General Finance CORP
Form 10-Q
May 11, 2015
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U. S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended March 31, 2015

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 001-32845

(Exact Name of Registrant as Specified in its Charter)

Delaware	**32-0163571**
(State or Other Jurisdiction of	**(I.R.S. Employer**
Incorporation or Organization)	**Identification No.)**

39 East Union Street

Pasadena, CA 91103

(Address of Principal Executive Offices)

(626) 584-9722

(Registrant s Telephone Number, Including Area Code)

Indicate by check whether the registrant: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 ¨

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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 definition 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 ¨ (Do not check if a smaller reporting company)	Smaller reporting company x

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

State the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: 25,880,520 shares outstanding as of May 8, 2015.

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GENERAL FINANCE CORPORATION

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

GENERAL FINANCE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

(Unaudited)

	June 30, 2014	March 31, 2015
Assets		
Cash and cash equivalents	$ 5,846	$ 8,551
Trade and other receivables, net of allowance for doubtful accounts of $3,848 and $6,096 at June 30, 2014 and March 31, 2015, respectively	61,474	54,633
Inventories	27,402	41,162
Prepaid expenses and other	9,919	10,096
Property, plant and equipment, net	30,614	40,709
Lease fleet, net	396,552	415,523
Goodwill	93,166	98,281
Other intangible assets, net	43,516	42,857
Total assets	$ 668,489	$ 711,812
Liabilities		
Trade payables and accrued liabilities	$ 53,838	$ 42,287
Income taxes payable	1,136	984
Unearned revenue and advance payments	14,480	13,748
Senior and other debt	302,877	373,189
Deferred tax liabilities	38,273	44,070
Total liabilities	410,604	474,278
Commitments and contingencies (Note 9)		
Equity		
Cumulative preferred stock, $.0001 par value: 1,000,000 shares authorized; 400,100 shares issued and outstanding (in series) and liquidation value of $40,722 and $40,702 at June 30, 2014 and March 31, 2015, respectively	40,100	40,100
Common stock, $.0001 par value: 100,000,000 shares authorized; 25,657,257 and 25,879,020 shares issued and outstanding at June 30, 2014 and March 31, 2015, respectively	3	3
Additional paid-in capital	128,030	124,639
Accumulated other comprehensive income (loss)	1,915	(11,937)
Accumulated deficit	(11,786)	(2,452)

Total General Finance Corporation stockholders equity		158,262		150,353
Equity of noncontrolling interests		99,623		87,181
Total equity		257,885		237,534
Total liabilities and equity	$	668,489	$	711,812

The accompanying notes are an integral part of these condensed consolidated financial statements.

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GENERAL FINANCE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share data)

(Unaudited)

	Quarter Ended March 31,		Nine Months Ended March 31,	
	2014	2015	2014	2015
Revenues				
Sales:				
Lease inventories and fleet	$ 24,421	$ 19,923	$ 84,067	$ 67,326
Manufactured units	6,807	3,452	12,955	12,531
	31,228	23,375	97,022	79,857
Leasing	34,445	46,011	100,026	158,678
	65,673	69,386	197,048	238,535
Costs and expenses				
Cost of sales:				
Lease inventories and fleet (exclusive of the items shown separately below)	18,065	14,246	64,457	48,342
Manufactured units	4,959	2,779	9,532	8,806
Direct costs of leasing operations	12,162	18,992	36,206	59,327
Selling and general expenses	14,902	17,367	43,098	54,233
Depreciation and amortization	6,022	9,475	17,284	28,119
Operating income	9,563	6,527	26,471	39,708
Interest income	14	28	37	52
Interest expense (includes ineffective portion of cash flow hedge reclassifications from AOCI of an unrealized gain (loss) of $71 and $229 in the quarter and nine months ended March 31, 2014 and $0 and $(11) in the quarter and nine months ended March 31, 2015, respectively)	(2,490)	(5,179)	(7,216)	(16,006)
Foreign currency exchange loss and other	(512)	(374)	(1,061)	(219)
	(2,988)	(5,525)	(8,240)	(16,173)
Income before provision for income taxes	6,575	1,002	18,231	23,535
Provision for income taxes (includes provision (benefit) from AOCI	2,749	401	7,621	9,414

reclassifications of $30 and $96 in the quarter and nine months ended March 31, 2014 and $0 and $(4) in the quarter and nine months ended March 31, 2015, respectively)				
Net income	3,826	601	10,610	14,121
Preferred stock dividends	(922)	(922)	(2,597)	(2,766)
Noncontrolling interests	(1,841)	(1,420)	(4,925)	(4,787)
Net income (loss) attributable to common stockholders	$ 1,063	$ (1,741)	$ 3,088	$ 6,568
Net income (loss) per common share:				
Basic	$ 0.04	$ (0.07)	$ 0.13	$ 0.25
Diluted	0.04	(0.07)	0.12	0.25
Weighted average shares outstanding:				
Basic	24,357,045	25,862,668	24,340,735	25,774,758
Diluted	25,208,993	25,862,668	25,192,683	26,467,138

The accompanying notes are an integral part of these condensed consolidated financial statements.

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GENERAL FINANCE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/LOSS

(In thousands, except share and per share data)

(Unaudited)

	Quarter Ended March 31,		Nine Months Ended March 31,	
	2014	2015	2014	2015
Net income	$ 3,826	$ 601	$ 10,610	$ 14,121
Other comprehensive income (loss):				
Change in fair value, net of ineffective cash flow hedge reclassifications to the statement of operations of an unrealized gain (loss) of $71 and $229 and $0 and $(11) in the quarter and nine months ended March 31, 2014 and 2015, respectively (which includes reclassifications of the related income tax provision (benefit) of $30 and $96 and $0 and $(4) in the quarter and nine months ended March 31, 2014 and 2015, respectively); and net of income tax effect of $(37) and $(40) and $59 and $200 in the quarter and nine months ended March 31, 2014 and 2015, respectively	(110)	(175)	(93)	(483)
Cumulative translation adjustment	5,665	(7,065)	3,125	(26,051)
Total comprehensive income (loss)	9,381	(6,639)	13,642	(12,413)
Allocated to noncontrolling interests	(4,791)	2,000	(6,694)	7,895
Comprehensive income (loss) allocable to General Finance Corporation stockholders	$ 4,590	$ (4,639)	$ 6,948	$ (4,518)

The accompanying notes are an integral part of these condensed consolidated financial statements.

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GENERAL FINANCE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(In thousands, except share and share data)

(Unaudited)

	Cumulative Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Total General Finance Corporation Stockholders Equity	Equity of Noncontrolling Interests	Total Equity
Balance at June 30, 2014	$ 40,100	$ 3	$ 128,030	$ 1,915	$ (11,786)	$ 158,262	$ 99,623	$ 257,885
Share-based compensation			1,227			1,227	227	1,454
Preferred stock dividends			(2,766)			(2,766)		(2,766)
Dividends on capital stock by subsidiary							(3,922)	(3,922)
Purchases of subsidiary capital stock			(2,534)			(2,534)	(852)	(3,386)
Issuance of 16,002 shares of common stock at acquisition of Black Angus			156			156		156
Issuance of 185,379 shares of common stock on exercises of stock options			526			526		526
Grant of net 20,382 shares of restricted stock								
Net income					9,334	9,334	4,787	14,121
Fair value change in derivative, net of related tax effect				(246)		(246)	(237)	(483)
				(13,606)		(13,606)	(12,445)	(26,051)

Cumulative translation adjustment								
Total comprehensive loss						(4,518)	(7,895)	(12,413)
Balance at March 31, 2015	$ 40,100	$ 3	$ 124,639	$ (11,937)	$ (2,452)	$ 150,353	$ 87,181	$ 237,534

The accompanying notes are an integral part of these condensed consolidated financial statements.

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GENERAL FINANCE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended March 31, 2014	Nine Months Ended March 31, 2015
Net cash provided by operating activities (Note 10)	$ 20,760	$ 22,503
Cash flows from investing activities:		
Business acquisitions, net of cash acquired	(15,695)	(33,913)
Proceeds from sales of property, plant and equipment	133	162
Purchases of property, plant and equipment	(4,306)	(16,018)
Proceeds from sales of lease fleet	19,582	17,110
Purchases of lease fleet	(61,885)	(67,833)
Other intangible assets	(210)	(555)
Net cash used in investing activities	(62,381)	(101,047)
Cash flows from financing activities:		
Net proceeds from (repayments of) equipment financing activities	(51)	706
Proceeds from senior and other debt borrowings, net	51,089	91,153
Deferred financing costs	(688)	(154)
Proceeds from issuances of common stock	8	526
Purchases of subsidiary capital stock	(420)	(3,386)
Dividends on capital stock by subsidiary	(2,339)	(2,409)
Preferred stock dividends	(2,597)	(2,766)
Net cash provided by financing activities	45,002	83,670
Net increase in cash	3,381	5,126
Cash and equivalents at beginning of period	6,278	5,846
The effect of foreign currency translation on cash	(1,310)	(2,421)
Cash and equivalents at end of period	$ 8,349	$ 8,551

Non-cash investing and financing activities:

The Company issued common stock of $156 as a part of the consideration for a business acquisition during the nine months ended March 31, 2015 (see Note 4), and included holdback amounts totaling $1,126 and $3,371 as part of the consideration for business acquisitions during the nine months ended March 31, 2014 and 2015, respectively.

On February 10, 2015, the Board of Directors of Royal Wolf declared a dividend of AUS$0.04 per RWH share payable on April 2, 2015 to shareholders of record on March 18, 2015. The condensed consolidated financial statements accrued the amount of the dividend pertaining to the noncontrolling interest, which totaled $1,513 (AUS$1,968), as a charge directly to the equity of noncontrolling interests at March 31, 2015 (see Note 3).

The accompanying notes are an integral part of these condensed consolidated financial statements.

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GENERAL FINANCE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Note 1. Organization and Business Operations

General Finance Corporation (GFN) was incorporated in Delaware in October 2005. References to the Company in these Notes are to GFN and its consolidated subsidiaries. These subsidiaries include GFN U.S. Australasia Holdings, Inc., a Delaware corporation (GFN U.S.); GFN North America Leasing Corporation, a Delaware corporation (GFNNA Leasing); GFN North America Corp., a Delaware corporation (GFNNA); GFN Realty Company, LLC, a Delaware limited liability company (GFNRC); GFN Manufacturing Corporation, a Delaware corporation (GFNMC), and its subsidiary, Southern Frac, LLC, a Texas limited liability company (collectively Southern Frac); Royal Wolf Holdings Limited, an Australian corporation publicly traded on the Australian Securities Exchange (RWH), and its Australian and New Zealand subsidiaries (collectively, Royal Wolf); Pac-Van, Inc., an Indiana corporation, and its Canadian subsidiary, PV Acquisition Corp., an Alberta corporation (collectively Pac-Van); and Lone Star Tank Rental Inc., a Delaware corporation (Lone Star).

The Company does business in three distinct, but related industries, mobile storage, modular space and liquid containment (which are collectively referred to as the portable services industry), in two geographic areas; the Asia-Pacific (or Pan-Pacific) area, consisting of Royal Wolf (which leases and sells storage containers, portable container buildings and freight containers in Australia and New Zealand) and North America, consisting of Pac-Van (which leases and sells storage, office and portable liquid storage tank containers, modular buildings and mobile offices) and Lone Star (which leases portable liquid storage tank containers and containment products, as well as provides certain fluid management services, to the oil and gas industry in the Permian and Eagle Ford basins of Texas), which are combined to form our North American leasing operations, and Southern Frac (which manufactures portable liquid storage tank containers).

On May 31, 2011, the Company completed an initial public offering (IPO) in Australia of a noncontrolling interest in RWH. A total of 50,000,000 shares of capital stock were issued to the Australian market and an additional 188,526 shares were issued to the non-employee members of the RWH Board of Directors, the RWH chief executive officer and the RWH chief financial officer. At the IPO date and through March 31, 2015, GFN U.S. owned a direct (and the Company an indirect) majority interest of over 50% of Royal Wolf.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with United States generally accepted accounting principles (U.S. GAAP) applicable to interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by U.S. GAAP for complete financial statements, although the Condensed Consolidated Balance Sheet at June 30, 2014 was derived from the audited Consolidated Balance Sheet at that date. In the opinion of management, all adjustments (which include all significant normal and recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for all periods presented have been made. The accompanying results of operations are not necessarily indicative of the operating results that may be expected for the entire fiscal year ending June 30, 2015. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes thereto of the Company, which are included in the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2014 filed with the Securities and Exchange Commission (SEC).

Unless otherwise indicated, references to FY 2014 and FY 2015 are to the nine months ended March 31, 2014 and 2015, respectively.

The FY 2014 segment information in Note 11 has been reclassified to reflect the current segment presentation.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Foreign Currency Translation

The Company s functional currencies for its foreign operations are the respective local currencies, the Australian (AUS) and New Zealand (NZ) dollars in the Asia-Pacific area and the Canadian (C) dollar in North America. All adjustments resulting from the translation of the accompanying condensed consolidated financial statements from the functional currency into reporting currency are recorded as a component of stockholders equity in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 830, *Foreign Currency Matters*. All assets and liabilities are translated at the rates in effect at the balance sheet dates; and revenues, expenses, gains and losses are translated using the average exchange rates during the periods.

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GENERAL FINANCE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognized in the statement of operations. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates prevailing at the dates the fair value was determined.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant changes include assumptions used in assigning value to identifiable intangible assets at the acquisition date, the assessment for impairment of goodwill, the assessment for impairment of other intangible assets, the allowance for doubtful accounts, share-based compensation expense, residual value of the lease fleet and deferred tax assets and liabilities. Assumptions and factors used in the estimates are evaluated on an annual basis or whenever events or changes in circumstances indicate that the previous assumptions and factors have changed. The results of the analysis could result in adjustments to estimates.

Inventories

Inventories are stated at the lower of cost or fair value (net realizable value) and consist of primarily finished goods for containers, modular buildings and mobile offices held for sale or lease; as well as raw materials, work in-process and finished goods of manufactured portable liquid storage tank containers. Costs for leasing operations are assigned to individual items on the basis of specific identification and include expenditures incurred in acquiring the inventories and bringing them to their existing condition and location; while costs for manufactured units are determined using the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business. Expenses of marketing, selling and distribution to customers, as well as costs of completion, are estimated and are deducted from the estimated selling price to establish net realizable value. Inventories are comprised of the following (in thousands):

	June 30, 2014	March 31, 2015
Finished goods	$ 24,157	$ 36,286
Work in progress	2,011	1,921
Raw materials	1,234	2,955

	$ 27,402	$ 41,162

Property, plant and equipment consist of the following (in thousands):

	Estimated Useful Life	**June 30, 2014**	**March 31, 2015**
Land		$ 2,423	$ 9,918
Building and improvements	10 40 years	4,608	6,575
Transportation and plant equipment (including capital lease assets)	3 20 years	34,934	37,539
Furniture, fixtures and office equipment	3 10 years	7,286	8,083
Construction in-process		134	
		49,385	62,115
Less accumulated depreciation and amortization		(18,771)	(21,406)
		$ 30,614	$ 40,709

Lease Fleet

The Company has a fleet of storage, portable building, office and portable liquid storage tank containers, mobile offices, modular buildings and steps that it primarily leases to customers under operating lease agreements with varying terms. The value of the lease fleet (or lease or rental equipment) is recorded at cost and depreciated on the straight-line basis over the estimated useful life (5 - 20 years), after the date the units are put in service, down to their estimated residual values (up to 70% of cost). In the opinion of management, estimated residual values are at or below net realizable values. The Company periodically reviews these depreciation

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GENERAL FINANCE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

policies in light of various factors, including the practices of the larger competitors in the industry, and its own historical experience. Costs incurred on lease fleet units subsequent to initial acquisition are capitalized when it is probable that future economic benefits in excess of the originally assessed performance will result; otherwise, they are expensed as incurred. At June 30, 2014 and March 31, 2015, the gross costs of the lease fleet were $453,362,000 and $480,664,000, respectively.

