General Finance CORP
Form 10-Q
May 09, 2016

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, 2016

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 Incorporation or Organization)	**(I.R.S. Employer 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 x (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

State the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: 26,087,294 shares outstanding as of May 5, 2016.

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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, 2015		March 31, 2016	
Assets				
Cash and cash equivalents	$	3,716	$	7,046
Trade and other receivables, net of allowance for doubtful accounts of $6,663 and $8,197 at June 30, 2015 and March 31, 2016, respectively		47,641		39,720
Inventories		36,875		39,874
Prepaid expenses and other		7,763		10,322
Property, plant and equipment, net		39,452		27,625
Lease fleet, net		410,985		423,169
Goodwill		99,344		102,332
Other intangible assets, net		41,394		37,761
Total assets	$	687,170	$	687,849
Liabilities				
Trade payables and accrued liabilities	$	37,590	$	41,946
Income taxes payable		1,291		125
Unearned revenue and advance payments		13,958		15,249
Senior and other debt		356,733		359,412
Deferred tax liabilities		43,242		41,218
Total liabilities		452,814		457,950
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 40,712 at June 30, 2015 and March 31, 2016, respectively		40,100		40,100
Common stock, $.0001 par value: 100,000,000 shares authorized; 26,008,878 and 26,074,294 shares issued and outstanding at June 30, 2015 and March 31, 2016, respectively		3		3
Additional paid-in capital		124,288		123,309

Accumulated other comprehensive loss		(12,873)		(12,976)
Accumulated deficit		(4,653)		(7,092)
Total General Finance Corporation stockholders equity		146,865		143,344
Equity of noncontrolling interests		87,491		86,555
Total equity		234,356		229,899
Total liabilities and equity	$	687,170	$	687,849

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,	
	2015	**2016**	**2015**	**2016**
Revenues				
Sales:				
Lease inventories and fleet	$ 19,923	$ 23,381	$ 67,326	$ 80,408
Manufactured units	3,452	1,230	12,531	5,852
	23,375	24,611	79,857	86,260
Leasing	46,011	41,858	158,678	127,262
	69,386	66,469	238,535	213,522
Costs and expenses				
Cost of sales:				
Lease inventories and fleet (exclusive of the items shown separately below)	14,246	17,136	48,342	59,720
Manufactured units	2,779	1,869	8,806	8,202
Direct costs of leasing operations	18,992	17,490	59,327	51,687
Selling and general expenses	17,367	16,757	54,233	49,695
Impairment of goodwill		2,681		2,681
Depreciation and amortization	9,475	9,583	28,119	27,897
Operating income	6,527	953	39,708	13,640
Interest income	28	35	52	72
Interest expense (includes ineffective portion of cash flow hedge reclassifications from AOCI of an unrealized loss of $0 and $(11) in the quarter and nine months ended March 31, 2015, respectively)	(5,179)	(4,838)	(16,006)	(14,818)
Foreign currency exchange gain (loss) and other	(374)	59	(219)	(444)
	(5,525)	(4,744)	(16,173)	(15,190)
Income (loss) before provision for income taxes	1,002	(3,791)	23,535	(1,550)

Provision (benefit) for income taxes (includes benefit from AOCI reclassifications of $0 and $(4) in the quarter and nine months ended March 31, 2015, respectively)	401	(1,516)	9,414	(620)
Net income (loss)	601	(2,275)	14,121	(930)
Preferred stock dividends	(922)	(922)	(2,766)	(2,766)
Noncontrolling interests	(1,420)	(85)	(4,787)	(1,509)
Net income (loss) attributable to common stockholders	$ (1,741)	$ (3,282)	$ 6,568	$ (5,205)
Net income (loss) per common share:				
Basic	$ (0.07)	$ (0.13)	$ 0.25	$ (0.20)
Diluted	(0.07)	(0.13)	0.25	(0.20)
Weighted average shares outstanding:				
Basic	25,862,668	26,074,556	25,774,758	26,037,382
Diluted	25,862,668	26,074,556	26,467,138	26,037,382

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,	
	2015	2016	2015	2016
Net income (loss)	$ 601	$ (2,275)	$ 14,121	$ (930)
Other comprehensive income (loss):				
Fair value change in derivative, net of ineffective portion of cash flow hedge reclassifications to the statement of operations of an unrealized loss of $0 and $(11) in the quarter and nine months ended March 31, 2015, respectively (which includes reclassifications of the related income tax benefit of $0 and $(4) in the quarter and nine months ended March 31, 2015, respectively); and net of income tax effect of $59 and $200 in the quarter and nine months ended March 31, 2015 and $82 and $321 in the quarter and nine months ended March 31, 2016, respectively	(175)	222	(483)	340
Cumulative translation adjustment	(7,065)	5,315	(26,051)	(142)
Total comprehensive income (loss)	(6,639)	3,262	(12,413)	(732)
Allocated to noncontrolling interests	2,000	(2,715)	7,895	(1,810)
Comprehensive income (loss) allocable to General Finance Corporation stockholders	$ (4,639)	$ 547	$ (4,518)	$ (2,542)

