds from sale of leasing equipment	9,715	11,137
Collections on net investment in direct finance leases, net of interest earned	75,936	78,202
(Increase) decrease in restricted cash	(8,182)	4,698
Purchase of fixed assets	(45)	(128)
Purchase of leasing equipment	(257,858)	(62,475)
Investment in direct financing leases	(127,042)	(51,007)
Increase in Shareholder Note	(187)	(13,896)
Net cash (used in) investing activities	(307,663)	(33,469)
Cash flows from financing activities		
Proceeds from long-term debt	629,000	137,000
Repayments of long-term debt	(361,006)	(148,131)
Cash paid for debt issuance fees	(7,498)	(2,485)
Cash paid for derivatives	(676)	—
Dividends paid	(12,875)	(2,800)
Other financing activities	(1,000)	(851)
Net cash provided by (used in) financing activities	245,945	(17,267)
Effect of changes in exchange rates on cash and cash equivalents	(65)	26
Net increase in cash and cash equivalents	3,136	8,223
Cash and cash equivalents, beginning of period	17,868	8,014
Cash and cash equivalents, end of period	\$21,004	\$16,237
Supplemental disclosures of cash flow information		
Cash paid for interest	\$33,646	\$28,738
Cash paid for taxes	\$191	\$415

See accompanying notes.

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SeaCube Container Leasing Ltd.
Notes to Consolidated Financial Statements
(Dollars in thousands, except as otherwise noted)
(unaudited)

1. Description of the Business and Basis of Presentation

The accompanying consolidated financial statements of SeaCube Container Leasing Ltd. (the “Company” or “SeaCube”) are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) for interim financial reporting and, in our opinion, reflect all adjustments, including normal recurring items, which are necessary to present fairly the results for interim periods. Operating results for the periods presented are not necessarily indicative of the results that may be expected for the entire year. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been omitted in accordance with the rules and regulations of the SEC; however, we believe that the disclosures are adequate to make information presented not misleading. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s annual report on Form 10-K for the year ended December 31, 2010.

The Company purchases intermodal containers and leases them to shipping and transportation companies, both domestically and internationally. Containers include refrigerated and dry freight containers as well as generator sets, which are leased to shipping line customers through a variety of long-term and short-term contractual leasing arrangements. The Company operates in a single segment.

SeaCube was incorporated by Seacastle Operating Company Ltd. (the “Initial Shareholder” or “Seacastle Operating”) in Bermuda in March 2010. 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 the Initial Shareholder in 2006.

On October 27, 2010, the SEC declared effective the registration statement relating to the Company’s initial public offering (“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, which less underwriting discounts and expenses resulted in net proceeds of approximately \$27 million. The Initial Shareholder sold 7,475,000 of its 16,000,000 previously outstanding shares.

New Accounting Pronouncements

Adopted in 2011

In October 2009, the FASB issued Accounting Standards Update No. 2009-13, Multiple Deliverable Revenue Arrangements (“ASU 2009-13”), which amends ASC 605-25, Revenue Recognition—Multiple Element Arrangements, to require the use of management’s best estimate of selling price for individual elements of an arrangement when vendor-specific objective evidence or third-party evidence is unavailable. Additionally, it eliminates the residual method of revenue recognition in accounting for multiple deliverable arrangements and significantly expands the disclosures required for multiple deliverable arrangements. The Company will apply ASU 2009-13 prospectively for revenue arrangements entered into or materially modified in beginning on or after January 1, 2011. The adoption of ASU 2009-13 did not have a material impact on the Company’s Consolidated Financial Statements.

SeaCube Container Leasing Ltd.
Notes to Consolidated Financial Statements (continued)
(Dollars in thousands, except as otherwise noted)

(unaudited)

Pending Adoption

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, Presentation of Comprehensive Income (“ASU 2011-05”), which eliminates the option to present other comprehensive income and its components in the statement of shareholders’ equity, which is the Company’s current presentation. The Company may either present the total of comprehensive income, the components of net income, and the components of other comprehensive income in a single continuous statement of comprehensive income or in two separate but consecutive statements. The Company intends to update its presentation of comprehensive income to comply with ASU 2011-05 beginning January 1, 2012.

2. Leasing Activity

Equipment Leasing Revenue

The Company has noncancelable operating leases for its leasing equipment. As of September 30, 2011, future minimum lease revenue under these agreements was estimated as follows:

	Total Amount
2011	\$ 23,838
2012	78,341
2013	62,682
2014	52,476
2015	44,756
Thereafter	78,932
	\$ 341,025

Finance Revenue

At September 30, 2011, receivables under these direct finance leases are collectible through 2022 as follows:

	Total Lease Receivables	Unearned Lease Income	Net Lease Receivables
2011	\$ 39,973	\$ 13,399	\$ 26,574
2012	144,222	47,511	96,711
2013	131,413	38,227	93,186
2014	145,897	28,071	117,826
2015	78,162	19,531	58,631
Thereafter	203,284	41,058	162,226
	\$ 742,951	\$ 187,797	\$ 555,154

The Company has had strong credit performance 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. As such, the Company does not record an allowance for credit losses associated with direct finance leases.