Units in the lease fleet are also available for sale. The cost of sales of a unit in the lease fleet is recognized at the carrying amount at the date of sale.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recorded for temporary differences between the financial reporting basis and income tax basis of assets and liabilities at the balance sheet date multiplied by the applicable tax rates. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is recorded for the amount of income tax payable or refundable for the period increased or decreased by the change in deferred tax assets and liabilities during the period. The Company files U.S. Federal tax returns, multiple U.S. state (and state franchise) tax returns and Australian, New Zealand and Canadian tax returns. For U.S. Federal tax purposes, all periods subsequent to June 30, 2008 are subject to examination by the U.S. Internal Revenue Service (IRS) and, for U.S. state tax purposes, with few exceptions, all periods subsequent to June 30, 2007 are subject to examination by the respective state s taxation authorities. Generally, periods subsequent to June 30, 2008 are subject to examination by the respective taxation authorities in Australia, New Zealand and Canada. The Company believes that its income tax filing positions and deductions would be sustained on audit and does not anticipate any adjustments that would result in a material change. Therefore, no reserves for uncertain income tax positions have been recorded. In addition, the Company does not anticipate that the total amount of unrecognized tax benefit related to any particular tax position will change significantly within the next 12 months.

The Company s policy for recording interest and penalties, if any, will be to record such items as a component of income taxes.

Net Income per Common Share

Basic net income per common share is computed by dividing net income attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the periods. Diluted net income per common share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. The potential dilutive securities (common stock equivalents) the Company had outstanding were warrants and stock options. The following is a reconciliation of weighted average shares outstanding used in calculating earnings per common share:

	Quarter Ended March 31, 2014	2015	Nine Months Ended March 31, 2014	2015
Basic	24,357,045	25,862,668	24,340,735	25,774,758
Assumed exercise of stock options	851,948		851,948	692,380
Diluted	25,208,993	25,862,668	25,192,683	26,467,138

Potential common stock equivalents totaling 1,296,929 for both the quarter ended March 31, 2014 and FY 2014 and 1,900,273 and 1,207,893 for the quarter ended March 31, 2015 and FY 2015, respectively, have been excluded from the computation of diluted earnings per share because the effect is anti-dilutive.

Recently Issued Accounting Pronouncements

Previously, in August 2010, the FASB, as result of a joint project with the International Accounting Standards Board (IASB) to simplify lease accounting and improve the quality of and comparability of financial information for users, published proposed standards that would change the accounting and financial reporting for both lessee and lessor under ASC Topic 840, *Leases*. Since then, the FASB and IASB have been deliberating submitted comments about their 2010 proposals and other feedback from constituents. On May 16, 2013, both the FASB and the IASB issued nearly identical exposure drafts that retained the most significant change to lease accounting rules from the 2010 proposed standards, the elimination of the concept of off-balance sheet treatment for operating leases for lessees for the vast majority of lease contracts. However, the 2013 exposure drafts include significant modifications, among them the establishment of two types of lease contracts for both lessees and lessors. Instead of capital and operating leases, the proposed rules create two types of leases (both similar to capital leases for lessees), which the FASB and IASB refer to as Type A and Type B. In addition, the revised exposure drafts seek to correct issues, noted by many commenters, related

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GENERAL FINANCE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

to the pattern and classification of expense recognition as well as the definition of lease term and the treatment of variable lease payments under the 2010 proposed standards. The Company believes that the final standards, if issued in substantially the same form as the revised exposure drafts, would have a material effect in the presentation of its consolidated financial position and results of operations.

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09*, Revenue from Contracts with Customers*: *Topic 606*. ASU 2014-09 completes the joint effort by the FASB and IASB to improve financial reporting by creating common revenue recognition guidance for U.S. GAAP and International Financial Reporting Standards (IFRS). ASU 2014-09 applies to all companies that enter into contracts with customers to transfer goods or services. ASU 2014-09 is effective for public entities for interim and annual reporting periods beginning after December 15, 2017. Early application is permitted for annual reporting periods beginning after December 15, 2016, and public entities have the choice to apply ASU 2014-09 either retrospectively to each reporting period presented or by recognizing the cumulative effect of applying ASU 2014-09 at the date of initial application and not adjusting comparative information. The Company is evaluating the requirements of ASU 2014-09 and has not determined the effect of this ASU in the presentation of its consolidated financial statements.

In August 2014, the FASB has issued ASU No. 2014-15, *Presentation of Financial Statements Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern.* ASU 2014-15 provides guidance as to management s responsibility to evaluate whether there is substantial doubt about an organization s ability to continue as a going concern and to provide related footnote disclosures. Under U.S.GAAP, financial statements are prepared under the presumption that the reporting organization will continue to operate as a going concern, except in limited circumstances. Financial reporting under this presumption is commonly referred to as the going concern basis of accounting. The going concern basis of accounting is critical to financial reporting because it establishes the fundamental basis for measuring and classifying assets and liabilities. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and interim periods thereafter, with early adoption permitted. The Company does not believe that ASU 2014-15 will have a material effect in the presentation of its consolidated financial statements.

In January 2015, the FASB issued ASU No. 2015-01*, Income Statement Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*. ASU No. 2015-01 removes the concept of extraordinary items, including deleting the definition of extraordinary items from the FASB Master Glossary. The revised guidance provides that the nature and financial effects of each event or transaction that is unusual in nature or occurs infrequently or both shall be presented as a separate component of income from continuing operations or, alternatively, disclosed in notes to the financial statements. ASU No. 2015-01 is effective for fiscal years, and interim periods within those fiscal years, beginning after Dec. 15, 2015, with early adoption permitted. A reporting entity may apply the amendments prospectively or retrospectively. The Company does not believe that ASU 2015-01 will have a material effect in the presentation of its consolidated financial statements.

In March 2015, the FASB issued ASU No. 2015-02*, Consolidation (Topic 810): Amendments to the Consolidation Analysis*. ASU No. 2015-02 focuses on the evaluation for reporting public and private companies and not-for-profit organizations that must determine whether they should consolidate certain legal entities by, among other things:

- Emphasizing loss risk when determining a controlling financial interest. When certain criteria are met, a reporting organization may no longer have to consolidate a legal entity based solely on its fee arrangement.

- Reducing the frequency of related-party guidance application when determining a controlling financial interest in a variable interest entity (VIE).

- Revising consolidation conclusions for public and private companies in several industries that typically use VIEs or limited partnerships.

For public companies, ASU No. 2015-02 will be effective for periods beginning after Dec. 15, 2015. Early adoption is permitted, including adoption in an interim period. The Company does not believe that ASU 2015-02 will have a material effect in the presentation of its consolidated financial statements.

Note 3. Equity Transactions

Preferred Stock

Upon issuance of shares of preferred stock, the Company records the liquidation value as the preferred equity in the consolidated balance sheet, with any underwriting discount and issuance or offering costs recorded as a reduction in additional paid-in capital.

GENERAL FINANCE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Series A and B Preferred Stock

The Company conducted private placements of Series A 12.5% Cumulative Preferred Stock, par value $0.0001 per share and liquidation preference of $50 per share (Series A Preferred Stock); and Series B 8% Cumulative Preferred Stock, par value of $0.0001 per share and liquidation value of $1,000 per share (Series B Preferred Stock). The Series B Preferred Stock is offered primarily in connection with business combinations. In connection with a public offering of a new series of preferred stock, the Company redeemed the Series A Preferred Stock (see below) and, at June 30, 2014 and March 31, 2015, the Company had outstanding 100 shares of Series B Preferred Stock in Equity totaling $100,000.

The Series B Preferred Stock is not convertible into GFN common stock, has no voting rights, except as required by Delaware law, and is redeemable after February 1, 2014; at which time it may be redeemed at any time, in whole or in part, at the Company s option. Holders of the Series B Preferred Stock are entitled to receive, when declared by the Company s Board of Directors, annual dividends payable quarterly in arrears on the 31st day of January, July and October and on the 30th day of April of each year. In the event of any liquidation or winding up of the Company, the holders of the Series B Preferred Stock will have preference to holders of common stock.

Series C Preferred Stock

On May 17, 2013, the Company completed a public offering of 350,000 shares of 9.00% Series C Cumulative Redeemable Perpetual Preferred Stock (the Series C Preferred Stock), liquidation preference $100.00 per share, and on May 24, 2013, the underwriters exercised their overallotment option to purchase an additional 50,000 shares. Proceeds from the offering totaled $37,500,000, after deducting the underwriting discount of $2,000,000 and offering costs of $500,000. The Company used $36,000,000 of the net proceeds to reduce indebtedness at Pac-Van under its senior credit facility, pursuant to the requirement that at least 80% of the gross proceeds, or $32,000,000, be used for that purpose in order to permit the payment of intercompany dividends to GFN to fund any dividends declared on the Series C Preferred Stock (see Note 5) and also used $1,295,000, plus accrued dividends, of the net proceeds to redeem the 25,900 shares of the Series A Preferred Stock. Subsequently, the shares of the Series A Preferred Stock were cancelled.

Dividends on the Series C Preferred Stock are cumulative from the date of original issue and will be payable on the 31st day of each January, July and October and on the 30th day of April commencing July 31, 2013 when, as and if declared by the Company s Board of Directors. Commencing on May 17, 2018, the Company may redeem, at its option, the Series C Preferred Shares, in whole or in part, at a cash redemption price of $100.00 per share, plus any accrued and unpaid dividends to, but not including, the redemption date. Among other things, the Series C Preferred Shares have no stated maturity, are not subject to any sinking fund or other mandatory redemption, and are not convertible into or exchangeable for any of the Company s other securities. Holders of the Series C Preferred Shares generally will have no voting rights, except for limited voting rights if dividends payable on the outstanding Series C Preferred Shares are in arrears for six or more consecutive or non-consecutive quarters, and under certain other circumstances. If the Company fails to maintain the listing of the Series C Preferred Stock on the NASDAQ Stock

Market (NASDAQ) for 30 days or more, the per annum dividend rate will increase by an additional 2.00% per $100.00 stated liquidation value ($2.00 per annum per share) so long as the listing failure continues. In addition, in the event of any liquidation or winding up of the Company, the holders of the Series C Preferred Stock will have preference to holders of common stock and are pair passu with the Series B Preferred Stock. The Series C Preferred Stock is listed on the NASDAQ under the symbol GFNCP.

Dividends

As of March 31, 2015, since issuance, dividends paid or payable totaled $67,000 for the Series B Preferred Stock.

As of March 31, 2015, since issuance, dividends paid totaled $6,240,000 for the Series C Preferred Stock.

The characterization of dividends to the recipients for Federal income tax purposes is made based upon the earnings and profits of the Company, as defined by the Internal Revenue Code.

Royal Wolf Dividends

On August 13, 2013, the Board of Directors of Royal Wolf declared a dividend of AUS$0.05 per RWH share payable on October 3, 2013 to shareholders of record on September 24, 2013; and on February 5, 2014, the Board of Directors of Royal Wolf declared a dividend of AUS$0.05 per RWH share payable on April 3, 2014 to shareholders of record on March 19, 2014.

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On August 12, 2014, the Board of Directors of Royal Wolf declared a dividend of AUS$0.055 per RWH share payable on October 3, 2014 to shareholders of record on September 18, 2014; and on February 10, 2015, the Board of Directors of Royal Wolf declared a dividend of AUS$0.04 per RWH share payable on April 2, 2015 to shareholders of record on March 18, 2015.

The consolidated financial statements reflect the amount of the dividends pertaining to the noncontrolling interest.

Note 4. Acquisitions

The Company can enhance its business and market share by entering into new markets in various ways, including starting up a new location or acquiring a business consisting of container, modular unit or mobile office assets of another entity. An acquisition generally provides the Company with operations that enables it to at least cover existing overhead costs and is preferable to a start-up or greenfield location. The businesses discussed below were acquired primarily to expand the Company s container lease fleet. The accompanying consolidated financial statements include the operations of the acquired businesses from the dates of acquisition.

Lone Star Acquisition

On April 7, 2014, effective April 1, 2014, the Company, through GFNNA, acquired substantially all the assets and assumed certain liabilities of the affiliated companies, Lone Star Tank Rental LP, based in Kermit, Texas, and KHM Rentals, LLC, based in Kenedy, Texas, for a total purchase consideration of $102,418,000. At the date of acquisition, the affiliated entities were merged into the Company s indirect wholly-owned subsidiary, Lone Star. Also on April 7, 2014, the Company, primarily through Pac-Van and Lone Star, amended and restated the senior credit facility with a syndicate led by Wells Fargo Bank, National Association (Wells Fargo) (see Note 5) as part of the financing for the acquisition. The purchase consideration consisted of (i) $75,000,000 in cash, (ii) $9,865,000 for 1,230,012 shares of GFN common stock (the number of shares was agreed to based on a value of $8.13 per share, which was the average of the closing market price during the 15-day trading period ending April 2, 2014), (iii) $5,000,000 (discounted to $3,694,000 at the date of acquisition) payable over five years for a non-compete agreement, (iv) $5,000,000 (discounted to $4,243,000 at the date of acquisition) payable over two years for a general indemnity holdback and (v) $10,481,000 (discounted to $9,616,000 at the date of acquisition) payable during the fiscal year ending June 30, 2015 for working capital and other adjustments. The Company funded the cash portion of the consideration using $50,000,000 of availability under the senior credit facility with a syndicate led by Wells Fargo, as amended, and $25,000,000 from a term loan with Credit Suisse AG, Singapore Branch (see Note 5).

The accompanying consolidated statements of operations reflect the operating results of the Company following the date of acquisition of Lone Star and do not reflect the operating results of Lone Star prior to the acquisition date. The following unaudited pro forma information for FY 2014 assumes the acquisition of Lone Star occurred at the beginning of the period presented (in thousands, except per share data):

	Quarter Ended	Nine Months Ended
	March 31, 2014 (Unaudited)	
Revenues	$ 78,212	$ 235,764
Net income	4,239	14,430
Net income attributable to common stockholders	1,476	6,908
Pro forma net income per common share:		
Basic	$ 0.06	$ 0.27
Diluted	0.06	0.26

The pro forma results are not necessarily indicative of the results that may have actually occurred had the acquisition taken place on the dates noted, or the future financial position or operating results of the Company. In addition, they do not consider any potential impacts of current market conditions on revenues, any staff or related expense increases or efficiencies or asset dispositions. The pro forma adjustments are based upon available information and assumptions that the Company believes are reasonable as a result of the application of the purchase method of accounting and consist primarily of adjustments to depreciation and amortization of the fixed assets and identifiable intangible assets acquired, as well as to the interest expense on senior and other debt borrowings, along with the related income tax effect. The FY 2014 operating results of all other acquisitions prior to their respective dates of acquisition were not included in the pro forma results as they were not considered significant.

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FY 2015 Acquisitions

On July 1, 2014, the Company, through Pac-Van, purchased the business of Black Angus Steel & Supply Co. and Bulkhead Express, LLC (Black Angus) for approximately $4,861,000, which included the issuance of 16,002 shares of GFN common stock and holdback amounts of $1,468,000. Black Angus leases and sells containers from two locations in Texas.

On October 20, 2014, the Company, through Pac-Van, purchased the business of LongVANS, Inc. (LongVANS) for approximately $13,895,000, which included holdback amounts of $703,000. LongVANS designs, manufactures, leases and sells portable storage containers, portable security containers and modular office trailers from two locations in Wisconsin.

On November 14, 2014, the Company, through Pac-Van, purchased the business of A-One Storage, LLC (A-One) for approximately $8,332,000, which included holdback amounts of $803,000. A-One leases and sells storage containers, ground level offices (office containers), storage trailers and wheeled office trailers in Columbus, Ohio.

On December 1, 2014, the Company, through Royal Wolf, purchased the business of YS Container Services (YS Container) for approximately $1,560,000 (AUS$1,833,000), which included holdback amounts of $147,000 (AUS$172,000). YS Container primarily leases and sells containers in Christchurch, New Zealand.

On January 9, 2015, the Company, through Pac-Van, purchased the business of Bristlecone Ventures, LLC, doing business as Falcon Containers (Falcon Containers), for approximately $7,169,000, which included holdback amounts of $79,000. Falcon Containers primarily leases and sells portable storage and office containers from its two locations in Austin and San Antonio, Texas.

On February 20, 2015, the Company, through Pac-Van, purchased the business of AB-TK Leasing, Inc., doing business as Chet-Jac Trailer Sales (Chet-Jac), for approximately $1,039,000, which included holdback amounts of $100,000. Chet-Jac primarily leases and sells portable storage containers and storage trailers from Holts Summit, Missouri.

On March 20, 2015, the Company, through Pac-Van, purchased the business of Budget Mobile Storage, LLC (Budget Mobile Storage), for approximately $940,000, which included holdback amounts of $71,000. Budget Mobile Storage primarily leases and sells primarily portable storage containers in Des Moines, Iowa, Wichita, Kansas and the Quad Cities area surrounding Milan, Illinois.