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 July 1, 2015	$ 40,100	$ 3	$ 124,288	$ (12,873)	$ (4,653)	$ 146,865	$ 87,491	$ 234,356
Share-based compensation			1,787			1,787	335	2,122
Preferred stock dividends			(2,766)			(2,766)		(2,766)
Dividends and distributions by subsidiaries							(3,081)	(3,081)
Grant of net 65,416 shares of restricted stock								
Net income (loss)					(2,439)	(2,439)	1,509	(930)
Fair value change in derivative, net of related tax effect				173		173	167	340
Cumulative translation adjustment				(276)		(276)	134	(142)
Total comprehensive loss						(2,542)	1,810	(732)
Balance at March 31, 2016	$ 40,100	$ 3	$ 123,309	$ (12,976)	$ (7,092)	$ 143,344	$ 86,555	$ 229,899

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, 2015	Nine Months Ended March 31, 2016
Net cash provided by operating activities (Note 10)	$ 22,503	$ 35,192
Cash flows from investing activities:		
Business acquisitions, net of cash acquired	(33,913)	(15,903)
Proceeds from sales of property, plant and equipment	162	10,540
Purchases of property, plant and equipment	(16,018)	(3,272)
Proceeds from sales of lease fleet	17,110	21,125
Purchases of lease fleet	(67,833)	(40,674)
Other intangible assets	(555)	(264)
Net cash used in investing activities	(101,047)	(28,448)
Cash flows from financing activities:		
Net proceeds from (repayments of) equipment financing activities	706	(525)
Proceeds from senior and other debt borrowings, net	91,153	3,325
Deferred financing costs	(154)	(158)
Proceeds from issuances of common stock	526	
Purchases of subsidiary capital stock	(3,386)	
Dividends and distributions by subsidiaries	(2,409)	(1,949)
Preferred stock dividends	(2,766)	(2,766)
Net cash provided by (used in) financing activities	83,670	(2,073)
Net increase in cash	5,126	4,671
Cash and equivalents at beginning of period	5,846	3,716
The effect of foreign currency translation on cash	(2,421)	(1,341)
Cash and equivalents at end of period	$ 8,551	$ 7,046

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 and included holdback amounts totaling $3,371 and $1,839 as part of the consideration for business acquisitions during the nine months ended March 31, 2015 and 2016, respectively.

On February 10, 2015 and February 8, 2016, the Board of Directors of Royal Wolf declared a dividend of AUS$0.04 and AUS$0.03 per RWH share payable on April 2, 2015 and April 4, 2016 to shareholders of record on March 18, 2015 and March 16, 2016, respectively. The condensed consolidated financial statements accrued the amount of the dividend pertaining to the noncontrolling interest, which totaled $1,513 (AUS$1,968) and $1,132 (AUS$1,476), as a charge directly to the equity of noncontrolling interests at March 31, 2015 and 2016, respectively (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 90%-owned subsidiary, Southern Frac, LLC, a Texas limited liability company (collectively Southern Frac); over 50%-owned 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).

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, 2015 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, 2016. 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, 2015 filed with the Securities and Exchange Commission (SEC).

Unless otherwise indicated, references to FY 2015 and FY 2016 are to the nine months ended March 31, 2015 and 2016, respectively.

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.

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.

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GENERAL FINANCE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Inventories

Inventories are comprised of the following (in thousands):

	June 30, 2015	March 31, 2016
Finished goods	$ 30,428	$ 34,287
Work in progress	3,678	2,743
Raw materials	2,769	2,844
	$ 36,875	$ 39,874

Property, Plant and Equipment

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

	Estimated Useful Life	June 30, 2015	March 31, 2016
Land		$ 9,656	$ 2,168
Building and improvements	10 40 years	6,580	4,887
Transportation and plant equipment (including capital lease assets)	3 20 years	37,362	37,876
Furniture, fixtures and office equipment	3 10 years	8,613	9,296
Construction in-process		4	
		62,215	54,227
Less accumulated depreciation and amortization		(22,763)	(26,602)
		$ 39,452	$ 27,625

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. 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. At June 30, 2015 and March 31, 2016, the gross costs of the lease fleet were $478,416,000 and $503,657,000, respectively.