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As of September 30, 2011 and December 31, 2010, the Company had guaranteed and unguaranteed residual values for leasing equipment on direct finance leases of \$112,571 and \$87,691, respectively. As of December 31, 2010, the Company had total lease receivables, unearned lease income and net lease receivables of \$671,773, \$155,615 and \$516,158, respectively. The unguaranteed residual values are reflected in the “Net Lease Receivables” above.

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SeaCube Container Leasing Ltd.
Notes to Consolidated Financial Statements (continued)
(Dollars in thousands, except as otherwise noted)

(unaudited)

3. Leasing Equipment

The following is a summary of leasing equipment recorded:

	September 30, 2011	December 31, 2010
Dry containers	\$ 330,943	\$ 137,623
Refrigerated containers	537,653	457,365
Generator sets	22,802	23,361
Total	891,398	618,349
Less accumulated depreciation	(162,512)	(141,783)
Leasing equipment, net of accumulated depreciation	\$ 728,886	\$ 476,566

There were no assets recorded under capital leases as of September 30, 2011 and December 31, 2010, respectively.

4. Borrowings**CLI Funding V Credit Facility**

On March 18, 2011, the Company, through its wholly owned subsidiary, CLI Funding V LLC ("CLIF V") completed its offering of \$230 million Series 2011-1 Fixed Rate Secured Notes ("Series 2011-1 Notes"). The Series 2011-1 Notes, rated "A" by Standard & Poor's, were issued at par with an annual interest rate of 4.5% and have a scheduled maturity date of March 18, 2021 with a legal final maturity date of March 18, 2026.

Unsecured Term Notes

On April 28, 2011, the Company closed on a \$50 million Five Year Senior Unsecured Term Loan. The loan has an annual interest rate of 11%, which is payable semi-annually beginning on July 1, 2011. There are no required principal payments prior to maturity on April 28, 2016.

The following is a summary of the Company's borrowings:

	September 30, 2011	December 31, 2010
Container Asset-Backed Securitizations:		
Series 2006-1 Notes	\$ 305,671	\$ 352,299
CLI Funding III Credit Facility	260,663	311,903
CLI Funding IV Credit Facility	130,000	110,000
CLI Funding V Credit Facility	219,862	—
Unsecured Term Notes	50,000	—
Container Revolving Credit Facility	96,000	20,000
Total debt	1,062,196	794,202
Less current maturities	(140,359)	(130,095)
Long-term debt, less current maturities	\$ 921,837	\$ 664,107

The Company has debt obligations that are collateralized by the Company's restricted cash, leasing equipment and net investment in direct finance leases. As of September 30, 2011 and December 31, 2010, assets pledged as collateral on the Company's debt amounted to \$1,297,199 and \$978,429, respectively.

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SeaCube Container Leasing Ltd.
Notes to Consolidated Financial Statements (continued)
(Dollars in thousands, except as otherwise noted)

(unaudited)

5. Derivatives and Hedging Activities

In the normal course of business the Company utilizes interest rate derivatives to manage our exposure to interest rate risks. Specifically, interest rate derivatives are hedging variable rate interest payments on its various debt facilities. If certain conditions are met, an interest rate derivative may be specifically designated as a cash flow hedge. All of the Company's designated interest rate derivatives are cash flow hedges. For effective cash flow hedges, changes in fair value are recorded in accumulated other comprehensive income (loss) and subsequently reclassified into earnings when the interest payments on the debt are recorded in earnings.

The Company's interest rate derivatives involve counterparty credit risk. As of September 30, 2011, all of the Company's interest rate derivatives are held with counterparties or guaranteed by parties with a credit rating of at least A3 by Moody's. The Company monitors the credit risk associated with these instruments periodically to validate that it is probable that the counterparty (or guarantor) will perform. As of September 30, 2011, the Company does not anticipate that any of these counterparties will fail to meet their obligations. As of September 30, 2011, there are no credit risk related contingent features in any of the Company's derivative agreements.