The valuations and purchase accounting for the acquisitions in FY 2015 are still to be completed and are subject to change. The preliminary allocation for the acquisitions in FY 2015 to tangible and intangible assets acquired and liabilities assumed based on their estimated fair market values was as follows (in thousands):

	Black Angus July 1, 2014	LongVANS October 20, 2014	A-One November 14, 2014	Falcon Containers January 9, 2015	Other Acquisitions	Total
Fair value of the net tangible assets acquired and liabilities assumed:						
Cash	$	$	$	$ 356	$	$ 356
Trade and other receivables	139	630		150		919
Inventories		22			264	286
Prepaid expenses and other		44			16	60
Property, plant and equipment	249	631	302	255	87	1,524
Lease fleet	2,020	6,251	4,851	3,300	2,105	18,527
Accounts payables and accrued liabilities		(340)		(16)		(356)
Unearned revenue and advance payments	(84)	(625)	(299)	(203)	(50)	(1,261)
Total net tangible assets acquired and liabilities assumed	2,324	6,613	4,854	3,842	2,422	20,055
Fair value of intangible assets acquired:						
Non-compete agreement	261	728	178	426	255	1,848
Customer lists/relationships	851	1,400	972	643	551	4,417
Trade name		453				453
Goodwill	1,425	4,701	2,328	2,258	311	11,023
Total intangible assets acquired	2,537	7,282	3,478	3,327	1,117	17,741
Total purchase consideration	$ 4,861	$ 13,895	$ 8,332	$ 7,169	$ 3,539	$ 37,796

Goodwill recognized is attributable primarily to expected corporate synergies, the assembled workforce and other factors. In FY 2015, the goodwill recognized in the Black Angus, LongVANS, A-One, Chet-Jac and Budget Mobile Storage acquisitions is deductible for U.S. income tax purposes, but the goodwill recognized in the Falcon Containers and YS Container acquisitions is not.

The Company incurred approximately $571,000 and $719,000 and $94,000 and $243,000 during the quarter ended March 31,

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2014 and FY 2014 and during the quarter ended March 31, 2015 and FY 2015, respectively, of incremental transaction costs associated with acquisition-related activity that were expensed as incurred and are included in selling and general expenses in the accompanying consolidated statements of operations.

Note 5. Senior and Other Debt

Asia-Pacific Leasing Senior Credit Facility

Effective May 8, 2014, Royal Wolf refinanced the Australia and New Zealand Banking Group Limited (ANZ) senior credit facility, which was secured by substantially all of the assets of the Company s Australian and New Zealand subsidiaries to, among other things, increase the maximum borrowing capacity to $134,593,000 (AUS$175,000,000), add Commonwealth Bank of Australia (CBA)as a lender through a common terms deed arrangement with ANZ and generally improve the financial covenants (the ANZ/CBA Credit Facility). Under the common deed arrangement of the ANZ/CBA Credit Facility, ANZ s proportionate share of the borrowing capacity is $80,756,000 (AUS$105,000,000) and CBA s proportionate share is $53,837,000 (AUS$70,000,000). The ANZ/CBA Credit Facility has $96,138,000 (AUS$125,000,000) maturing on July 31, 2017 (Facility A), and $38,455,000 (AUS$50,000,000) maturing on July 31, 2019 (Facility B).

Borrowings under the ANZ/CBA Credit Facility bear interest at the bank bill swap interest rate in Australia (BBSY) or New Zealand (BKBM), plus a margin of 1.10% - 1.85% per annum on the Facility A and 1.35% - 2.15% on the Facility B, depending on the net debt leverage ratio (NDLR), as defined. The CBA proportionate share has a minimum margin that is 0.10% higher than the ANZ proportionate share. At March 31, 2015, the 30-day and 90-day BBSY and BKBM was 2.26% and 2.275% and 3.68% and 3.68%, respectively.

The ANZ/CBA Credit Facility also includes a $2,307,000 (AUS$3,000,000) sub-facility to, among other things, facilitate direct and global payments using electronic banking services. The ANZ/CBA Credit Facility, as amended, is subject to certain financial and other customary covenants, including, among other things, compliance with specified interest coverage and net debt ratios based on earnings before interest, income taxes, impairment, depreciation and amortization and other non-operating costs and income (EBITDA) on a semi-annual basis and that borrowings may not exceed a multiple of three times EBITDA, as defined.

At March 31, 2015, total borrowings and availability under the ANZ/CBA Credit Facility totaled $109,381,000 (AUS$142,220,000) and $4,348,000 (AUS$5,654,000), respectively. Of the total borrowings, $95,012,000 (AUS$123,537,000) is drawn under Facility A and $14,369,000 (AUS$18,683,000) is drawn under Facility B.

The above amounts were translated based upon the exchange rate of one Australian dollar to $0.7691 U.S. dollar at March 31, 2015.

North American Leasing Senior Credit Facility

Effective February 7, 2014, Pac-Van amended its $120,000,000 facility led by Wells Fargo that also included HSBC Bank USA, NA (HSBC), and the Private Bank and Trust Company to, among other things, increase the maximum borrowing capacity from $120,000,000 to $200,000,000 and add two new lenders (Capital One Business Credit Corp. and OneWest Bank N.A.) to the syndicate (the Wells Fargo Credit Facility). Further, on April 7, 2014, in conjunction with the acquisition of Lone Star (see Note 4), and on May 23, 2014, the Wells Fargo Credit Facility was amended and restated to, among other things, include Lone Star as a co-borrower and to allow for the funding of the interest requirements of the public offering of unsecured senior notes (see below). The Wells Fargo Credit Facility effectively not only finances the Company s North American leasing operations, but also the funding requirements for the Series C Preferred Stock (see Note 3), the term loan with Credit Suisse AG, Singapore Branch (see below) and the public offering of unsecured senior notes.

The maximum amount of intercompany dividends that Pac-Van and Lone Star are allowed to pay in each fiscal year to GFN for the funding requirements of GFN s senior and other debt and the Series C Preferred Stock are (a) the lesser of $5,000,000 for the Series C Preferred Stock or the amount equal to the dividend rate of the Series C Preferred Stock and its aggregate liquidation preference and the actual amount of dividends required to be paid to the Series C Preferred Stock; (b) the lesser of $3,125,000 for the term loan with Credit Suisse AG, Singapore Branch or the actual annual interest to be paid; and (c) $6,120,000 for the public offering of unsecured senior notes or the actual amount of annual interest required to be paid; provided that (i) the payment of such dividends does not cause a default or event of default; (ii) each of Pac-Van and Lone Star is solvent; (iii) excess availability, as defined, is $5,000,000 or more under the Wells Fargo Credit Facility; (iv) the fixed charge coverage ratio, as defined, will be greater than 1.25 to 1.00; and (v) the dividends are paid no earlier than ten business days prior to the date they are due.

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Borrowings under the Wells Fargo Credit Facility accrue interest, at the Company s option, either at the base rate, plus 0.5% and a range of 1.00% to 1.50%, or the LIBOR rate, plus 1.0% and a range of 2.50% to 3.00%; and, subject to certain conditions, the amount that may be borrowed may increase by $20,000,000 to a maximum of $220,000,000. The Wells Fargo Credit Facility contains, among other things, certain financial covenants, including fixed charge coverage ratios, and other covenants, representations, warranties, indemnification provisions, and events of default that are customary for senior secured credit facilities, including the cessation of involvement of Ronald F. Valenta, the Company s chairman of the board and chief executive officer, in the operations and management of GFN, Pac-Van or Lone Star as a director or officer. The Wells Fargo Credit Facility matures on September 7, 2017.

On January 6, 2015, the Wells Fargo Credit Facility was amended and restated to, among other things, increase the maximum borrowing capacity from $200,000,000 to $220,000,000, add a $20,000,000 real estate sub-facility, add GFNRC as a borrower and allow the borrowers to acquire real estate as collateral. Borrowings under the $20,000,000 real estate sub-facility accrue interest, at the Company s option, either at the base rate, plus a range of 1.50% to 2.00%, or the LIBOR rate, plus a range of 3.0% to 3.50%. In addition, subject to certain conditions, the amount that may be borrowed under the Wells Fargo Credit Facility may increase by $20,000,000 to a maximum of $240,000,000.

At March 31, 2015, borrowings and availability under the Wells Fargo Credit Facility totaled $160,572,000 and $45,208,000, respectively.

North American Manufacturing Senior Credit Facility

Southern Frac has a senior credit facility with Wells Fargo, as amended, (Wells Fargo SF Credit Facility) that provides (i) a senior secured revolving line of credit under which Southern Frac may borrow, subject to the terms of a borrowing base, as defined, up to $12,000,000 with a three-year maturity; and (ii) a combined $860,000 equipment and capital expenditure term loan (the Restated Equipment Term Loan), which fully amortizes over 48 months commencing July 1, 2013. A $1,500,000 term loan (the Term Loan B), which amortized over 18 months commencing on May 1, 2013, was repaid in full in October 2014. The Wells Fargo SF Credit Facility contains, among other things, certain financial covenants, including fixed charge coverage ratios, and other covenants, representations, warranties, indemnification provisions, and events of default that are customary for senior secured credit facilities; including events of default relating to a change of control of GFN, GFNMC and Southern Frac. Borrowings under the Wells Fargo SF Credit Facility accrue interest based on the three-month LIBOR, plus a margin equal to 3.5% for the revolving line of credit, and 4.0% for the Restated Equipment Term Loan.

At March 31, 2015, borrowings outstanding and availability under the Wells Fargo SF Credit Facility totaled $2,855,000 and $3,413,000, respectively.

Credit Suisse Term Loan

On March 31, 2014, the Company, at the corporate level, entered into a $25,000,000 facility agreement with Credit Suisse AG, Singapore Branch (Credit Suisse Term Loan) as part of the financing for the acquisition of Lone Star (see

Note 4) and, on April 3, 2014, the Company borrowed the $25,000,000 available to it. The Credit Suisse Term Loan provides that the amount borrowed will bear interest at LIBOR plus 7.50% per year, will be payable quarterly and that all principal and interest will mature two years from the date that the Company borrowed the $25,000,000. In addition, the Credit Suisse Term Loan is secured by a first ranking pledge over all shares of RWH owned by GFN U.S., requires a certain coverage maintenance ratio in U.S. dollars based on the value of the RWH shares and, among other things, that an amount equal to six-months interest be deposited in an interest reserve account pledged to secure repayment of all amounts borrowed. During FY 2015, the Company repaid, prior to maturity, $10,000,000 of the outstanding borrowings of the Credit Suisse Term Loan.

8.125% Senior Notes

On June 18, 2014, the Company completed the sale of unsecured senior notes (the Senior Notes) in a public offering for an aggregate principal amount of $72,000,000, which represented 100% of the principal amount and included the underwriters full exercise of their over-allotment option of $9,000,000. Net proceeds were $69,069,000, after deducting underwriting discounts and offering costs of approximately $2,931,000. The Senior Notes were issued in minimum denominations of $25 and integral multiples of $25 in excess thereof and pursuant to the First Supplemental Indenture (the First Supplemental Indenture) dated as of June 18, 2014 by and between the Company and Wells Fargo, as trustee (the Trustee). The First Supplemental Indenture supplements the

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Indenture entered into by and between the Company and the Trustee dated as of June 18, 2014 (the Base Indenture and, together with the First Supplemental Indenture, the Indenture). The Senior Notes bear interest at the rate of 8.125% per annum, mature on July 31, 2021 and are not subject to any sinking fund. Interest on the Senior Notes is payable quarterly in arrears on January 31, April 30, July 31 and October 31, commencing on July 31, 2014. The Company used $68,600,000 of the net proceeds (plus an additional $4,000,000 of GFN corporate cash on hand) to reduce indebtedness at Pac-Van and Lone Star under the Wells Fargo Credit Facility, pursuant to the requirement that at least 80% of the gross proceeds, or $57,600,000, be used for that purpose in order to permit the payment of intercompany dividends by Pac-Van and Lone Star to GFN to fund the interest requirements of the Senior Notes.

The Senior Notes rank equally in right of payment with all of the Company s existing and future unsecured senior debt and senior in right of payment to all of its existing and future subordinated debt. The Senior Notes are effectively subordinated to any of the Company s existing and future secured debt, to the extent of the value of the assets securing such debt. The Senior Notes are structurally subordinated to all existing and future liabilities of the Company s subsidiaries and are not guaranteed by any of the Company s subsidiaries.

The Company may, at its option, prior to July 31, 2017, redeem the Senior Notes in whole or in part upon the payment of 100% of the principal amount of the Senior Notes being redeemed plus any additional amount required by the Indenture. In addition, the Company may from time to time redeem up to 35% of the aggregate outstanding principal amount of the Senior Notes before July 31, 2017 with the net cash proceeds from certain equity offerings at a redemption price of 108.125% of the principal amount plus accrued and unpaid interest. If the Company sells certain of its assets or experiences specific kinds of changes in control, as defined, it must offer to redeem the Senior Notes.

The Company may, at its option, at any time and from time to time, on or after July 31, 2017, redeem the Senior Notes in whole or in part. The Senior Notes will be redeemable at a redemption price initially equal to 106.094% of the principal amount of the Senior Notes (and which declines each year on July 31) plus accrued and unpaid interest to the date of redemption. On and after any redemption date, interest will cease to accrue on the redeemed Senior Notes.

The Indenture contains covenants which, among other things, limit the Company s ability to make certain payments, to pay dividends and to incur additional indebtedness if the incurrence of such indebtedness would cause the company s consolidated fixed charge coverage ratio, as defined in the Indenture, to be below 2.0 to 1.0. The Senior Notes are listed on the NASDAQ under the symbol GFNSL.

Other

Other debt totaled $13,381,000 at March 31, 2015.

As of March 31, 2015, the Company was in compliance with the financial covenants under all its credit facilities.

The weighted-average interest rate in the Asia-Pacific area was 5.4% and 4.7% and 5.7% and 5.2% in the quarter ended March 31, 2014 and 2015 and in FY 2014 and FY 2015, respectively; which does not include the effect of translation, interest rate swap contracts and options and the amortization of deferred financing costs. The weighted-average interest rate in North America was 3.7% and 5.0% and 3.7% and 5.4% in the quarter ended March 31, 2014 and 2015 and in FY 2014 and FY 2015, respectively, which does not include the effect of the amortization of deferred financing costs and accretion of interest.

Note 6. Financial Instruments

Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, FASB ASC Topic 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value, as follows:

Level 1 - Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2 - Observable inputs, other than Level 1 inputs in active markets, that are observable either directly or indirectly; and

Level 3 - Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

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The Company s derivative instruments are not traded on a market exchange; therefore, the fair values are determined using valuation models that include assumptions about yield curve at the reporting dates as well as counter-party credit risk. The assumptions are generally derived from market-observable data. The Company has consistently applied these calculation techniques to all periods presented, which are considered Level 2.

Derivative instruments measured at fair value and their classification in the consolidated balances sheets and statements of operations are as follows (in thousands):

		Derivative - Fair Value (Level 2)	
Type of Derivative Contract	**Balance Sheet Classification**	**June 30, 2014**	**March 31, 2015**
Swap Contracts and Options (Caps and Collars)	Trade payables and accrued liabilities	$ 1,535	$ 1,788
Forward-Exchange Contracts	Trade payables and accrued liabilities	230	
Forward-Exchange Contracts	Trade and other receivables		235

		Quarter Ended March 31,		Nine Months Ended March 31,	
Type of Derivative Contract	**Statement of Operations Classification**	**2014**	**2015**	**2014**	**2015**
Swap Contracts and Options (Caps and Collars)	Unrealized gain (loss) included in interest expense	$ 71	$	$ 229	$ (11)
Forward-Exchange Contracts	Unrealized foreign currency exchange gain (loss) and other	(574)	(286)	(872)	492

Interest Rate Swap Contracts

The Company s exposure to market risk for changes in interest rates relates primarily to its senior and other debt obligations. The Company s policy is to manage its interest expense by using a mix of fixed and variable rate debt.

To manage its exposure to variable interest rates in a cost-efficient manner, the Company enters into interest rate swaps and interest rate options, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps and options are designated to hedge changes in the interest rate of a portion of the outstanding borrowings in the Asia-Pacific area. The Company believes that financial instruments designated as interest rate hedges were highly effective; however, prior to August 2012, documentation of such, as required by FASB ASC Topic 815*, Derivatives and Hedging,* did not exist. Therefore, all movements in the fair values of these hedges prior to August 2012 were reported in the consolidated statements of operations in the periods in which fair values change. In August 2012, the Company entered into an interest swap contract that met documentation requirements and, as such, it was designated as a cash flow hedge. This cash flow hedge was determined to be highly effective in FY 2014 and FY 2015 and, therefore, changes in the fair value of the effective portion were recorded in accumulated other comprehensive income. The Company expects this derivative to remain effective during the remaining term of the swap; however, any changes in the portion of the hedge considered ineffective would be recorded in interest expense in the consolidated statement of operations. In the quarter ended March 31, 2014 and FY 2014, the ineffective portion of this cash flow hedge recorded in interest expense was an unrealized gain of $71,000 and $229,000, respectively. In FY 2015, the ineffective portion of this cash flow hedge recorded in interest expense was an unrealized loss of $11,000. There was not an ineffective portion recorded in the quarter ended March 31, 2015.