Goodwill and Other Intangible Assets

The purchase consideration of acquired businesses have been allocated to the assets and liabilities acquired based on the estimated fair values on the respective acquisition dates (see Note 4). Based on these values, the excess purchase consideration over the fair value of the net assets acquired was allocated to goodwill. The Company accounts for goodwill and other intangible assets in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (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. The Company assesses the potential impairment of goodwill and intangible assets with indefinite lives on an annual basis by reporting unit (see Note 11) or if 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 a reporting unit is less than its carrying amount. The Company conducted its annual impairment analysis at June 30, 2015 and concluded that goodwill and intangible assets with indefinite lives were not impaired as of that date. In particular, the step one impairment analysis performed on the North American reporting units, Pac-Van, Lone Star and Southern Frac, calculated that the amount by which the excess of the estimated fair values exceeded their respective carrying value of invested capital was approximately 29%, 31% and 33%, respectively, of their respective book value (carrying value of net assets) as of June 30, 2015. At March 31, 2016, the Company determined that qualitative factors in its North American leasing and manufacturing operations, pertaining primarily to conditions in the oil and gas market, required an update of the step one impairment analysis for Lone Star and Southern Frac. This updated analysis calculated that even though the excess of the estimated fair value of Lone Star over the carrying value of its invested capital declined to approximately 11%, its implied value of goodwill was still greater than its carrying value. However, the Company determined that the implied value of Southern Frac s goodwill was less than the carrying value of its goodwill, resulting in an impairment charge of $2,681,000 at March 31, 2016. Determining the fair value of a reporting unit is judgmental and involves the use of significant estimates and assumptions. The Company based its fair value estimates on assumptions that it believes are reasonable but are uncertain and subject to changes in market conditions.

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GENERAL FINANCE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Other 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, as follows (in thousands):

	June 30, 2015	March 31, 2016
Trademark and trade name	$ 5,875	$ 5,873
Customer base and lists	49,141	51,957
Non-compete agreements	13,902	14,361
Deferred financing costs	7,305	6,188
Other	2,839	3,213
	79,062	81,592
Less accumulated amortization	(37,668)	(43,831)
	$ 41,394	$ 37,761

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 stock options. The following is a reconciliation of weighted average shares outstanding used in calculating earnings per common share:

	Quarter Ended March 31,		Nine Months Ended March 31,	
	2015	2016	2015	2016
Basic	25,862,668	26,074,556	25,774,758	26,037,382
Assumed exercise of stock options			692,380	
Diluted	25,862,668	26,074,556	26,467,138	26,037,382

Potential common stock equivalents totaling 1,900,273 and 1,207,893 for the quarter ended March 31, 2015 and FY 2015, respectively, and 1,727,213 for both the quarter ended March 31, 2016 and FY 2016 have been excluded from the computation of diluted earnings per share because the effect is anti-dilutive.

Recently Issued Accounting Pronouncements

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). The ASU 2014-09 revenue recognition model virtually replaces all existing revenue recognition guidance and applies to all companies that enter into contracts with customers to transfer goods or services. ASU 2014-09 (as updated by ASU 2015-14 in August 2015 and ASU No. 2016-08 in March 2016) is effective for public entities for interim and annual reporting periods beginning after December 15, 2017. Public and nonpublic 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 January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 requires that equity investments not accounted for under the equity method to be measured at fair value with the changes in fair value recognized in net income. The amendments in this update also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. In addition, the amendments in this update supersede the requirement to disclose the methods and significant assumptions used in calculating the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet for public business entities. The Company can early adopt the provision requiring it to recognize in other comprehensive income the fair value change from instrument-specific credit risk measured using the fair value option for financial instruments. Except for this early application guidance, early adoption is not permitted and this update will be effective for fiscal years beginning after December 15, 2017. The Company does not believe the requirements of ASU No. 2016-01 will have a material effect in the presentation of its consolidated financial statements.

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GENERAL FINANCE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

In February 2016, the FASB issued new lease accounting guidance in ASU No. 2016-02, *Leases (Topic 842)*. This new guidance was initiated as a joint project with the International Accounting Standards Board to simplify lease accounting and improve the quality of and comparability of financial information for users. This new guidance would eliminate the concept of off-balance sheet treatment for operating leases for lessees for the vast majority of lease contracts. Under ASU No. 2016-02, at inception, a lessee must classify all leases with a term of over one year as either finance or operating, with both classifications resulting in the recognition of a defined right-of-use asset and a lease liability on the balance sheet. However, recognition in the income statement will differ depending on the lease classification, with finance leases recognizing the amortization of the right-of-use asset separate from the interest on the lease liability and operating leases recognizing a single total lease expense. Lessor accounting under ASU No. 2016-02 would be substantially unchanged from the previous lease requirements under U.S. GAAP. ASU No. 2016-02 will take effect for public companies in fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted and for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, lessees and lessors must apply a modified retrospective transition approach. The Company believes the adoption of ASU No. 2016-02 will have a material effect in the presentation of its consolidated financial statements.