The Company held the following interest rate derivatives designated as cash flow hedges as of September 30, 2011:

Hedged Item	Current Notional Amount	Effective Date	Maturity Date	Floating Rate	Fixed Interest Rate	Fair Value (a)
CLI Funding Series 2006-1	\$ 500	Feb-2006	Oct-2011	1M LIBOR	5.5800 %	\$ (1)
CLI Funding Series 2006-1	10,417	Feb-2006	Oct-2013	1M LIBOR	4.1450 %	(404)
CLI Funding Series 2006-1	39,708	Feb-2006	Dec-2013	1M LIBOR	4.2990 %	(1,776)
CLI Funding Series 2006-1	16,875	Feb-2006	Dec-2013	1M LIBOR	4.9200 %	(850)
CLI Funding Series 2006-1	138,042	Aug-2006	Jun-2016	1M LIBOR	5.2950 %	(17,370)
CLI Funding Series 2006-1	47,629	Jan-2009	Aug-2016	1M LIBOR	4.6400 %	(4,649)
CLI Funding Series 2006-1	52,500	Jan-2009	Aug-2016	1M LIBOR	4.9500 %	(5,390)
CLI Funding III, LLC	—	Jun-2008	Jun-2018	1M LIBOR	5.2900 %	(50)
CLI Funding III, LLC	13,885	May-2008	Feb-2018	1M LIBOR	4.5200 %	(1,489)
CLI Funding III, LLC	27,022	May-2008	Jul-2017	1M LIBOR	4.5300 %	(2,590)
CLI Funding III, LLC	67,112	May-2008	Feb-2018	1M LIBOR	4.2075 %	(4,377)
CLI Funding III, LLC	3,786	Jul-2008	Jun-2016	1M LIBOR	4.0500 %	(424)

				1M LIBOR				
CLI Funding III, LLC	17,500	Jul-2008	Jul-2017	1M LIBOR	4.1000	%	(1,221)
CLI Funding III, LLC	14,030	Jul-2008	Dec-2018	1M LIBOR	3.6420	%	(344)
CLI Funding III, LLC	40,126	Mar-2010	Nov-2014	1M LIBOR	2.0200	%	(1,213)
CLI Funding III, LLC	18,904	Jan-2011	May-2017	1M LIBOR	1.6250	%	(446)
Total interest rate derivatives designated as cash flow hedges	\$ 508,036						\$ (42,594)

(a) All interest rate derivatives are recorded in fair value of derivative instruments in the liabilities section of the consolidated balance sheets.

SeaCube Container Leasing Ltd.
Notes to Consolidated Financial Statements (continued)
(Dollars in thousands, except as otherwise noted)

(unaudited)

The following tables set forth the net of tax effect of the Company's cash flow hedge derivative instruments on the consolidated financial statements for the three and nine months ended September 30, 2011 and 2010:

Derivative Instrument	Change in Unrealized (Gain) Loss Recognized in OCI(a)	For the Three Months Ended September 30, 2011		Ineffective Portion	
		Effective Portion Location of (Gain) Loss reclassified from Accumulated OCI into Income	(Gain) Loss Reclassified from Accumulated OCI into Income(b)	Location of (Gain) Loss Recognized Directly in Income	(Gain) Loss Recognized Directly in Income
Interest rate derivatives	(6,153)	Interest expense	6,353	Interest expense	517

Derivative Instrument	Change in Unrealized (Gain) Loss Recognized in OCI(a)	For the Three Months Ended September 30, 2010		Ineffective Portion	
		Effective Portion Location of (Gain) Loss reclassified from Accumulated OCI into Income	(Gain) Loss Reclassified from Accumulated OCI into Income(b)	Location of (Gain) Loss Recognized Directly in Income	(Gain) Loss Recognized Directly in Income
Interest rate derivatives	(8,135)	Interest expense	7,778	Interest expense	2,119

Derivative Instrument	Change in Unrealized (Gain) Loss Recognized in OCI(a)	For the Nine Months Ended September 30, 2011		Ineffective Portion	
		Effective Portion Location of (Gain) Loss reclassified from Accumulated OCI into Income	(Gain) Loss Reclassified from Accumulated OCI into Income(b)	Location of (Gain) Loss Recognized Directly in Income	(Gain) Loss Recognized Directly in Income
Interest rate derivatives	(15,613)	Interest expense	19,497	Interest expense	(1,148)

For the Nine Months Ended September 30, 2010	
Effective Portion	Ineffective Portion

Derivative Instrument	Change in Unrealized (Gain) Loss Recognized in OCI(a)	Location of (Gain) Loss reclassified from Accumulated OCI into Income	(Gain) Loss Reclassified from Accumulated OCI into Income(b)	Location of (Gain) Loss Recognized Directly in Income	(Gain) Loss Recognized Directly in Income
Interest rate derivatives	(31,814)	Interest expense	24,823	Interest expense	431

(a) Represents the change in the fair market value of the Company's interest rate derivatives, net of tax, offset by the amount of actual cash paid related to the net settlements of the interest rate derivatives.