The Company s interest rate derivative instruments are not traded on a market exchange; therefore, the fair values are determined using valuation models which include assumptions about the interest rate yield curve at the reporting dates (Level 2 fair value measurement). As of June 30, 2014 and March 31, 2015, there was one open interest rate swap contract that was designated as a cash flow hedge and matures in June 2017, as follows (dollars in thousands):

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	June 30, 2014		March 31, 2015	
	Swap	Option (Cap)	Swap	Option
Notional amounts	$ 47,195	$	$ 38,455	$
Fixed/Strike Rates	3.98%		3.98%	
Floating Rates	2.72%		2.26%	
Fair Value of Combined Contracts	$ (1,535)	$	$ (1,788)	$

Foreign Currency Risk

The Company has transactional currency exposures. Such exposure arises from sales or purchases in currencies other than the functional currency. The currency giving rise to this risk is primarily U.S. dollars. Royal Wolf has a bank account denominated in U.S. dollars into which a small number of customers pay their debts. This is a natural hedge against fluctuations in the exchange rate. The funds are then used to pay suppliers, avoiding the need to convert to Australian dollars. Royal Wolf uses forward currency and participating forward contracts to eliminate the currency exposures on the majority of its transactions denominated in foreign currencies, either by transaction if the amount is significant, or on a general cash flow hedge basis. The forward currency and participating forward contracts are always in the same currency as the hedged item. The Company believes that financial instruments designated as foreign currency hedges are highly effective. However documentation of such as required by ASC Topic 815 does not exist. Therefore, all movements in the fair values of these hedges are reported in the statement of operations in the period in which fair values change. As of June 30, 2014, there were 58 open forward exchange contracts that mature between July 2014 and April 2015; and as of March 31, 2015, there were 25 open forward exchange contracts that mature between April 2015 and September 2015, as follows (dollars in thousands):

	June 30, 2014		March 31, 2015	
	Forward Exchange	Participating Forward	Forward Exchange	Participating Forward
Notional amounts	$ 14,405	$	$ 5,207	$
Exchange/Strike Rates (AUD to USD)	0.8774 0.93357		0.7623 0.9176	
Fair Value of Combined Contracts	$ (230)	$	$ 235	$

For the quarter ended March 31, 2014 and 2015, net unrealized and realized foreign exchange gains (losses) totaled $96,000 and $(55,000), and $(7,000) and $(67,000), respectively. In FY 2014 and FY 2015, net unrealized and realized foreign exchange gains (losses) totaled $(267,000) and $46,000, and $(712,000) and $(49,000), respectively.

Fair Value of Other Financial Instruments

The fair value of the Company s borrowings under the Senior Notes at June 30, 2014 was determined based on a Level 1 input and for its senior credit facilities determined based on Level 3 inputs, including a search for debt issuances with maturities comparable to the Company s debt (Debt Issuances with Upcoming Call Dates), a comparison to a group of comparable industry debt issuances (Industry Comparable Debt Issuances) and a study of credit (Credit Spread Analysis). Under the Debt Issuances with Upcoming Call Dates, the Company performed a Yield-to-Worse analysis on debt issuances with call dates that were comparable to the maturity dates of the Company s borrowings. Under the Industry Comparable Debt Issuance method, the Company compared the debt facilities to several industry comparable debt issuances. This method consisted of an analysis of the offering yields compared to the current yields on publicly traded debt securities. Under the Credit Spread Analysis, the Company first examined the implied credit spreads of the United States Federal Reserve. Based on this analysis the Company was able to assess the credit market. The fair value of the Company s senior credit facilities as of June 30, 2014 was determined to be approximately $291,781,000. The Company also determined that the fair value of its other debt of $12,199,000 at June 30, 2014 approximated or would not vary significantly from their carrying values. The Company believes that market conditions at March 31, 2015 have not changed significantly from June 30, 2014. Therefore, the proportion of the fair value to the carrying value of the Company s senior credit facilities and other debt at March 31, 2015 would not vary significantly from the proportion determined at June 30, 2014.

Under the provisions of FASB ASC Topic 825, *Financial Instruments,* the carrying value of the Company s other financial instruments (consisting primarily of cash and cash equivalents, net receivables, trade payables and accrued liabilities) approximate fair value.

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Note 7. Related-Party Transactions

Effective January 31, 2008, the Company entered into a lease with an affiliate of Ronald F. Valenta for its corporate headquarters in Pasadena, California. The rent is $7,393 per month, effective March 1, 2009, plus allocated charges for common area maintenance, real property taxes and insurance, for approximately 3,000 square feet of office space. The term of the lease is five years, with two five-year renewal options, and the rent is adjusted yearly based on the consumer price index. On October 11, 2012, the Company exercised its option to renew the lease for an additional five-year term commencing February 1, 2013. Rental payments were $27,000 in both the quarters ended March 31, 2014 and March 31, 2015, and $83,000 in both FY 2014 and FY 2015.

Effective October 1, 2008, the Company entered into a services agreement with an affiliate of Mr. Valenta for certain accounting, administrative and secretarial services to be provided at the corporate offices and for certain operational, technical, sales and marketing services to be provided directly to the Company s operating subsidiaries. Charges for services rendered at the corporate offices will be, until further notice, at $7,000 per month and charges for services rendered to the Company s subsidiaries will vary depending on the scope of services provided. The services agreement provides for, among other things, mutual modifications to the scope of services and rates charged and automatically renews for successive one-year terms, unless terminated in writing by either party prior to the fiscal year end. Total charges to the Company at the corporate office for services rendered under this agreement totaled $21,000 and $63,000 in the quarter ended March 31, 2014 and FY 2014, respectively. The services agreement was terminated by the Company effective June 30, 2014.

Revenues at Pac-Van from affiliates of Mr. Valenta totaled $6,000 and $21,000 during the quarter ended March 31, 2014 and FY 2014, respectively. There were no revenues from affiliates of Mr. Valenta during FY 2015.

The premises of Pac-Van s Las Vegas branch is owned by and leased from the acting branch manager through December 31, 2014, with the right for an additional two-year extension through December 31, 2016. On December 29, 2014, the Company extended the lease for the additional two years. Rental payments on this lease totaled $30,000 during both the quarter ended March 31, 2014 and 2015 and $89,000 during both FY 2014 and FY 2015.

Note 8. Equity Plans

On August 29, 2006, the Board of Directors of the Company adopted the General Finance Corporation 2006 Stock Option Plan (2006 Plan), which was approved and amended by stockholders on June 14, 2007 and December 11, 2008, respectively. Options granted and outstanding under the 2006 Plan are either incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended, or so-called non-qualified options that are not intended to meet incentive stock option requirements. All options granted do not have a term in excess of ten years, and the exercise price of any option is not less than the fair market value of the Company s common stock on the date of grant. After the adoption by the Board of Directors and upon the approval of the 2009 Stock Incentive Plan (2009 Plan) by the stockholders (see below), the Company suspended any further grants under the 2006 Plan.

On September 21, 2009, the Board of Directors of the Company adopted the 2009 Plan, which was approved by the stockholders at the Company s annual meeting on December 10, 2009. The 2009 Plan is an omnibus incentive plan permitting a variety of equity programs designed to provide flexibility in implementing equity and cash awards, including incentive stock options, nonqualified stock options, restricted stock grants (non-vested equity shares), restricted stock units, stock appreciation rights, performance stock, performance units and other stock-based awards. Participants in the 2009 Plan may be granted any one of the equity awards or any combination of them, as determined by the Board of Directors or the Compensation Committee. Upon the approval of the 2009 Plan by the stockholders, the Company suspended further grants under the 2006 Plan (see above). Any stock options which are forfeited under the 2006 Plan will become available for grant under the 2009 Plan, but the total number of shares available under the 2006 Plan and the 2009 Plan will not exceed the 2,500,000 shares reserved for grant under the 2006 Plan. After the adoption by the Board of Directors and upon the approval of the 2014 Stock Incentive Plan (the 2014 Plan) by the stockholders (see below), the Company suspended any further grants under the 2009 Plan.

On September 11, 2014, the Board of Directors of the Company adopted the 2014 Plan, which was approved by the stockholders at the Company s annual meeting on December 4, 2014. The 2014 Plan is an omnibus incentive plan permitting a variety of equity programs designed to provide flexibility in implementing equity and cash awards, including incentive stock options, nonqualified stock options, restricted stock grants (non-vested equity shares), restricted stock units, stock appreciation rights, performance stock, performance units and other stock-based awards. Participants in the 2014 Plan may be granted any one of the equity awards or any combination of them, as determined by the Board of Directors or the Compensation Committee. Upon the

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approval of the 2014 Plan by the stockholders, the Company suspended further grants under the 2009 Plan. Any stock options which are forfeited under the 2006 Plan and 2009 Plan (collectively the Predecessor Plans) will become available for grant under the 2014 Plan, but the total number of shares available under the 2014 Plan will not exceed the 1,500,000 shares reserved for grant under the 2014 Plan, plus any options which were forfeited or are available for grant under the Predecessor Plans. If not sooner terminated by the Board of Directors, the 2014 Plan will expire on December 4, 2024, which is the tenth anniversary of the date it was approved by the Company s stockholders, the 2006 Plan will expire on June 30, 2016 and the 2009 Plan will expire on December 10, 2019.

The Predecessor Plans and the 2014 Plan are referred to collectively as the Stock Incentive Plan.

There have been no grants or awards of restricted stock units, stock appreciation rights, performance stock or performance units under the Stock Incentive Plan. All grants to-date consist of incentive and non-qualified stock options that vest over a period of up to five years (time-based), non-qualified stock options that vest over varying periods that are dependent on the attainment of certain defined EBITDA and other targets (performance-based) and non-vested equity shares. At March 31, 2015, 1,668,646 shares remain available for grant.

On January 22, 2015 (the January 2015 Grant), the Company granted time-based options to three key employees of GFN and Pac-Van to purchase 33,000 shares of common stock at an exercise price equal to the closing market price of the Company s common stock as of that date, or $8.29 per share. The options under the January 2015 Grant vest over 36 months from the date of grant. The weighted-average fair value of the stock options in the January 2015 Grant was $5.67, determined using the Black-Scholes option-pricing model using the following assumptions: a risk-free interest rate of 1.65%**,** an expected life of 7.5 years, an expected volatility of 70.2% and no expected dividend.

Since inception, the range of the fair value of the stock options granted (other than to non-employee consultants) and the assumptions used are as follows:

Fair value of stock options	$ 0.81 - $6.35
Assumptions used:	
Risk-free interest rate	1.19% - 4.8%
Expected life (in years)	7.5
Expected volatility	26.5% - 84.6%
Expected dividends	

At March 31, 2015, the weighted-average fair value of the stock options granted to non-employee consultants not fully vested was $6.64, determined using the Black-Scholes option-pricing model using the following assumptions: a risk-free interest rate of 1.62% - 1.73%**,** an expected life of 7.19 8.20 years, an expected volatility of 70.8% and no expected dividend.

A summary of the Company s stock option activity and related information for FY 2015 follows:

	Number of Options (Shares)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)
Outstanding at June 30, 2014	2,152,820	$ 5.03	
Granted	33,000	8.29	
Exercised	(185,379)	2.84	
Forfeited or expired	(100,168)	4.08	
Outstanding at March 31, 2015	1,900,273	$ 5.35	5.0
Vested and expected to vest at March 31, 2015	1,900,273	$ 5.35	5.0
Exercisable at March 31, 2015	1,403,332	$ 5.63	4.0

At March 31, 2015, outstanding time-based options and performance-based options totaled 1,114,563 and 785,710, respectively. Also at that date, the Company s market price for its common stock was $8.07 per share, which was above the exercise

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prices of substantially all of the outstanding stock options. As a result, the intrinsic value of the outstanding stock options at that date was $5,587,500. Share-based compensation of $5,692,000 related to stock options has been recognized in the consolidated statements of operations, with a corresponding benefit to equity, from inception through March 31, 2015. At that date, there remains $902,000 of unrecognized compensation expense to be recorded on a straight-line basis over the remaining weighted-average vesting period of 1.25 years.

A deduction is not allowed for U.S. income tax purposes with respect to non-qualified options granted in the United States until the stock options are exercised or, with respect to incentive stock options issued in the United States, unless the optionee makes a disqualifying disposition of the underlying shares. The amount of any deduction will be the difference between the fair value of the Company s common stock and the exercise price at the date of exercise. Accordingly, there is a deferred tax asset recorded for the U.S. tax effect of the financial statement expense recorded related to stock option grants in the United States. The tax effect of the U.S. income tax deduction in excess of the financial statement expense, if any, will be recorded as an increase to additional paid-in capital.

On December 4, 2014, the Company granted a total of 27,370 non-vested equity shares to the five non-employees members of the Company s Board of Directors at a value equal to the closing market price of the Company s common stock as of that date, or $8.22 per share, which vest one year from the date of grant. In FY 2015, 6,988 non-vested equity shares with a grant date fair value of $6.15 per share were forfeited.

At March 31, 2015, there were 225,702 non-vested equity shares outstanding that were granted to non-employee members of the Board of Directors, officers and key employees of the Company. Share-based compensation of $673,000 related to non-vested equity shares has been recognized in the consolidated statements of operations, with a corresponding benefit to equity, from inception through March 31, 2015. At that date, there remains $790,000 of unrecognized compensation expense to be recorded on a straight-line basis over the remaining vesting period of over approximately 0.74 years 1.75 years for the non-vested equity shares.

Royal Wolf Long Term Incentive Plan

In conjunction with the RWH IPO (see Note 1), Royal Wolf established the Royal Wolf Long Term Incentive Plan (the LTI Plan). Under the LTI Plan, the RWH Board of Directors may grant, at its discretion, options, performance rights and/or restricted shares of RWH capital stock to Royal Wolf employees and executive directors. Vesting terms and conditions may be up to four years and, generally, will be subject to performance criteria based primarily on enhancing shareholder returns using a number of key financial benchmarks, including EBITDA. In addition, unless the RWH Board determines otherwise, if an option, performance right or restricted share has not lapsed or been forfeited earlier, it will terminate at the seventh anniversary from the date of grant.

It is intended that up to one percent of RWH s outstanding capital stock will be reserved for grant under the LTI Plan and a trust will be established to hold RWH shares for this purpose. However, so long as the Company holds more than 50% of the outstanding shares of RWH capital stock, RWH shares reserved for grant under the LTI Plan are required to be purchased in the open market unless the Company agrees otherwise. The LTI Plan, among other provisions, does not permit the transfer, sale, mortgage or encumbering of options, performance rights and restricted shares without the prior approval of the RWH Board. In the event of a change of control, the RWH Board, at its discretion, will determine whether, and how many, unvested options, performance rights and restricted shares will vest. In addition, if, in the RWH Board s opinion, a participant acts fraudulently or dishonestly or is in breach of his obligations to Royal Wolf, the RWH Board may deem any options, performance rights and restricted shares held by or reserved for the participant to have lapsed or been forfeited.

As of March 31, 2015, Royal Wolf has granted, net of forfeitures, 1,812,112 performance rights to key management personnel under the LTI Plan, which includes a special incentive grant of 106,112 performance rights to the RWH chief executive officer that generally will vest ratably each year over the three years commencing on July 1, 2016. Also, as of March 31, 2015, 375,000 of the performance rights have been converted into RWH capital stock through purchases in the open market. In FY 2014 and FY 2015, share-based compensation of $586,000 and $614,000, respectively, related to the LTI Plan has been recognized in the consolidated statements of operations, with a corresponding benefit to equity.

Note 9. Commitments and Contingencies

The Company is not involved in any material lawsuits or claims arising out of the normal course of business. The nature of its business is such that disputes can occasionally arise with employees, vendors (including suppliers and subcontractors) and customers over warranties, contract specifications and contract interpretations among other things. The Company assesses these matters on a case-by-case basis as they arise. Reserves are established, as required, based on its assessment of its exposure. The Company has insurance policies to cover general liability and workers compensation-related claims. In the opinion of management, the ultimate amount of liability not covered by insurance under pending litigation and claims, if any, will not have a material adverse effect on our financial position, operating results or cash flows.