In March 2016, the FASB issued two updates relating to *Derivatives and Hedging (Topic 815)*. ASU No. 2016-05, *Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships*, clarifies that a change in the counterparty to a derivative instrument that has been designated as a hedging instrument does not, on its own, require dedesignation of that hedge accounting relationship provided that all other hedge accounting criteria continue to be met. ASU No. 2016-06, *Contingent Out and Call Options in Debt Instruments*, clarifies that an entity is required to assess the embedded call or put option solely in accordance with a specific four-step decision sequence and are not also required to assess whether the contingency for exercising the option is indexed to interest rate or credit risk. ASU No. 2016-05 and ASU No. 2016-06 will take effect for public companies in fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The Company does not believe the requirements of these updates will have a material effect in the presentation of its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting*. This update is intended to improve and simplify several aspects of the accounting for employee share-based payments, including income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flow. ASU No. 2016-09 will be effective for public companies in fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The Company does not believe the requirements of ASU No. 2016-09 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.

Series B Preferred Stock

The Company has outstanding privately-placed 8.00% Series B 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. At June 30, 2015 and March 31, 2016, the Company had outstanding 100 shares of Series B Preferred Stock with an aggregate liquidation preference 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.

GENERAL FINANCE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Series C Preferred Stock

The Company has outstanding publicly-traded 9.00% Series C Cumulative Redeemable Perpetual Preferred Stock, liquidation preference $100.00 per share (the Series C Preferred Stock). At June 30, 2015 and March 31, 2016, the Company had outstanding 400,000 shares of Series C Preferred Stock with an aggregate liquidation preference totaling approximately $40,700,000.

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 Stock, 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 Stock has no stated maturity, is not subject to any sinking fund or other mandatory redemption, and is not convertible into or exchangeable for any of the Company s other securities. Holders of the Series C Preferred Stock generally will have no voting rights, except for limited voting rights if dividends payable on the outstanding Series C Preferred Stock 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 NASDAQ under the symbol GFNCP.

Dividends

As of March 31, 2016, since issuance, dividends paid or payable totaled $75,000 for the Series B Preferred Stock and dividends paid totaled $9,890,000 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.

<u>Royal Wolf Dividends</u>

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.

On August 12, 2015, the Board of Directors of Royal Wolf declared a dividend of AUS$0.05 per RWH share payable on October 2, 2015 to shareholders of record on September 17, 2015; and on February 8, 2016, the Board of Directors of Royal Wolf declared a dividend of AUS$0.03 per RWH share payable on April 4, 2016 to shareholders of record on March 16, 2016, respectively.

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.

On August 28, 2015, the Company, through Pac-Van, purchased the business of Mobile Storage Solutions of Mo., LLC (MSS) for $1,497,000, which included a deferred purchase price promissory note of $613,000, bearing interest at 2.00% per annum and due in January 2016, and a holdback amount of $139,000. MSS leased and sold storage and office containers and storage trailers in Springfield, Missouri.

On October 16, 2015, the Company, through Pac-Van, purchased the container business of McKinney Trailer Rentals, Inc., d/b/a McKinney Container Rentals & Sales (McKinney), for $15,254,000, which included holdback and other adjustment amounts totaling $930,000. McKinney leased and sold storage (including refrigerated) containers and chassis and other units in the Seattle and Tacoma area.

On October 29, 2015, the Company, through Royal Wolf, purchased the container business of Spacewise (Aust) Pty Limited (Spacewise), for $281,000 (AUS$390,000), which included holdback and other adjustment amounts totaling $56,000 (AUS$78,000). Spacewise is based in Sydney, New South Wales.

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On December 23, 2015, the Company, through Royal Wolf, purchased the container business of W.A. Container Services Pty Limited (W.A. Container), for $321,000 (AUS$439,000), which included holdback and other adjustment amounts totaling $66,000 (AUS$90,000). W.A. Container is based in Perth, West Australia.

On February 19, 2016, the Company, through Pac-Van, purchased the container business of Box Service Company, Inc. (BSC) for $461,000, which included a holdback of $35,000. BSC is based in Houston, Texas.