(b) Represents the amount of actual cash paid related to the net settlements of the interest rate derivatives and amortization of deferred losses on the Company's terminated derivatives as follows:

	Three months ended September 30, 2011		Nine months ended September 30, 2011	
	2010	2010	2010	2010
Net settlement of interest rate derivatives	\$ 5,314	\$ 6,400	\$ 16,586	\$ 19,971
Amortization of terminated derivatives	1,039	1,378	2,911	4,852

As of September 30, 2011, the amount of Accumulated OCI related to derivatives was \$36,345. The amount of loss expected to be reclassified from OCI into interest expense over the next 12 months consists of net interest settlements on active interest rate derivatives in the amount of \$18,169 and the amortization of deferred net losses on the Company's terminated derivatives of \$3,122.

SeaCube Container Leasing Ltd.
Notes to Consolidated Financial Statements (continued)
(Dollars in thousands, except as otherwise noted)

(unaudited)

6. Income Taxes

The consolidated income tax expense for the three and nine months ended September 30, 2011 and 2010 was determined based upon estimates of the Company's consolidated effective income tax rates for the years ending December 31, 2011 and 2010, respectively. The Company's effective tax rate differs from the U.S. federal tax rate of 35% primarily due to its lower or nontaxed foreign sourced income. In addition, the three and nine months ended September 30, 2011 contains deferred tax benefits resulting from net operating losses from US sources.

7. Other Expenses (Income), Net

Other expenses (income), net of \$(417) and \$(945) respectively, for the three and nine months ended September 30, 2010, included proceeds on a default insurance recovery of \$0 and \$1,683, respectively. There were no proceeds from default insurance for the three and nine months ended September 30, 2011.

8. Comprehensive Income (Loss)

Total comprehensive income (loss) includes net income, the changes in the fair value of derivative instruments, reclassification into earnings of amounts previously deferred relating to derivative instruments and foreign currency translation gain (loss) relating to the Company's foreign subsidiaries. Total comprehensive income for the three and nine months ended September 30, 2011 and 2010 is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Net income	\$8,783	\$4,827	\$27,181	\$19,358
Net derivative loss reclassified into earnings	1,039	1,378	2,911	4,852
Unrealized gain (loss) on derivative instruments, net of tax	(839)	(1,735)	973	(11,843)
Foreign currency translation	(101)	107	(65)	24
Total comprehensive income	\$8,882	\$4,577	\$31,000	\$12,391

9. Commitments and Contingencies**Purchase Commitments**

As of September 30, 2011, commitments for capital expenditures were \$9,389.

Lease Commitments

The Company and its subsidiaries are parties to various operating leases relating to office facilities, transportation vehicles, and certain other equipment with various expiration dates through 2015. All leasing arrangements contain normal leasing terms without unusual purchase options or escalation clauses. As of September 30, 2011, the aggregate minimum rental commitment under operating leases having initial or remaining noncancelable lease terms in excess of one year was \$1,451.

SeaCube Container Leasing Ltd.
Notes to Consolidated Financial Statements (continued)
(Dollars in thousands, except as otherwise noted)
(unaudited)

10. Share Based Payments

A summary of the restricted shares under the Company's incentive plan is as follows:

	Shares	Weighted-average per share at grant date
Nonvested at January 1, 2011	150,779	\$ 10.47
Granted	145,547	15.30
Vested	(65,119)	10.63
Nonvested at September 30, 2011	231,207	\$ 13.47

The Company recorded compensation expense of \$291 and \$865 for the three and nine months ended September 30, 2011, respectively, and recorded compensation expense of \$128 and \$192 for the three and nine months ended September 30, 2010, respectively. Compensation expense is recorded as a component of selling, general and administrative expenses in the Company's consolidated statements of operations. Total unrecognized compensation cost was approximately \$2,578 at September 30, 2011 which is expected to be recognized over the remaining weighted-average vesting period of 2.3 years.

11. Earnings per Share and Dividends

The computation of basic earnings per share is based on the weighted average number of common shares outstanding including participating securities outstanding during the period. Diluted EPS is calculated by dividing Net income (loss) by the weighted average number of common shares outstanding during the period while also giving effect to all potentially dilutive common shares based on the treasury stock method. The weighted average shares used to calculate basic and diluted earnings per share ("EPS") in the prior year period have been retroactively adjusted to include the 16,000,000 common shares issued to the Initial Shareholder.

In accordance with the Earnings per Share Topic, any unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of EPS pursuant to the two-class method. Accordingly, all of the Company's restricted common shares are participating securities.

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Weighted-average shares:				
Common shares outstanding	19,932,152	16,417,033		