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In conjunction with the acquisition of Southern Frac on October 1, 2012, GFNMC entered into an agreement with the 10% noncontrolling interest holder for a call option that provides that for the period commencing on April 1, 2013 through October 1, 2017, GFNMC may purchase the noncontrolling interest for an initial price of $1,500,000, with incremental increases of $250,000 for each of the subsequent seven six-month periods.

Note 10. Cash Flows from Operating Activities and Other Financial Information

The following table provides a detail of cash flows from operating activities (in thousands):

	Nine Months Ended March 31, 2014	Nine Months Ended March 31, 2015
Cash flows from operating activities		
Net income	$ 10,610	$ 14,121
Adjustments to reconcile net income to cash flows from operating activities:		
Gain on sales and disposals of property, plant and equipment	(39)	(90)
Gain on sales of lease fleet	(5,244)	(4,747)
Unrealized foreign exchange loss	267	712
Unrealized loss (gain) on forward exchange contracts	872	(492)
Unrealized loss (gain) on interest rate swaps and options	(229)	11
Depreciation and amortization	17,848	28,752
Amortization of deferred financing costs and accretion of interest	620	2,499
Share-based compensation expense	1,403	1,454
Deferred income taxes	6,669	7,036
Changes in operating assets and liabilities:		
Trade and other receivables, net	(12,142)	10,515
Inventories	(1,195)	(14,726)
Prepaid expenses and other	(4,175)	(1,710)
Trade payables, accrued liabilities and unearned revenues	5,971	(21,040)
Income taxes	(476)	208
Net cash provided by (used in) operating activities	$ 20,760	$ 22,503

Note 11. Segment Reporting

Due to the acquisition of Lone Star in April 2014, the Company re-evaluated the identification of its reportable segments. As a result of this evaluation, the Company added Lone Star as an operating segment and, along with

Pac-Van, includes it as a part of the North American leasing operations. Southern Frac, which is also an operating segment, is the Company s North American manufacturing operations and, along with the North American leasing operations, forms the North America geographic segment. These changes to our reporting segments are consistent with the way management evaluates the performance of operations, develops strategy and allocates capital resources. All prior period disclosures have been adjusted to conform to the new presentation.

We have two geographic areas that include four operating segments; the Asia-Pacific area, consisting of the leasing operations of Royal Wolf, and, as discussed above, North America, consisting of the combined leasing operations of Pac-Van and Lone Star, and the manufacturing operations of Southern Frac. Discrete financial data on each of the Company s products is not available and it would be impractical to collect and maintain financial data in such a manner. In managing the Company s business, senior management focuses on primarily growing its leasing revenues and operating cash flow (EBITDA), and investing in its lease fleet through capital purchases and acquisitions.

The tables below represent the Company s revenues from external customers, share-based compensation expense, depreciation and amortization, operating income, interest income and expense, expenditures for additions to long-lived assets (consisting of lease fleet and property, plant and equipment), long-lived assets and goodwill; as attributed to its geographic and operating segments (in thousands):

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Quarter Ended March 31, 2015

	North America							
	Leasing				Corporate and Intercompany			
	Pac-Van	Lone Star	Combined	Manufacturing	Adjustments	Total	Asia Pacific Leasing	Consolidated
Revenues:								
Sales	$ 7,760	$ 25	$ 7,785	$ 4,916	$ (1,464)	$ 11,237	$ 12,138	$ 23,375
Leasing	20,330	9,362	29,692		(33)	29,659	16,352	46,011
	$ 28,090	$ 9,387	$ 37,477	$ 4,916	$ (1,497)	$ 40,896	$ 28,490	$ 69,386
Share-based compensation	$ 69	$ 2	$ 71	$ 28	$ 187	$ 286	$ 254	$ 540
Depreciation and amortization	$ 2,949	$ 2,806	$ 5,755	$ 266	$ (184)	$ 5,837	$ 3,845	$ 9,682
Operating income	$ 3,906	$ (1,045)	$ 2,861	$ 123	$ (1,485)	$ 1,499	$ 5,028	$ 6,527
Interest income	$	$	$	$	$	$	$ 28	$ 28
Interest expense	$ 1,135	$ 585	$ 1,720	$ 70	$ 2,058	$ 3,848	$ 1,331	$ 5,179

Nine Months Ended March 31, 2015

	North America							
	Leasing				Corporate and Intercompany			
	Pac-Van	Lone Star	Combined	Manufacturing	Adjustments	Total	Asia Pacific Leasing	Consolidated
Revenues:								
Sales	$ 26,268	$ 25	$ 26,293	$ 32,824	$ (20,293)	$ 38,824	$ 41,033	$ 79,857
Leasing	60,736	44,487	105,223		(55)	105,168	53,510	158,678
	$ 87,004	$ 44,512	$ 131,516	$ 32,824	$ (20,348)	$ 143,992	$ 94,543	$ 238,535
	$ 219	$ 7	$ 226	$ 84	$ 526	$ 836	$ 618	$ 1,454

Share-based compensation								
Depreciation and amortization	$ 8,103	$ 8,502	$ 16,605	$ 810	$ (492)	$ 16,923	$ 11,829	$ 28,752
Operating income	$ 15,209	$ 10,613	$ 25,822	$ 5,453	$ (7,676)	$ 23,599	$ 16,109	$ 39,708
Interest income	$	$	$	$	$	$	$ 52	$ 52
Interest expense	$ 2,945	$ 1,998	$ 4,943	$ 243	$ 6,372	$ 11,558	$ 4,448	$ 16,006
Additions to long-lived assets	$ 36,005	$ 18,529	$ 54,534	$ 371	$ (5,071)	$ 49,834	$ 34,017	$ 83,851

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	At March 31, 2015							
Long-lived assets	$ 219,240	$ 67,415	$ 286,655	$ 4,148	$ (11,573)	$ 279,230	$ 177,002	$ 456,232
Goodwill	$ 47,498	$ 20,782	$ 68,280	$ 2,681	$	$ 70,961	$ 27,320	$ 98,281
	At June 30, 2014							
Long-lived assets	$ 175,890	$ 55,438	$ 231,328	$ 5,820	$ (6,987)	$ 230,161	$ 197,005	$ 427,166
Goodwill	$ 36,832	$ 20,111	$ 56,943	$ 2,681	$	$ 59,624	$ 33,542	$ 93,166

Quarter Ended March 31, 2014

	North America					
	Leasing (Pac-Van)	Manufacturing	Corporate and Intercompany Adjustments	Total	Asia Pacific Leasing	Consolidated
Revenues:						
Sales	$ 7,446	$ 13,029	$ (6,222)	$ 14,253	$ 16,975	$ 31,228
Leasing	15,387			15,387	19,058	34,445
	$ 22,833	$ 13,029	$ (6,222)	$ 29,640	$ 36,033	$ 65,673
Share-based compensation	$ 71	$ 26	$ 189	$ 286	$ 247	$ 533
Depreciation and amortization	$ 1,963	$ 250	$ (152)	$ 2,061	$ 4,153	$ 6,214
Operating income	$ 3,308	$ 1,815	$ (2,509)	$ 2,614	$ 6,949	$ 9,563
Interest income	$	$	$	$	$ 14	$ 14
Interest expense	$ 965	$ 146	$	$ 1,111	$ 1,379	$ 2,490

Nine Months Ended March 31, 2014

	North America					
	Leasing (Pac-Van)	Manufacturing	Corporate and	Total	Asia Pacific Leasing	Consolidated

			Intercompany Adjustments			
Revenues:						
Sales	$ 21,314	$ 29,373	$ (16,418)	$ 34,269	$ 62,753	$ 97,022
Leasing	45,094			45,094	54,932	100,026
	$ 66,408	$ 29,373	$ (16,418)	$ 79,363	$ 117,685	$ 197,048
Share-based compensation	$ 240	$ 78	$ 485	$ 803	$ 600	$ 1,403
Depreciation and amortization	$ 5,423	$ 742	$ (151)	$ 6,014	$ 11,834	$ 17,848
Operating income	$ 10,419	$ 3,083	$ (6,006)	$ 7,496	$ 18,975	$ 26,471

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Interest income	$	$	$	$	$ 37	$ 37
Interest expense	$ 2,532	$ 485	$	$ 3,017	$ 4,199	$ 7,216
Additions to long-lived assets	$ 32,542	$ 498	$ (2,517)	$ 30,523	$ 35,668	$ 66,191

Intersegment net revenues primarily related to the sales of portable liquid storage containers from Southern Frac to the North American leasing operations totaled and $6,222,000 and $16,418,000 during the quarter ended March 31, 2014 and FY 2014 and $1,464,000 and $20,293,000 during the quarter ended March 31, 2015 and FY 2015, respectively.

Note 12. Subsequent Events

On April 16, 2015, the Company announced that the Board of Directors declared a cash dividend of $2.225 per share on the Series C Preferred Stock (see Note 3). The dividend is for the period commencing on January 31, 2015 through April 29, 2015, and is payable on April 30, 2015 to holders of record as of April 29, 2015.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition and results of operations should be read together with the consolidated financial statements and the accompanying notes thereto, which are included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2014 filed with the Securities and Exchange Commission (SEC), as well as the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q. This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as may, should, could, would, expect, plan, ar believe, estimate, continue or the negative of such terms or other similar expressions. Risk factors that might cause or contribute to such discrepancies include, but are not limited to, those described in our Annual Report on Form 10-K for the year ended June 30, 2014 and other SEC filings. We maintain a web site at *www.generalfinance.com* that makes available, through a link to the SEC s EDGAR system website, our SEC filings.

References to we, us, our or the Company refer to General Finance Corporation, a Delaware corporation (GFN), its consolidated subsidiaries. These subsidiaries include GFN U.S. Australasia Holdings, Inc., a Delaware corporation (GFN U.S.); GFN North America Leasing Corporation , a Delaware corporation (GFNNA Leasing); GFN North America Corp., a Delaware corporation (GFNNA); GFN Realty Company, LLC, a Delaware limited liability company (GFNRC); GFN Manufacturing Corporation, a Delaware corporation (GFNMC), and its subsidiary, Southern Frac, LLC, a Texas limited liability company (collectively Southern Frac); Royal Wolf Holdings Limited, an Australian corporation publicly traded on the Australian Securities Exchange (RWH), and its Australian and New Zealand subsidiaries (collectively, Royal Wolf); Pac-Van, Inc., an Indiana corporation, and its Canadian subsidiary, PV Acquisition Corp., an Alberta corporation (collectively Pac-Van); and Lone Star Tank Rental Inc., a Delaware corporation (Lone Star).

Overview

Founded in October 2005, we are a leading specialty rental services company offering portable (or mobile) storage, modular space and liquid containment solutions in these three distinct, but related industries, which we collectively refer to as the portable services industry.

On April 7, 2014, we, through Lone Star (our indirect wholly-owned subsidiary), closed our acquisition of substantially all of the assets and the assumption of certain of the liabilities of the affiliated companies, Lone Star Tank Rental, LP, based in Kermit, Texas, and KHM Rentals, LLC, based in Kenedy, Texas. As part of our North American leasing operations, Lone Star leases portable liquid storage tank containers and containment products, as well as provides certain fluid management services, to the oil and gas industry in the Permian and Eagle Ford basins of Texas. Reference is made to Note 4 of Notes to Condensed Consolidated Financial Statements for more information regarding this significant acquisition.

We have two geographic areas that include four operating segments; the Asia-Pacific (or Pan-Pacific) area, consisting of Royal Wolf (which leases and sells storage containers, portable container buildings and freight containers in Australia and New Zealand) and North America, consisting of Pac-Van (which leases and sells storage, office and portable liquid storage tank containers, modular buildings and mobile offices), and Lone Star (see above), which are combined to form our North American Leasing operations, and Southern Frac (which manufactures portable liquid storage tank containers). As of March 31, 2015, our two geographic leasing operations lease and sell their products through nineteen customer service centers (CSCs) in Australia, nine CSCs in New Zealand, thirty-nine branch locations in the United States and two branch locations in Canada. At that date, we had 265 and 606 employees and 42,317 and 30,790 lease fleet units in the Asia-Pacific area and North America, respectively.

Our products primarily consist of the following:

Containers

Storage Containers. Storage containers consist of new and used shipping containers that provide a flexible, low cost alternative to warehousing, while offering greater security, convenience and immediate accessibility. Our storage products include general purpose dry storage containers, refrigerated containers and specialty containers in a range of standard and modified sizes, designs and storage capacities. Specialty containers include blast-resistant units, hoarding units and hazardous-waste units. We also offer storage vans, also known as storage trailers or dock-height trailers.

Freight Containers. Freight containers are specifically designed for transport of products by road and rail. Our freight container products include curtain-side, refrigerated and bulk cargo containers, together with a range of standard and industry-specific dry freight containers. Freight containers are only offered in the Asia-Pacific area and we consider them part of the mobile storage industry on a consolidated basis.

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Portable Container Buildings and Office Containers. Portable container buildings and office containers are either modified or specifically-manufactured containers that provide self-contained office space with maximum design flexibility. Office containers in the U.S. are oftentimes referred to as ground level offices (GLOs).

Portable Liquid Storage Tank Containers. Portable liquid storage tank containers are often referred to as frac tanks or frac tank containers and are manufactured steel containers with fixed steel axles for transport and use in a variety of industries; including oil and gas exploration and field services, refinery, chemical and industrial plant maintenance, environmental remediation and field services, infrastructure building construction, marine services, pipeline construction and maintenance, tank terminals services, wastewater treatment and waste management and landfill services. While there are a number of different sizes of tanks currently used in the market place, we are currently focusing on the more common 500-barrel capacity containers. Our products typically include features such as guardrails, safety stairways, multiple entry ways and a sloped bottom for easy cleaning, an epoxy lining, and various feed and drain lines.

Other

Modular Buildings. Also known as manufactured buildings, modular buildings provide customers with additional space and are often modified to customer specifications. Modular buildings range in size from 1,000 to more than 30,000 square feet and may be highly customized.

Mobile Offices. Also known as trailers or construction trailers, mobile offices are re-locatable units with aluminum or wood exteriors on wood (or steel) frames on a steel carriage fitted with axles, allowing for an assortment of add-ons to provide comfortable and convenient temporary space solutions.

Results of Operations

Quarter Ended March 31, 2015 (QE FY 2015) Compared to Quarter Ended March 31, 2014 (QE FY 2014)

The following compares our QE FY 2015 results of operations with our QE FY 2014 results of operations.

Revenues. Revenues increased $3.8 million, or 6%, to $69.4 million in QE FY 2015 from $65.6 million in QE FY 2014. This consisted of a $14.7 million increase, or 64%, in revenues in our North American leasing operations, a decrease of $7.5 million, or 21%, in revenues in the Asia-Pacific area and a decrease of $3.4 million in manufacturing revenues from Southern Frac. Excluding the impact of Lone Star, which we acquired on April 7, 2014 and contributed revenues of $9.4 million in QE FY 2015, revenues in our North American leasing operations increased by 23% from QE FY 2014. The average currency exchange rate of the weakening Australian dollar relative to the U.S. dollar in QE FY 2015 versus QE FY 2014 adversely effected the translation of revenues from the Asia-Pacific area. The average currency exchange rate of one Australian dollar during QE FY 2015 was $0.7879 U.S. dollar compared to $0.8962 U.S. dollar during QE FY 2014. In Australian dollars, total revenues in the Asia-Pacific area decreased by 10%.

Excluding Lone Star (doing business in the oil and gas sector), the North American leasing revenue increase in QE FY 2015 from QE FY 2014 of $5.3 million was primarily in the commercial, construction and retail sectors where revenues increased between the periods by an aggregate of $6.2 million, offset somewhat by decreases primarily in the oil and gas, industrial and government sectors. The revenue decrease in the Asia-Pacific area was primarily in the government, oil and gas, construction and mining sectors where revenues decreased by an aggregate of $5.7 million in QE FY 2015 from QE FY 2014.

Sales and leasing revenues represented 30% and 70% of total non-manufacturing revenues, respectively, in QE FY 2015, as compared to 41% and 59%, respectively, in QE FY 2014.