The preliminary allocation for the acquisitions in FY 2016 to tangible and intangible assets acquired and liabilities assumed based on their estimated fair market values was as follows (in thousands):

	MSS August 28, 2015	McKinney October 16, 2015	Other	Total
Fair value of the net tangible assets acquired and liabilities assumed:				
Trade and other receivables	$	$ 1,613	$	$ 1,613
Inventories			23	23
Prepaid expenses and other		8		8
Property, plant and equipment	60	531	77	668
Lease fleet	933	6,325	730	7,988
Accounts payables and accrued liabilities		(982)	(22)	(1,004)
Unearned revenue and advance payments	(27)	(2)	(56)	(85)
Total net tangible assets acquired and liabilities assumed	966	7,493	752	9,211
Fair value of intangible assets acquired:				
Non-compete agreement	132	239	76	447
Customer lists/relationships	226	2,433	104	2,763
Other		89		89
Goodwill	173	5,000	131	5,304
Total intangible assets acquired	531	7,761	311	8,603
Total purchase consideration	$ 1,497	$ 15,254	$ 1,063	$ 17,814

Goodwill recognized is attributable primarily to expected corporate synergies, the assembled workforce and other factors. The goodwill recognized in the MSS, McKinney and BSC acquisitions is deductible for U.S. income tax purposes. The estimated fair value of the tangible and intangible assets acquired and liabilities assumed exceeded the purchase prices of Spacewise resulting in estimated bargain purchase gain of $72,000. This gain has been recorded as non-operating income in the accompanying consolidated statements of operations.

The Company incurred approximately $94,000 and $243,000 and $28,000 and $137,000 during the quarter ended March 31, 2015 and FY 2015 and during the quarter ended March 31, 2016 and FY 2016, 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

Royal Wolf has a $134,220,000 (AUS$175,000,000) secured senior credit facility, as amended, under a common terms deed arrangement with the Australia and New Zealand Banking Group Limited (ANZ) and Commonwealth Bank of Australia (CBA) (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 $80,532,000 (AUS$105,000,000) and CBA s proportionate share is $53,688,000 (AUS$70,000,000). The ANZ/CBA Credit Facility has $95,871,000 (AUS$125,000,000) maturing on July 31, 2017 (Facility A), and $38,349,000 (AUS$50,000,000) maturing on July 31, 2019 (Facility B).

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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% - 2.10% per annum on Facility A and 1.35% - 2.40% on 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, 2016, the 30-day and 90-day BBSY and BKBM were 2.140% and 2.362% and 2.335% and 2.390%, respectively. The ANZ/CBA Credit Facility also includes a $2,301,000 (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 3.5 times EBITDA, as defined, through June 30, 2016, and 3.25 times EBITDA thereafter.

At March 31, 2016, total borrowings and availability under the ANZ/CBA Credit Facility totaled $84,660,000 (AUS$110,383,000) and $25,237,000 (AUS$32,905,000), respectively. Of the total borrowings, $77,749,000 (AUS$101,372,000) is drawn under Facility A and $6,911,000 (AUS$9,011,000) is drawn under Facility B.

The above amounts were translated based upon the exchange rate of one Australian dollar to $0.76697 U.S. dollar at March 31, 2016.

North America Senior Credit Facility

The North America leasing (Pac-Van and Lone Star) and manufacturing operations (Southern Frac) have a combined $232,000,000 senior secured revolving credit facility, as amended, with a syndicate led by Wells Fargo Bank, National Association (Wells Fargo) that also includes HSBC Bank USA, NA, the Private Bank and Trust Company, Capital One Business Credit Corp. and OneWest Bank N.A. (the Wells Fargo Credit Facility). The Wells Fargo Credit Facility, which matures on September 7, 2017, effectively not only finances the Company s North American operations, but also the funding requirements for the Series C Preferred Stock (see Note 3), the term loan with Credit Suisse (Credit Suisse) and the publicly-traded unsecured senior notes (see below).

The Wells Fargo Credit Facility includes a $20,000,000 real estate sub-facility to allow the borrowers (including GFNRC) to acquire real estate as collateral. 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 $252,000,000. 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 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.

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%. 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%. 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 a covenant that would require repayment upon a change in control, as defined. At March 31, 2016, borrowings and availability under the Wells Fargo Credit Facility totaled $182,461,000 and $25,790,000, respectively.

Credit Suisse Term Loan

On March 31, 2014, the Company entered into a $25,000,000 facility agreement, as amended, with Credit Suisse (Credit Suisse Term Loan) as part of the financing for the acquisition of Lone Star 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 on July 1, 2017. In addition, the Credit Suisse Term Loan is secured by a first ranking pledge over substantially 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. The Company has repaid, prior to maturity, $15,000,000 of the outstanding borrowings of the Credit Suisse Term Loan and, as of March 31, 2016, there remains $10,000,000 outstanding.

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Senior Notes

The Company has outstanding publicly-traded senior notes (the Senior Notes) in an aggregate principal amount of $72,000,000. 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 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 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 NASDAQ under the symbol GFNSL.

Other

At March 31, 2016, other debt totaled $10,291,000.