Sales during QE FY 2015 amounted to $23.4 million, compared to $31.2 million during QE FY 2014; representing a decrease of $7.8 million, or 25%. This consisted of a $4.8 million decrease, or 28%, in sales in the Asia-Pacific area, an increase of $0.4 million, or 5%, in our North American leasing operations and a decrease in manufacturing sales of $3.4 million, or 49%, at Southern Frac. Overall, non-manufacturing sales decreased by a net $4.4 million, or 18%, in QE FY 2015 from QE FY 2014. The decrease in the Asia-Pacific area was comprised of a decrease of $2.8 million ($0.1 million increase due to higher unit sales, $1.4 million decrease due to average price reductions and $1.5 million decrease due to foreign exchange movements) in the CSC operations and a decrease of $2.0 million ($1.5 million decrease due to lower unit sales, a $0.2 million decrease due to average price decreases and a $0.3 million decrease due to foreign exchange movements) in the national accounts group. In our North American leasing operations, the higher sales in QE FY 2015 versus QE FY 2014 were primarily in the commercial, construction and retail sectors, which increased by an aggregate of $1.9 million, offset substantially by decreases primarily in the oil and gas, industrial and government sectors. At Southern Frac, portable liquid storage tank container sales in QE FY 2015 consisted of 97 units sold at an average sales price of approximately $35,600 per unit versus 217 units sold at an average sales price of approximately $31,400 per unit during QE FY 2014. The decrease in sales of tanks between the periods at Southern Frac was due to the decreased demand from weaker drilling activity, primarily in Texas, as a result of the decline in oil and gas prices.

Leasing revenues during QE FY 2015 totaled $46.0 million, as compared to $34.4 million during QE FY 2014, representing an increase of $11.6 million, or 34%. This consisted of an increase of $14.3 million (which includes $9.4 million from Lone Star), or 93%, in North America, and a decrease of $2.7 million, or 14%, in the Asia-Pacific area. On a local currency basis, leasing revenues decreased by 2% in the Asia-Pacific area.

In the Asia-Pacific area, average utilization in the retail and the national accounts group operations was 85% and 74%, respectively, during QE FY 2015, as compared to 85% and 82% in QE FY 2014, respectively. The overall average utilization decreased in QE FY 2015 to 82% from 84% in QE FY 2014; and the overall average monthly lease rate was AUS$172 in QE FY 2015 versus AUS$182 in QE FY 2014. Leasing revenues in QE FY 2015 decreased in Australian dollars over QE FY 2014 due primarily to the overall lower monthly lease rates, which more than offset the average monthly number of units on lease being more than 150 higher in QE FY 2015 as compared to QE FY 2014. We believe the primary reasons we generally maintain high average utilization rates and increase our average units on lease between periods were the relatively stable economy in the Asia-Pacific area and our position as the only company with a national footprint in the portable storage industry in Australia and New Zealand. We regularly review each local market in which we do business to determine if local factors justify increases or decreases in lease rates and the effect these changes would have on utilization and revenues.

In our North American leasing operations, average utilization rates were 73%, 84%, 75%, 73% and 79% and average monthly lease rates were $107, $295, $835, $258 and $762 for storage containers, office containers, frac tank containers, mobile offices and modular units, respectively, during QE FY 2015; as compared to 75%, 83%, 83%, 68% and 72% and $104, $273, $847, $245 and $848 for storage containers, office containers, frac tank containers, mobile offices and modular units in QE FY 2014, respectively. The average composite utilization rate increased to 76% in QE FY 2015 from 74% in QE FY 2014, and the composite average monthly number of units on lease was more than 8,500 higher in QE FY 2015 as compared to QE FY 2014. The generally strong utilization and monthly lease rates and increased average monthly number of units on lease resulted primarily from improved across-the-board demand, but particularly in the oil and gas, commercial, construction and retail sectors, which increased by an aggregate of $13.8 million (including $9.4 million from Lone Star in the oil and gas sector).

Cost of Sales. Cost of sales from our lease inventories and fleet (which is the cost related to our sales revenues only and exclusive of the line items discussed below) decreased by $3.9 million from $18.1 million during QE FY 2014 to $14.2 million during QE FY 2015, as a result of the lower sales from our lease inventories and fleet, as discussed above. However, our gross profit percentage from these non-manufacturing sales increased to 28% in QE FY 2015 from 26% in QE FY 2014. Cost of sales from our manufactured portable liquid storage tank containers totaled $2.8 million in QE FY 2015, or approximately $28,600 per unit, versus $5.0 million in QE FY 2014, or approximately $22,900 per unit, representing a manufacturing gross profit percentage of 19% and 27%, respectively.

Direct Costs of Leasing Operations and Selling and General Expenses. Direct costs of leasing operations and selling and general expenses increased in absolute dollars by $9.3 million ($7.6 million of which was incurred at Lone Star), from $27.1 million during QE FY 2014 to $36.4 million during QE FY 2015. As a percentage of revenues, these costs increased to 52% during QE FY 2015 from 41% during QE FY 2014, due primarily to operating expenses at our North American leasing operations (principally Lone Star) not declining proportionately with lower revenues caused by the decreased demand from weaker drilling activity in Texas as a result of the decline in oil and gas prices.

Depreciation and Amortization. Depreciation and amortization increased by $3.5 million to $9.5 million in QE FY 2015 from $6.0 million in QE FY 2014, primarily as a result of our increasing investment in the lease fleet and business acquisitions.

Interest Expense. Interest expense of $5.2 million in QE FY 2015 was $2.7 million higher than the $2.5 million in QE FY 2014, entirely due to North America. Both higher average borrowings in QE FY 2015, as compared to QE FY 2014, and higher weighted-average interest rate of 5.0% (which does not include the effect of the accretion of interest and amortization of deferred financing costs) in QE FY 2015 versus 3.7% in QE FY 2014 resulted in the interest expense being $2.7 million higher in QE FY 2015 from QE FY 2014. This higher weighted-average interest rate between the periods was primarily due to borrowings we made during the fourth quarter of the fiscal year ended June 30, 2014 at GFN corporate that totaled $97.0 million and bear interest rates higher than those of the current lending rates of our combined senior credit facility for our North American leasing operations (see Note 5 of Notes to Condensed Consolidated Financial Statements). In the Asia-Pacific, the weighted-average interest rate of 4.7% (which does not include the effect of translation, interest rate swap contracts and options and the amortization of deferred financing costs) in QE FY 2015 decreased from 5.4% in QE FY 2014 and this, along with the weakening Australian dollar relative to the U.S. dollar, offset the comparatively higher average borrowings between the periods.

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Foreign Currency Exchange and Other. The currency exchange rate of one Australian dollar to one U.S. dollar was $0.8874 at December 31, 2013, $0.9251 at March 31, 2014, $0.8158 at December 31, 2014 and $0.7691 at March 31, 2015. In QE FY 2014 and QE FY 2015, net unrealized and realized foreign exchange gains (losses) totaled $96,000 and $(55,000), and $(7,000) and $(67,000), respectively.

Income Taxes. Our effective income tax rate was 40.0% in QE FY 2015 and 41.8% in QE FY 2014. The effective rate is greater than the U.S. federal rate of 35% primarily because of state income taxes from the filing of tax returns in multiple U.S. states and the effect of doing business and filing income tax returns in foreign jurisdictions. The effective tax rate in QE FY 2014 included an estimate for the effect to deferred taxes for the increase in the federal statutory rate used from 34% to 35%.

Preferred Stock Dividends. In both QE FY 2015 and QE FY 2014, we paid dividends of $0.9 million for primarily our 9.00% Series C Cumulative Redeemable Perpetual Preferred Stock (the Series C Preferred Stock).

Noncontrolling Interests. Noncontrolling interests in the Royal Wolf and Southern Frac results of operations were approximately $1.4 million and $1.8 million in QE FY 2015 and QE FY 2014, respectively, a decrease of $0.4 million.

Net Income Attributable to Common Stockholders. We incurred a net loss attributable to common stockholders of $1.7 million in QE FY 2015 versus a $1.1 million net income attributable to common stockholders in QE FY 2014, primarily due to lower operating profit in our North American leasing and manufacturing operations (chiefly as a result of the adverse effect on our operations of the decline in oil and gas prices), our Asia-Pacific leasing operations (including the adverse effect of the weakening Australian dollar to the U.S. dollar) and higher interest expense.

Nine Months Ended March 31, 2015 (FY 2015) Compared to Nine Months Ended March 31, 2014 (FY 2014)

The following compares our FY 2015 results of operations with our FY 2014 results of operations.

Revenues. Revenues increased $41.5 million, or 21%, to $238.5 million in FY 2015 from $197.0 million in FY 2014. This consisted of a $65.1 million increase, or 98%, in revenues in our North American leasing operations, a decrease of $23.1 million, or 20%, in revenues in the Asia-Pacific area and a decrease of $0.5 million in manufacturing revenues from Southern Frac. Excluding the impact of Lone Star, which we acquired on April 7, 2014 and contributed revenues of $44.5 million in FY 2015, revenues in our North American leasing operations increased by 31% from FY 2014. The average currency exchange rate of the weakening Australian dollar relative to the U.S. dollar in FY 2015 versus FY 2014 adversely effected the translation of revenues from the Asia-Pacific area. The average currency exchange rate of one Australian dollar during FY 2015 was $0.8571 U.S. dollar compared to $0.9134 U.S. dollar during FY 2014. In Australian dollars, total revenues in the Asia-Pacific area decreased by 14%.

Excluding Lone Star (doing business in the oil and gas sector), the North American leasing revenue increase in FY 2015 from FY 2014 of $20.6 million was broadly across most sectors, but particularly in the commercial, retail, oil and gas and construction sectors, where revenues increased between the periods by an aggregate of $19.6 million. The revenue decrease in the Asia-Pacific area was primarily in the transport, oil and gas, government, construction and mining sectors, where revenues decreased by $22.5 million in FY 2015 from FY 2014.

Sales and leasing revenues represented 30% and 70% of total non-manufacturing revenues, respectively, in FY 2015 compared to 46% and 54%, respectively, in FY 2014.

Sales during FY 2015 amounted to $79.8 million, compared to $97.0 million during FY 2014; representing a decrease of $17.2 million, or 18%. This consisted of a $21.7 million decrease, or 35%, in sales in the Asia-Pacific area, an increase of $5.0 million, or 23%, in our North American leasing operations and a decrease in manufacturing sales of $0.5 million, or 4%, at Southern Frac. Overall, non-manufacturing sales decreased by a net $16.7 million, or 20%, in FY 2015 from FY 2014. The decrease in the Asia-Pacific area was comprised of a decrease of $4.4 million ($2.8 million increase due to higher unit sales, $4.4 million decrease due to average price reductions and $2.8 million decrease due to foreign exchange movements) in the CSC operations and a decrease of $17.3 million ($12.2 million decrease due to lower unit sales, a $5.0 million decrease due to average price decreases and a $0.1 million decrease due to foreign exchange movements) in the national accounts group. Sales in the national accounts group during FY 2014 included over $11.0 million (over AUS$12.0 million) to one customer, a freight logistics company that operates a national rail network, in which the operating margin on the sales contract was under 10%. In our North American leasing operations, the higher sales in FY 2015 versus FY 2014 were across most sectors, but particularly in the commercial, construction government, retail and services sectors, which increased by an aggregate of $5.7 million. These increases were offset somewhat by decreases in the education and industrial sectors totaling $2.2 million. At Southern Frac, portable liquid storage tank container sales in FY 2015 consisted of 351 units sold at an average sales price of approximately $35,700 per unit versus 393 units sold at an average sales price of approximately $33,000 per unit during FY 2014. The decrease in sales of tanks between the periods at Southern Frac was due to the decreased demand from weaker drilling activity, primarily in Texas, as a result of the decline in oil and gas prices.

Leasing revenues during FY 2015 totaled $158.7 million, as compared to $100.0 million during FY 2014, representing an increase of $58.7 million, or 59%. This consisted of an increase of $60.1 million (which includes $44.5 million from Lone Star), or 133%, in North America, and a decrease of $1.4 million, or 3%, in the Asia-Pacific area. On a local currency basis, leasing revenues increased by 4% in the Asia-Pacific area.

In the Asia-Pacific area, average utilization in the retail and the national accounts group operations was 85% and 76%, respectively, during both FY 2015 and FY 2014; and, in addition, the overall average utilization was 83% during both periods. The overall average monthly lease rate increased slightly to AUS$176 in FY 2015 from A$175 in FY 2014. Leasing revenues in FY 2015 increased in Australian dollars over FY 2014 due primarily to the combination of slightly higher monthly lease rates and the average monthly number of units on lease being over 780 higher in FY 2015 as compared to FY 2014. We believe the primary reasons we are generally able to maintain high average utilization rates and increase our average units on lease and monthly rate between periods were the relatively stable economy in the Asia-Pacific area and our position as the only company with a national footprint in the portable storage industry in Australia and New Zealand. We regularly review each local market in which we do business to determine if local factors justify increases or decreases in lease rates and the effect these changes would have on utilization and revenues.

In our North American leasing operations, average utilization rates were 79%, 86%, 81%, 74% and 79% and average monthly lease rates were $114, $297, $1,345, $257 and $777 for storage containers, office containers, frac tank containers, mobile offices and modular units, respectively, during FY 2015; as compared to 80%, 82%, 83%, 68% and 72% and average monthly lease rates were $112, $272, $874, $242 and $832 for storage containers, office containers, frac tank containers, mobile offices and modular units in FY 2014, respectively. The average composite utilization rate increased to 78% in FY 2015 from 77% in FY 2014, and the composite average monthly number of units on lease was over 7,300 higher in FY 2015 as compared to FY 2014. The strong utilization, average monthly number of units on lease and generally higher monthly lease rates resulted primarily from improved across-the-board demand, but particularly in the oil and gas, commercial, construction and retail sectors, which increased by an aggregate of $59.1 million (including $44.5 million from Lone Star in the oil and gas sector).

Cost of Sales. Cost of sales from our lease inventories and fleet (which is the cost related to our sales revenues only and exclusive of the line items discussed below) decreased by $16.2 million from $64.5 million during FY 2014 to $48.3 million during FY 2015, as a result of the lower sales from our lease inventories and fleet, as discussed above. However, our gross profit percentage from these non-manufacturing sales increased to 28% in FY 2015 from 23% in FY 2014 due primarily to the adverse effect in FY 2014 of the lower margin on the sales to a Royal Wolf freight logistics customer, as discussed above. Cost of sales from our manufactured portable liquid storage tank containers totaled $8.8 million in FY 2015, or approximately $25,100 per unit, versus $9.5 million in FY 2014, or approximately $24,300 per unit, representing a manufacturing gross profit percentage of 30% and 26%, respectively.

Direct Costs of Leasing Operations and Selling and General Expenses. Direct costs of leasing operations and selling and general expenses increased in absolute dollars by $34.3 million ($25.4 million of which was incurred at Lone Star), from $79.3 million during FY 2014 to $113.6 million during FY 2015. As a percentage of revenues, these costs increased to 48% during FY 2015 from 40% during FY 2014 due primarily to operating expenses at our North American leasing operations (principally Lone Star) not proportionately reducing with lower revenues caused by the decreased demand from weaker drilling activity in Texas as a result of the decline in oil and gas prices. In addition, as discussed above, there were over $11.0 million of sales to a freight logistics customer which, if excluded, would show these costs as a percentage of revenues in FY 2014 at 43%. This is more comparable to FY 2015, particularly since infrastructure costs in North America, as a percentage of revenues, have proportionally increased slightly in order to sustain anticipated business growth in other sectors.

Depreciation and Amortization. Depreciation and amortization increased by $10.8 million to $28.1 million in FY 2015 from $17.3 million in FY 2014, primarily as a result of our increasing investment in the lease fleet and business acquisitions.

Interest Expense. Interest expense of $16.0 million in FY 2015 was $8.8 million higher than the $7.2 million in FY 2014, primarily in North America, which increased by $8.6 million. This was due to higher average borrowings in FY 2015, as compared to FY 2014, and the higher weighted-average interest rate of 5.4% (which does not include the effect of the accretion of interest and amortization of deferred financing costs) in North America in FY 2015 versus 3.7% in FY 2014. This higher weighted-average interest rate between the periods was primarily due to borrowings we made during the fourth quarter of the fiscal year ended June 30, 2014 at GFN corporate that totaled $97.0 million and bear interest rates higher than those of the current lending rates of our combined senior credit facility for our North American leasing operations. The weighted-average interest rate of 5.2% (which does not include the effect of translation, interest rate swap contracts and options and the amortization of deferred financing costs) in the Asia-Pacific area in FY 2015 decreased from 5.7% in FY 2014 and this, along with the weakening Australian dollar relative to the U.S. dollar, offset the comparatively higher average borrowings between the periods.

Foreign Currency Exchange and Other. The currency exchange rate of one Australian dollar to one U.S. dollar was $0.9146 at June 30, 2013, $0.9251 at March 31, 2014, $0.9439 at June 30, 2014 and $0.7691 at March 31, 2015. In FY 2014 and FY 2015, net unrealized and realized foreign exchange gains (losses) totaled $(267,000) and $46,000, and $(712,000) and $(49,000), respectively.

Income Taxes. Our effective income tax rate was 40.0% in FY 2015 and 41.8% in FY 2014. The effective rate is greater than the U.S. federal rate of 35% primarily because of state income taxes from the filing of tax returns in multiple U.S. states and the effect of doing business and filing income tax returns in foreign jurisdictions. The effective tax rate in FY 2014 included an estimate for the effect to deferred taxes for the increase in the federal statutory rate used from 34% to 35%.

Preferred Stock Dividends. In FY 2015 and FY 2014, we paid dividends of $2.8 million and $2.6 million, respectively, for primarily our Series C Preferred Stock.

Noncontrolling Interests. Noncontrolling interests in the Royal Wolf and Southern Frac results of operations were approximately $4.8 million and $4.9 million in FY 2015 and FY 2014, respectively, a decrease of $0.1 million.

Net Income Attributable to Common Stockholders. Net income attributable to common stockholders of $6.6 million in FY 2015 was $3.5 million more than the $3.1 million in FY 2014 primarily due to greater operating profit in our North American leasing and manufacturing operations (despite the adverse effect on our operations of the decline in oil and gas prices), offset somewhat by lower operating in our Asia-Pacific leasing operations (including the adverse effect of the weakening Australian dollar to the U.S. dollar) and higher interest expense.

Measures not in Accordance with Generally Accepted Accounting Principles in the United States (U.S. GAAP)

Earnings before interest, income taxes, impairment, depreciation and amortization and other non-operating costs and income (EBITDA) and adjusted EBITDA are supplemental measures of our performance that are not required by, or presented in accordance with, U.S. GAAP. These measures are not measurements of our financial performance under U.S. GAAP and should not be considered as alternatives to net income, income from operations or any other performance measures derived in accordance with U.S. GAAP or as an alternative to cash flow from operating, investing or financing activities as a measure of liquidity. Adjusted EBITDA is a non-U.S. GAAP measure. We calculate adjusted EBITDA to eliminate the impact of certain items we do not consider to be indicative of the performance of our ongoing operations. You are encouraged to evaluate each adjustment and whether you consider each to be appropriate. In addition, in evaluating adjusted EBITDA, you should be aware that in the future, we may incur expenses similar to the expenses excluded from our presentation of adjusted EBITDA. Our presentation of adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. We present adjusted EBITDA because we consider it to be an important supplemental measure of our performance and because we believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry, many of which present EBITDA and a form of adjusted EBITDA when reporting their results. Adjusted EBITDA has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. Because of these limitations, adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business or to reduce our indebtedness. We compensate for these limitations by relying primarily on our U.S. GAAP results and using adjusted EBITDA only supplementally. The following table shows our adjusted EBITDA and the reconciliation from net income (in thousands):

	Quarter Ended March 31,		Nine Months Ended March 31,	
	2014	2015	2014	2015
Net income	$ 3,826	$ 601	$ 10,610	$ 14,121
Add (deduct)				
Provision for income taxes	2,749	401	7,621	9,414
Foreign currency exchange loss and other	512	374	1,061	219
Interest expense	2,490	5,179	7,216	16,006
Interest income	(14)	(28)	(37)	(52)
Depreciation and amortization	6,214	9,682	17,848	28,752
Share-based compensation expense	533	540	1,403	1,454
Expenses of postponed public equity offering		365		365
Adjusted EBITDA	$ 16,310	$ 17,114	$ 45,722	$ 70,279

Our business is capital intensive, so from an operating level we focus primarily on EBITDA and adjusted EBITDA to measure our results. These measures provide us with a means to track internally generated cash from which we can fund our interest expense and fleet growth objectives. In managing our business, we regularly compare our adjusted EBITDA margins on a monthly basis. As capital is invested in our established branch (or CSC) locations, we achieve higher adjusted EBITDA margins on that capital than we achieve on capital invested to establish a new branch, because our fixed costs are already in place in connection with the established branches. The fixed costs are those associated with yard and delivery equipment, as well as advertising, sales, marketing and office expenses. With a new market or branch, we must first fund and absorb the start-up costs for setting up the new branch facility, hiring and developing the management and sales team and developing our marketing and advertising programs. A new branch will have low adjusted EBITDA margins in its early years until the number of units on rent increases. Because of our higher operating margins on incremental lease revenue, which we realize on a branch-by-branch basis, when the branch achieves leasing revenues sufficient to cover the branch s fixed costs, leasing revenues in excess of the break-even amount produce large increases in profitability and adjusted EBITDA margins. Conversely, absent significant growth in leasing revenues, the adjusted EBITDA margin at a branch will remain relatively flat on a period by period comparative basis.

Liquidity and Financial Condition

Though we have raised capital at the corporate level to primarily assist in the funding of acquisitions and lease fleet expenditures, as well as for general purposes, our operating units substantially fund their operations through secured bank credit facilities that require compliance with various covenants. These covenants require our operating units to, among other things, maintain certain levels of interest or fixed charge coverage, EBITDA (as defined), utilization rate and overall leverage.

<u>Leasing Operations</u>

Effective May 8, 2014, Royal Wolf refinanced the Australia and New Zealand Banking Group Limited (ANZ) senior credit facility, which was secured by substantially all of the assets of the Company s Australian and New Zealand subsidiaries to, among other things, increase the maximum borrowing capacity to $134,593,000 (AUS$175,000,000), add Commonwealth Bank of Australia (CBA) as a lender through a common terms deed arrangement with ANZ and generally improve the financial covenants (the ANZ/CBA Credit Facility). Under the common deed arrangement of the ANZ/CBA Credit Facility, ANZ s proportionate share of the borrowing capacity is $80,756,000 (AUS$105,000,000) and CBA s proportionate share is $53,837,000 (AUS$70,000,000). The ANZ/CBA Credit Facility has $96,138,000 (AUS$125,000,000) maturing on July 31, 2017 (Facility A), and $38,455,000 (AUS$50,000,000) maturing on July 31, 2019 (Facility B).

Effective February 7, 2014, Pac-Van amended its $120,000,000 facility led by Wells Fargo Bank, National Association (Wells Fargo) that also included HSBC Bank USA, NA (HSBC), and the Private Bank and Trust Company to, among other things, increase the maximum borrowing capacity from $120,000,000 to $200,000,000 and add two new lenders (Capital One Business Credit Corp. and OneWest Bank N.A.) to the syndicate (the Wells Fargo Credit Facility). Further, on April 7, 2014, in conjunction with the acquisition of Lone Star, and on May 23, 2014, the Wells Fargo Credit Facility was amended and restated to, among other things, include Lone Star as a co-borrower and to allow for the funding of the interest requirements of the public offering of unsecured senior notes (see below). The Wells Fargo Credit Facility matures on September 7, 2017.

The Wells Fargo Credit Facility effectively not only finances our North American leasing operations, but also the funding requirements for the Series C Preferred Stock, the term loan with Credit Suisse AG, Singapore Branch and the public offering of unsecured senior notes. The maximum amount of intercompany dividends that Pac-Van and Lone

Star are allowed to pay in each fiscal year to GFN for the funding requirements of GFN s senior and other debt and the Series C Preferred Stock are (a) the lesser of $5,000,000 for the Series C Preferred Stock or the amount equal to the dividend rate of the Series C Preferred Stock and its aggregate liquidation preference and the actual amount of dividends required to be paid to the Series C Preferred Stock; (b) the lesser of $3,125,000 for the term loan with Credit Suisse AG, Singapore Branch or the actual annual interest to be paid; and (c) $6,120,000 for the public offering of unsecured senior notes or the actual amount of annual interest required to be paid; provided that (i) the payment of such dividends does not cause a default or event of default; (ii) each of Pac-Van and Lone Star is solvent; (iii) excess availability, as defined, is $5,000,000 or more under the Wells Fargo Credit Facility; (iv) the fixed charge coverage ratio, as defined, will be greater than 1.25 to 1.00; and (v) the dividends are paid no earlier than ten business days prior to the date they are due.

On January 6, 2015, the Wells Fargo Credit Facility was amended and restated to, among other things, increase the maximum borrowing capacity from $200,000,000 to $220,000,000, add a $20,000,000 real estate sub-facility, add GFNRC as a borrower and allow the borrowers to acquire real estate as collateral.

Manufacturing Operations

Southern Frac has a senior secured credit facility with Wells Fargo (the Wells Fargo SF Credit Facility). The Wells Fargo SF Credit Facility, as amended, provides for (i) a senior secured revolving line of credit under which Southern Frac may borrow, subject to the terms of a borrowing base, as defined, up to $12,000,000 with a three-year maturity; and (ii) a combined $860,000 equipment and capital expenditure term loan (the Restated Equipment Term Loan), which fully amortizes over 48 months commencing July 1, 2013.

Corporate

On March 31, 2014, we entered into a $25,000,000 facility agreement with Credit Suisse AG, Singapore Branch (Credit Suisse Term Loan) as part of the financing for the acquisition of Lone Star and, on April 3, 2014, we borrowed the $25,000,000 available to it. The Credit Suisse Term Loan provides that the amount borrowed will bear interest at LIBOR plus 7.50% per year, will be payable quarterly and that all principal and interest will mature two years from the date that we borrowed the $25,000,000. In addition, the Credit Suisse Term Loan is secured by a first ranking pledge over all shares of RWH owned by GFN U.S., requires a certain coverage maintenance ratio in U.S. dollars based on the value of the RWH shares and, among other things, that an amount equal to six-months interest be deposited in an interest reserve account pledged to secure repayment of all amounts borrowed. During FY 2015, we repaid, prior to maturity, $10,000,000 of the outstanding borrowings of the Credit Suisse Term Loan.

On June 18, 2014, we completed the sale of unsecured senior notes (the Senior Notes) in a public offering for an aggregate principal amount of $72,000,000, which represented 100% of the principal amount and included the underwriters full exercise of their over-allotment option of $9,000,000. Net proceeds were $69,069,000, after deducting underwriting discounts and offering costs of approximately $2,931,000. The Senior Notes were issued in minimum denominations of $25 and integral multiples of $25 in excess thereof and pursuant to the First Supplemental Indenture (the First Supplemental Indenture) dated as of June 18, 2014 by and between us and Wells Fargo, as trustee (the Trustee). The First Supplemental Indenture supplements the Indenture entered into by and between us and the Trustee dated as of June 18, 2014 (the Base Indenture and, together with the First Supplemental Indenture, the Indenture). The Senior Notes bear interest at the rate of 8.125% per annum, mature on July 31, 2021 and are not subject to any sinking fund. Interest on the Senior Notes is payable quarterly in arrears on January 31, April 30, July 31 and October 31, commencing on July 31, 2014. We used $68,600,000 of the net proceeds (plus an additional $4,000,000 of GFN corporate cash on hand) to reduce indebtedness at Pac-Van and Lone Star under the Wells Fargo Credit Facility, pursuant to the requirement that at least 80% of the gross proceeds, or $57,600,000, be used for that purpose in order to permit the payment of intercompany dividends by Pac-Van and Lone Star to GFN to fund the interest requirements of the Senior Notes.

The Senior Notes rank equally in right of payment with all of our existing and future unsecured senior debt and senior in right of payment to all of its existing and future subordinated debt. The Senior Notes are effectively subordinated to any of our existing and future secured debt, to the extent of the value of the assets securing such debt. The Senior Notes are structurally subordinated to all existing and future liabilities of our subsidiaries and are not guaranteed by any of our subsidiaries. We may, at our option, prior to July 31, 2017, redeem the Senior Notes in whole or in part upon the payment of 100% of the principal amount of the Senior Notes being redeemed plus any additional amount required by the Indenture. In addition, we may from time to time redeem up to 35% of the aggregate outstanding principal amount of the Senior Notes before July 31, 2017 with the net cash proceeds from certain equity offerings at a redemption price of 108.125% of the principal amount plus accrued and unpaid interest. If we sell certain of our assets or experience specific kinds of changes in control, as defined, we must offer to redeem the Senior Notes.

We may, at our option, at any time and from time to time, on or after July 31, 2017, redeem the Senior Notes in whole or in part. The Senior Notes will be redeemable at a redemption price initially equal to 106.094% of the principal amount of the Senior Notes (and which declines each year on July 31) plus accrued and unpaid interest to the date of redemption. On and after any redemption date, interest will cease to accrue on the redeemed Senior Notes.

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As of March 31, 2015, our required principal and other obligations payments for the twelve months ending March 31, 2016 and the subsequent three twelve-month periods are as follows (in thousands):

	Twelve Months Ending March 31,			
	2016	2017	2018	2019
ANZ/CBA Credit Facility	$	$	$ 95,012	$
Wells Fargo Credit Facility			160,572	
Wells Fargo SF Credit Facility	2,532	215	108	
Credit Suisse Term Loan		15,000		
Senior Notes				
Other	4,151	3,878	1,503	1,606
	$ 6,683	$ 19,093	$ 257,195	$ 1,606

Reference is made to Note 5 of Notes to Condensed Consolidated Financial Statements for further discussion of our senior and other debt.

We intend to continue utilizing our operating cash flow and net borrowing capacity primarily to expanding our container sale inventory and lease fleet through both capital expenditures and accretive acquisitions; as well as paying dividends on the Series C Preferred Stock, if and when declared by our Board of Directors.

We currently do not pay a dividend on our common stock and do not intend on doing so in the foreseeable future.

Cash Flow for FY 2015 Compared to FY 2014

Our business is capital intensive, and we acquire leasing assets before they generate revenues, cash flow and earnings. These leasing assets have long useful lives and require relatively minimal maintenance expenditures. Most of the capital we deploy into our leasing business historically has been used to expand our operations geographically, to increase the number of units available for lease at our branch and CSC locations and to add to the breadth of our product mix. Our operations have generally generated annual cash flow which would include, even in profitable periods, the deferral of income taxes caused by accelerated depreciation that is used for tax accounting.

As we discussed above, our principal source of capital for operations consists of funds available from the senior secured credit facilities at our operating units. We also finance a smaller portion of capital requirements through finance leases and lease-purchase contracts. Supplemental information pertaining to our consolidated sources and uses of cash is presented in the table below (in thousands):

	Nine Months Ended March 31,	
	2014	2015
Net cash provided by operating activities	$ 20,760	$ 22,503
Net cash used in investing activities	$ (62,381)	$ (101,047)
Net cash provided by financing activities	$ 45,002	$ 83,670

Operating activities. Our operations provided net cash flow of $22.5 million during FY 2015, an increase of $1.7 million from the $20.8 million of operating cash flow provided during FY 2014. Net income of $14.1 million in FY 2015 was $3.5 million higher than the net income of $10.6 million in FY 2014, but this increase in operating cash flows was more than offset by a reduction of $14.8 million in the management of operating assets and liabilities in FY 2015 when compared to FY 2014. In FY 2015 and FY 2014, the management of operating assets and liabilities reduced operating cash flows by $26.8 million and $12.0 million, respectively. In addition, net unrealized gains and losses from foreign exchange and derivative instruments (see Note 6 of Notes to Condensed Consolidated Financial Statements), which affect operating results but are non-cash add-backs for cash flow purposes, caused a net increase to operating cash flows by $0.2 million in FY 2015 versus a net increase of $0.9 million in FY 2014; or a net decrease of $0.7 million between the periods. However, our operating cash flows in FY 2015 increased by $12.8 million over FY 2014 as a result of larger non-cash adjustments of depreciation and amortization (including amortization of deferred financing costs and accretion of interest). Depreciation, amortization and accretion of interest totaled $31.3 million in FY 2015 versus $18.5 million in FY 2014. In both periods, operating cash flows benefitted from the deferral of income taxes, which totaled $7.0 million in FY 2015 and $6.7 million in FY 2014. Historically, operating cash flows are typically enhanced by the deferral of most income taxes due to the rapid tax depreciation rate of our fixed assets and available net operating loss carryforwards. Additionally, in both FY 2015 and FY 2014, operating cash flows were reduced by gains on the sales of lease fleet of $4.7 million and $5.2 million, respectively, and enhanced by non-cash share-based compensation charges of $1.5 million and 1.4 million, respectively.