The Company was in compliance with the financial covenants under all its credit facilities as of March 31, 2016.

The weighted-average interest rate in the Asia-Pacific area was 4.7% and 4.9% and 5.2% and 5.3% in the quarter ended March 31, 2015 and 2016 and in FY 2015 and FY 2016, 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 5.0% and 4.9% and 5.4% and 4.9% in the quarter ended March 31, 2015 and 2016 and in FY 2015 and FY 2016, 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

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

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):

Type of Derivative		**Derivative - Fair Value (Level 2)**	
Contract	**Balance Sheet Classification**	**June 30, 2015**	**March 31, 2016**
Swap Contracts and Options (Caps and Collars)	Trade payables and accrued liabilities	$ 1,429	$ 982
Forward Exchange Contracts	Trade and other receivables	120	
Forward Exchange Contracts	Trade payables and accrued liabilities		551

Type of Derivative	**Statement of Operations**	**Quarter Ended March 31,**		**Nine Months Ended March 31,**	
Contract	**Classification**	**2015**	**2016**	**2015**	**2016**
Swap Contracts and Options (Caps and Collars)	Unrealized gain (loss) included in interest expense	$	$	$ (11)	$
Forward Exchange Contracts	Unrealized foreign currency exchange gain (loss) and other	(286)	(323)	492	(646)

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 prior to 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 FY 2015, the ineffective portion of this cash flow hedge recorded in interest expense was an unrealized loss of $11,000. There was no ineffective portion recorded in the quarter ended March 31, 2015 and in FY 2016.

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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, 2015 and March 31, 2016, 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):

	June 30, 2015		March 31, 2016	
	Swap	Option (Cap)	Swap	Option
Notional amounts	$ 38,290	$	$ 38.349	$
Fixed/Strike Rates	3.98%		3.98%	
Floating Rates	2.09%		2.14%	
Fair Value of Combined Contracts	$ (1,429)	$	$ (982)	$

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, 2015, there were 27 open forward exchange contracts that mature between July 2015 and December 2015; and as of March 31, 2016, there were 55 open forward exchange contracts that mature between April 2016 and September 2016, as follows (dollars in thousands):

	June 30, 2015		March 31, 2016	
	Forward Exchange	Participating Forward	Forward Exchange	Participating Forward
Notional amounts	$ 9,540	$	$ 9,372	$
Exchange/Strike Rates (AUD to USD)	0.7506 - 1.0286		0.6460 0.7843	
Fair Value of Combined Contracts	$ 120	$	$ (551)	$

For the quarters ended March 31, 2015 and 2016, net unrealized and realized foreign exchange gains (losses) totaled $(7,000) and $(67,000), and $349,000 and $44,000, respectively. In FY 2015 and FY 2016, net unrealized and realized foreign exchange gains (losses) totaled $(712,000) and $(49,000), and 19,000 and $74,000, respectively.

Fair Value of Other Financial Instruments

The fair value of the Company s borrowings under the Senior Notes was determined based on a Level 1 input and for borrowings under its senior credit facilities and Credit Suisse Term Loan determined based on Level 3 inputs; including a comparison to a group of comparable industry debt issuances (Industry Comparable Debt Issuances) and a study of credit (Credit Spread Analysis). 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, 2015 was determined to be approximately $345,534,000. The Company also determined that the fair value of its other debt of $9,893,000 at June 30, 2015, approximated or would not vary significantly from their carrying values. The Company believes that market conditions for its senior credit facilities, Credit Suisse Term Loan and other debt at March 31, 2016 have not changed significantly from June 30, 2015. Therefore, the proportion of the fair value to the carrying value of the Company s senior credit facilities and other debt at March 31, 2016 would not vary significantly from the proportion determined at June 30, 2015.

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, 2015 and 2016 and $83,000 in both FY 2015 and FY 2016.

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, 2015 and 2016 and $89,000 in both FY 2015 and FY 2016.

Note 8. Equity Plans

On September 11, 2014, the Board of Directors of the Company adopted the 2014 Stock Incentive Plan (the 2014 Plan), which was approved by the stockholders at the Company s annual meeting on December 4, 2014 and amended and restated by the stockholders at the annual meeting on December 3, 2015. 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 approval of the 2014 Plan by the stockholders, the Company suspended further grants under its previous equity plans, the General Finance Corporation 2006 Stock Option Plan (the 2006 Plan) and the 2009 Stock Incentive Plan (the 2009 Plan) (collectively the Predecessor Plans), which had a total of 2,500,000 shares reserved for grant. Any stock options which are forfeited under 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, 2016, 1,276,788 shares remain available for grant.

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, 2016, there were no significant outstanding stock options held by non-employee consultants that were not fully vested.