Investing Activities. Net cash used in investing activities was $101.0 million during FY 2015, as compared to $62.4 million used during FY 2014, an increase of $38.6 million. Purchases of property, plant and equipment were $16.0 million (which included real estate purchases in North America and in the Asia-Pacific area totaling $1.2 million and $9.1 million, respectively) in FY 2015 and $4.3 million FY 2014, an increase of $11.7 million; and net capital expenditures of lease fleet (purchases, net of proceeds from sales of lease fleet) were $50.7 million in FY 2015 as compared to $42.3 million in FY 2014, an increase of $8.4 million. The increase in FY 2015 net capital expenditures from FY 2014 was due primarily to container lease fleet purchases of $38.4 million in FY 2015 in North America, as compared to $24.1 million in FY 2014, an increase of $14.3 million; whereas net capital expenditures in the Pan Pacific totaled $12.3 million in FY 2015 versus $18.2 million in FY 2014, a decrease of $5.9 million. The amount of cash that we use during any period in investing activities is almost entirely within management s discretion and we have no significant long-term contracts or other arrangements pursuant to which we may be required to purchase at a certain price or a minimum amount of goods or services. In FY 2015, we made seven business acquisitions (one in the Asia-Pacific region and six in North America) for cash totaling $33.9 million (see Note 4 of Notes to Condensed Consolidated Financial Statements), as compared to six acquisitions (two in the Asia-Pacific region and four in North America) in FY 2014 for cash totaling $15.7 million; an increase of $18.6 million between the periods.

Financing Activities. Net cash provided by financing activities was $83.7 million during FY 2015, as compared to $45.0 million provided during FY 2014, an increase of $38.7 million. In FY 2015 and FY 2014, cash provided from financing activities included net borrowings of $91.9 million and $51.0 million, respectively, on existing credit facilities to primarily fund our increasing investment in the container lease fleet and business acquisitions. However, cash was used in FY 2015 and FY 2014 to pay preferred stock dividends of $2.8 million, and $2.6 million, respectively, on primarily our Series C Preferred Stock; and, additionally, in FY 2015 and FY 2014, cash was used to purchase $3.4 million and $0.3 million, respectively, of RWH capital stock in the open market, of which a net $0.9 million and $0.3 million, respectively, was purchased by Royal Wolf for eventual issuance to key employees under its Long Term Incentive Plan (see Note 8 of Notes to Condensed Consolidated Financial Statements). In both FY 2015 and FY 2014, Royal Wolf paid capital stock dividends of over $2.3 million to noncontrolling interests (see Note 3 of Notes to Condensed Consolidated Financial Statements).

Asset Management

Receivables and inventories were $54.6 million and $41.1 million at March 31, 2015 and $61.5 million and $27.4 million at June 30, 2014, respectively. At March 31, 2015, days sales outstanding (DSO) in trade receivables were 41 days and 65 days in the Asia-Pacific area and in our North American leasing operations, as compared to 43 days and 67 days at June 30, 2014, respectively. The higher DSO in our North American leasing operations was primarily due to the longer payment lag by our oil and gas customers, which is customary in the industry. Effective asset management is always a significant focus as we strive to apply appropriate credit and collection controls and maintain proper inventory levels to enhance cash flow and profitability.

The net book value of our total lease fleet increased to $415.5 million at March 31, 2015 from $396.6 million at June 30, 2014. At March 31, 2015, we had 73,107 units (21,412 units in retail operations in Australia, 10,583 units in national account group operations in Australia, 10,322 units in New Zealand, which are considered retail; and 30,790 units in North America) in our lease fleet, as compared to 61,597 units (20,056 units in retail operations in Australia, 10,610 units in national account group operations in Australia, 9,712 units in New Zealand, which are considered retail; and 21,219 units in North America) at June 30, 2014. At those dates, 55,417 units (17,392 units in retail operations in Australia, 7,064 units in national account group operations in Australia, 9,072 units in New Zealand, which are considered retail; and 21,889 units in North America); and 50,050 units (16,624 units in retail operations in Australia, 7,704 units in national account group operations in Australia, 8,892 units in New Zealand, which are considered retail; and 16,830 units in North America) were on lease, respectively.

In the Asia-Pacific area, the lease fleet was comprised of 36,980 storage and freight containers and 5,337 portable building containers at March 31, 2015; and 35,990 storage and freight containers and 4,388 portable building containers at June 30, 2014. At those dates, units on lease were comprised of 29,762 storage and freight containers and 3,766 portable building containers; and 29,800 storage and freight containers and 3,420 portable building containers, respectively.

In North America, the lease fleet was comprised of 18,554 storage containers**,** 2,413 office containers (GLOs), 3,974 portable liquid storage tank containers, 4,711 mobile offices and 1,138 modular units at March 31, 2015; and 10,531 storage containers**,** 1,858 office containers (GLOs), 3,234 portable liquid storage tank containers, 4,591 mobile offices and 1,005 modular units at June 30, 2014. At those dates, units on lease were comprised of 12,747 storage containers, 2,070 office containers, 2,680 portable liquid storage tank containers, 3,481 mobile offices and 911 modular units; 8,150 storage containers, 1,572 office containers, 2,868 portable liquid storage tank containers, 3,462 mobile offices and 778 modular units, respectively.

Off-Balance Sheet Arrangements

We do not maintain any off-balance sheet transactions, arrangements, obligations or other relationships with unconsolidated entities or others that are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Seasonality

Although demand from certain customer segments can be seasonal, our operations as a whole are not seasonal to any significant extent. We experience a reduction in sales volumes at Royal Wolf during Australia s summer holiday break from mid-December to the end of January, followed by February being a short working day month. However, this reduction in sales typically is counterbalanced by the increased lease revenues derived from the removals or moving and storage industry, which experiences its seasonal peak of personnel relocations during this same summer holiday break. Demand from some of Pac-Van s customers can be seasonal, such as in the construction industry, which tends to increase leasing activity in the first and fourth quarters; while customers in the retail industry tend to lease more units in the second quarter. Our business at Lone Star and Southern Frac, which is significantly derived from the oil and gas industry, may decline in our second quarter months of November and December and our third quarter months of January and February. These months may have lower activity in parts of the country where inclement weather may delay, or suspend, customer projects. The impact of these delays may be to decrease the number of frac tank containers on lease until companies are able to resume their projects when weather improves.

Impact of Inflation

We believe that inflation has not had a material effect on our business. However, during periods of rising prices and, in particular when the prices increase rapidly or to levels significantly higher than normal, we may incur significant increases in our operating costs and may not be able to pass price increases through to our customers in a timely manner, which could harm our future results of operations.

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we re-evaluate all of our estimates. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may materially differ from these estimates under different assumptions or conditions as additional information becomes available in future periods. We believe the following are the more significant judgments and estimates used in the preparation of our consolidated financial statements.

We are required to estimate the collectability of our trade receivables. Accordingly, we maintain allowances for doubtful accounts for estimated losses that may result from the inability of our customers to make required payments. On a recurring basis, we evaluate a variety of factors in assessing the ultimate realization of these receivables, including the current credit-worthiness of our customers, days sales outstanding trends, a review of historical collection results and a review of specific past due receivables. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required, resulting in decreased net income. To date, uncollectible accounts have been within the range of our expectations.

We lease and sell storage, building, office and portable liquid storage tank containers, modular buildings and mobile offices to our customers. Leases to customers generally qualify as operating leases unless there is a bargain purchase option at the end of the lease term. Revenue is recognized as earned in accordance with the lease terms established by the lease agreements and when collectability is reasonably assured. Revenue from sales of equipment is recognized upon delivery and when collectability is reasonably assured, while revenue from the sales of manufactured units are recognized when title and risk of loss transfers to the purchaser, generally upon shipment. Certain arrangements to sell units under long-term construction-type sales contracts are accounted for under the percentage of completion method. Under this method, income is recognized in proportion to the incurred costs to date under the contract to estimated total costs.

We have a fleet of storage, portable building, office and portable liquid storage tank containers, mobile offices, modular buildings and steps that we lease to customers under operating lease agreements with varying terms. The lease fleet (or lease or rental equipment) is recorded at cost and depreciated on the straight-line basis over the estimated useful life (5 20 years), after the date the units are put in service, down to their estimated residual values (up to 70% of cost). In our opinion, estimated residual values are at or below net realizable values. We periodically review these depreciation policies in light of various factors, including the practices of the larger competitors in the industry, and our own historical experience.

For the issuances of stock options, we follow the fair value provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718, *Compensation Stock Compensation.* FASB ASC Topic 718 requires recognition of employee share-based compensation expense in the statements of income over the vesting period based on the fair value of the stock option at the grant date. The pricing model we use for determining fair values of the purchase option is the Black-Scholes Pricing Model. Valuations derived from this model are subject to ongoing internal and external verification and review. The model uses market-sourced inputs such as interest rates, market prices and volatilities. Selection of these inputs involves management s judgment and may impact net income. In particular, prior to July 1, 2009, we used volatility rates based upon a sample of comparable companies in our industry and we now use a volatility rate based on the performance of our common stock, which yields a higher rate. In addition we use a risk-free interest rate, which is the rate on U.S. Treasury instruments, for a security with a maturity that approximates the estimated remaining expected term of the stock option.

We account for goodwill in accordance with FASB ASC Topic 350, *Intangibles Goodwill and Other.* FASB ASC Topic 350 prohibits the amortization of goodwill and intangible assets with indefinite lives and requires these assets be reviewed for impairment when events or circumstances indicate these assets might be impaired. We operate two reportable segments that include four operating units (Royal Wolf, Pac-Van, Lone Star and Southern Frac) and our goodwill was allocated between these four reporting units. We performed an annual impairment test on goodwill at year end using the quantitative two-step process under FASB ASC Topic 350. The first step is a screen for potential impairment, while the second step measures the amount of the impairment, if any. Effective July 1, 2012, we adopted the new qualitative assessment now allowable under ASC Topic 350. It will no longer be required for us to calculate the fair value of a reporting unit unless a determination is made based on a qualitative assessment that it is more likely than not (i.e., greater than 50%) that the fair value of the reporting unit is less than its carrying amount. However, if we do determine that fair value is less than the carrying amount, the existing quantitative calculations in steps one and two under ASC Topic 350 continue to apply. Some factors we consider important in making this determination include (1) significant underperformance relative to historical, expected or projected future operating results; (2) significant changes in the manner of our use of the acquired assets or the strategy for our overall business; (3) significant changes during the period in our market capitalization relative to net book value; and (4) significant negative industry or general economic trends. If we did determine that fair value is likely less than the carrying amount, the quantitative two-step impairment test process discussed above would be applied. As of March 31, 2015, we determined that it was not likely that the fair values of the goodwill of our operating units were less than their respective carrying amounts.

Intangible assets include those with indefinite (trademark and trade name) and finite (primarily customer base and lists, non-compete agreements and deferred financing costs) useful lives. Customer base and lists and non-compete agreements are amortized on the straight-line basis over the expected period of benefit which range from one to ten years. Costs to obtaining long-term financing are deferred and amortized over the term of the related debt using the straight-line method. Amortizing the deferred financing costs using the straight-line method does not produce significantly different results than that of the effective interest method. Prior to July 1, 2012, we reviewed intangibles (those assets resulting from acquisitions) annually for impairment using historical cash flows and other relevant facts and circumstances as the primary basis for its estimates of future cash flows. This process required the use of estimates and assumptions, which are subject to a high degree of judgment. Effective July 1, 2012, we adopted the new qualitative factors now allowable under ASC Topic 350. If we determine, based on a qualitative assessment, that it is more likely than not (i.e., greater than 50%) that fair value is not impaired, then no further testing is necessary.

However, if we determine that fair value is less than the carrying amount, then the existing quantitative calculations under ASC Topic 350 continue to apply. As of March 31, 2015, we determined that it was not likely that the fair values of intangible assets were less than their carrying amounts.

In preparing our consolidated financial statements, we recognize income taxes in each of the jurisdictions in which we operate. For each jurisdiction, we estimate the actual amount of taxes currently payable or receivable as well as deferred tax assets and liabilities attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance would be provided for those deferred tax assets for which it is more likely than not that the related benefits will not be realized. In determining the amount of the valuation allowance, we consider estimated future taxable income as well as feasible tax planning strategies in each jurisdiction. If we determine that we will not realize all or a portion of our deferred tax assets, we would increase our valuation allowance with a charge to income tax expense or offset goodwill if the deferred tax asset was acquired in a business combination. Conversely, if we determine that we will ultimately be able to realize all or a portion of the related benefits for which a valuation allowance has been provided, all or a portion of the related valuation allowance would be reduced with a credit to income tax expense except if the valuation allowance was created in conjunction with a tax asset in a business combination.

Reference is made to Note 2 of Notes to Condensed Consolidated Financial Statements for a further discussion of our significant accounting policies.

Impact of Recently Issued Accounting Pronouncements

Reference is made to Note 2 of Notes to Condensed Consolidated Financial Statements for a discussion of recently issued accounting pronouncements that could potentially impact us.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the sensitivity of income to changes in interest rates, foreign exchanges and other market-driven rates or prices. Exposure to interest rates and currency risks arises in the normal course of our business and we may use derivative financial instruments to hedge exposure to fluctuations in foreign exchange rates and interest rates. We believe we have no material market risks to our operations, financial position or liquidity as a result of derivative activities, including forward-exchange contracts.

Reference is made to Note 6 of Notes to Condensed Consolidated Financial Statements for a discussion of financial instruments.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports we file and submit under the Securities Exchange Act of 1934, as amended (Exchange Act), is recorded, processed, summarized and reported within the time periods specified in accordance with SEC guidelines and that such information is communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure based on the definition of disclosure controls and procedures in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. In designing and evaluating our disclosure controls and procedures, we recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and that our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures in reaching that level of reasonable assurance.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures, as required by Exchange Act Rule 13a-15(b), as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level. There were no changes in our internal control over financial reporting during the quarter ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

In evaluating our forward-looking statements, readers should specifically consider risk factors that may cause actual results to vary from those contained in the forward-looking statements. Risk factors associated with our business are included, but not limited to, our Annual Report on Form 10-K for the year ended June 30, 2014, as filed with the SEC on September 12, 2014 (Annual Report) and other subsequent filings with the SEC, including the following:

Demand for a substantial portion of our leasing and the majority of our manufacturing services in North America is, to a certain degree, dependent on the levels of expenditures by the oil and gas industry and can fluctuate significantly in a short period of time. A substantial or an extended decline in oil and gas prices could result in lower expenditures by the oil and gas industry, which could have a material adverse effect on our financial condition, results of operations and cash flows.

Demand for a substantial portion of our leasing and the majority of our manufacturing services in North America depends, to a certain degree, on the level of expenditures by the oil and gas industry for the exploration, development and production of oil and natural gas reserves and can fluctuate significantly in a short period of time. These expenditures are generally dependent on the industry s view of current and future oil and natural gas prices and are sensitive to the industry s view of future economic growth and the resulting impact on demand for oil and natural gas. Declines, as well as anticipated declines, in oil and gas prices could also result in project modifications, delays or cancellations, general business disruptions, and delays in payment of, or nonpayment of, amounts that are owed to us. These effects could have a material adverse effect on our financial condition, results of operations and cash flows.

The oil and gas industry has historically experienced volatile prices for oil and gas and periodic downturns, which have been characterized by diminished demand for oilfield services and downward pressure vendor prices charged. A significant downturn in the oil and gas industry could result in a reduction in demand for our services and could adversely affect our financial condition, results of operations and cash flows.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

See Exhibit Index attached.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 11, 2015	GENERAL FINANCE CORPORATION
	By: /s/ Ronald F. Valenta Ronald F. Valenta Chief Executive Officer
	By: /s/ Charles E. Barrantes Charles E. Barrantes Chief Financial Officer

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EXHIBIT INDEX

Exhibit	Description
10.1	Amendment No. 2 to Amended and Restated Credit Agreement among Pac-Van, Lone Star, GFNRC, Wells Fargo Bank, National Association, HSBC Bank USA, NA, The PrivateBank and Trust Company, Capital One Business Credit Corp. and OneWest Bank N.A. (incorporated by reference to Registrant s Form 8-K filed January 6, 2015)
31.1	Certification of Chief Executive Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a)
31.2	Certification of Chief Financial Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a)
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. §1350
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. §1350
101	The following materials from the Registrant s Quarterly report on Form 10-Q for the quarter ended March 31, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Comprehensive Income/Loss, (iv) the Condensed Consolidated Statements of Equity, (v) the Condensed Consolidated Statements of Cash Flows and (vi) Notes to Condensed Consolidated Financial Statements.