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A summary of the Company s stock option activity and related information for FY 2016 follows:

	Number of Options (Shares)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)
Outstanding at June 30, 2015	2,110,191	$ 5.35	
Granted			
Exercised			
Forfeited or expired	(13,334)	6.41	
Outstanding at March 31, 2016	2,096,857	$ 5.35	4.6
Vested and expected to vest at March 31, 2016	2,096,857	$ 5.35	4.6
Exercisable at March 31, 2016	1,726,553	$ 5.24	3.7

At March 31, 2016, outstanding time-based options and performance-based options totaled 1,312,147 and 784,710, respectively. Also at that date, the Company s market price for its common stock was $4.70 per share, which was below the exercise prices of over 56% of the outstanding stock options. The intrinsic value of the outstanding stock options at that date was $824,400. Share-based compensation of $6,450,000 related to stock options has been recognized in the consolidated statements of operations, with a corresponding benefit to equity, from inception through March 31, 2016. At that date, there remains $986,000 of unrecognized compensation expense to be recorded on a straight-line basis over the remaining weighted-average vesting period of 1.38 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.

A summary of the Company s non-vested equity share activity follows:

	Shares	Weighted-Average Grant Date Fair Value
Nonvested at June 30, 2015	293,983	$ 6.18
Granted	66,498	4.06
Vested	(27,370)	8.22
Forfeited	(1,082)	9.25
Nonvested at March 31, 2016	332,029	$ 5.58

Share-based compensation of $1,690,000 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, 2016. At that date, there remains $699,000 of unrecognized compensation expense to be recorded on a straight-line basis over the remaining vesting period of over approximately 0.25 year 0.75 year for the non-vested equity shares.

Royal Wolf Long Term Incentive Plan

Royal Wolf established the Royal Wolf Long Term Incentive Plan (the LTI Plan) in conjunction with its initial public offering in May 2011. 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

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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, 2016, Royal Wolf has granted, net of forfeitures, 2,515,423 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 in FY 2015 that generally will vest ratably each year over the three years commencing on July 1, 2016. Also, as of March 31, 2016, 607,211 of the performance rights have been converted into RWH capital stock through purchases in the open market. In FY 2015 and FY 2016, share-based compensation of $614,000 and $663,000, 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.

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.

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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, 2015	2016
Cash flows from operating activities		
Net income (loss)	$ 14,121	$ (930)
Adjustments to reconcile net income to cash flows from operating activities:		
Gain on sales and disposals of property, plant and equipment	(90)	(110)
Gain on sales of lease fleet	(4,747)	(5,076)
Gain on bargain purchase of business		(72)
Unrealized foreign exchange loss	712	19
Unrealized loss (gain) on forward exchange contracts	(492)	646
Unrealized loss on interest rate swaps and options	11	
Impairment of goodwill		2,681
Depreciation and amortization	28,752	28,509
Amortization of deferred financing costs and accretion of interest	2,499	1,535
Share-based compensation expense	1,454	2,122
Deferred income taxes	7,036	(1,844)
Changes in operating assets and liabilities (excluding assets and liabilities from acquisitions):		
Trade and other receivables, net	10,515	8,579
Inventories	(14,726)	214
Prepaid expenses and other	(1,710)	(2,626)
Trade payables, accrued liabilities and unearned revenues	(21,040)	2,645
Income taxes	208	(1,100)
Net cash provided by operating activities	$ 22,503	$ 35,192

Note 11. Segment Reporting

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.

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Transactions between reportable segments included in the tables below are recorded on an arms-length basis at market in conformity with U.S. GAAP and the Company s significant accounting policies (see Note 2). 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):

Quarter Ended March 31, 2016

	North America							
	Leasing							
	Pac-Van	Lone Star	Combined	Manufacturing	Corporate and Intercompany Adjustments	Total	Asia Pacific Leasing	Consolidated
Revenues:								
Sales	$ 12,411	$	$ 12,411	$ 1,652	$ (422)	$ 13,641	$ 10,970	$ 24,611
Leasing	22,517	5,533	28,050		(33)	28,017	13,841	41,858
	$ 34,928	$ 5,533	$ 40,461	$ 1,652	$ (455)	$ 41,658	$ 24,811	$ 66,469
Share-based compensation	$ 89	$ 10	$ 99	$ 27	$ 357	$ 483	$ 286	$ 769
Impairment of goodwill	$	$	$	$ 2,681	$	$ 2,681	$	$ 2,681
Depreciation and amortization	$ 3,516	$ 2,611	$ 6,127	$ 263	$ (187)	$ 6,203	$ 3,584	$ 9,787
Operating income (loss)	$ 3,823	$ (630)	$ 3,193	$ (3,663)	$ (1,230)	$ (1,700)	$ 2,653	$ 953
Interest income	$	$	$	$	$	$	$ 35	$ 35
Interest expense	$ 1,510	$ 375	$ 1,885	$ 90	$ 1,825	$ 3,800	$ 1,038	$ 4,838

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	Nine Months Ended March 31, 2016							
	North America							
	Leasing							
	Pac-Van	Lone Star	Combined	Manufacturing	Corporate and Intercompany Adjustments	Total	Asia Pacific Leasing	Consolidated
Revenues:								
Sales	$ 35,430	$	$ 35,430	$ 6,434	$ (582)	$ 41,282	$ 44,978	$ 86,260
Leasing	66,403	19,212	85,615		(99)	85,516	41,746	127,262
	$ 101,833	$ 19,212	$ 121,045	$ 6,434	$ (681)	$ 126,798	$ 86,724	$ 213,522
Impairment of goodwill	$	$	$	$ 2,681	$	$ 2,681	$	$ 2,681
Share-based compensation	$ 288	$ 30	$ 318	$ 101	$ 1,040	$ 1,459	$ 663	$ 2,122
Depreciation and amortization	$ 9,866	$ 7,910	$ 17,776	$ 789	$ (559)	$ 18,006	$ 10,503	$ 28,509
Operating income (loss)	$ 14,116	$ (134)	$ 13,982	$ (6,161)	$ (3,655)	$ 4,166	$ 9,474	$ 13,640
Interest income	$	$	$	$	$ 1	$ 1	$ 71	$ 72
Interest expense	$ 4,250	$ 1,155	$ 5,405	$ 218	$ 5,667	$ 11,290	$ 3,528	$ 14,818
Additions to long-lived assets	$ 25,771	$ 245	$ 26,016	$ 182	$ 2	$ 26,200	$ 17,746	$ 43,946
	At March 31, 2016							
Long-lived assets	$ 236,129	$ 60,156	$ 296,285	$ 3,517	$ (11,063)	$ 288,739	$ 162,055	$ 450,794
Goodwill	$ 54,058	$ 20,782	$ 74,840	$	$	$ 74,840	$ 27,492	$ 102,332

At June 30, 2015

Long-lived assets	$ 222,445	$ 65,099	$ 287,544	$ 3,944	$ (11,624)	$ 279,864	$ 170,573	$ 450,437
Goodwill	$ 48,484	$ 20,782	$ 69,266	$ 2,681	$	$ 71,947	$ 27,397	$ 99,344

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Quarter Ended March 31, 2015

	North America						Asia Pacific	
	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 (loss)	$ 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						Asia Pacific	
	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
Share-based compensation	$ 219	$ 7	$ 226	$ 84	$ 526	$ 836	$ 618	$ 1,454
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

Intersegment net revenues related to sales of primarily portable liquid storage containers from Southern Frac to the North American leasing operations totaled and $1,464,000 and $20,293,000 during the quarter ended March 31, 2015 and FY 2015 and $422,000 and $582,000 during the quarter ended March 31, 2016 and FY 2016, respectively.

Note 12. Subsequent Events

On April 4, 2016, the Company, through Pac-Van, purchased the container business of Aran Trading, Ltd. (Aran), for approximately $4,930,000, which included holdback and other adjustment amounts totaling approximately $500,000. Aran, which is located in Salisbury, Massachusetts, leases and sells storage containers and trailers in the New England area.

On April 15, 2016, the Company announced that its Board of Directors declared a cash dividend of $2.25 per share on the Series C Preferred Stock (see Note 3). The dividend is for the period commencing on January 31, 2016 through April 29, 2016, and is payable on May 2, 2016 to holders of record as of April 29, 2016.

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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, 2015 (the Annual Report) 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, anticipate, believe, estimate, continue or the negative of such terms or other similar e
Risk factors that might cause or contribute to such discrepancies include, but are not limited to, those described in our Annual Report 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 90%-owned subsidiary, Southern Frac, LLC, a Texas limited liability company (collectively Southern Frac); over 50%-owned 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.

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, 2016, our two geographic leasing operations lease and sell their products through twenty-one customer service centers (CSCs) in Australia, nine CSCs in New Zealand, forty-six branch locations in the United States and two branch locations in Canada. At that date, we had 275 and 493 employees and 42,450 and 35,334 lease fleet units in the Asia-Pacific area and North America, respectively.

Our lease fleet is comprised of three distinct specialty rental equipment categories that possess attractive asset characteristics and serve our customers on-site temporary needs and applications. These categories match the sectors comprising the portable services industry.

Our portable storage category is segmented into two products: (1) storage containers, which primarily consist of new and used steel shipping containers under International Organization for Standardization (ISO) standards, that provide a flexible, low cost alternative to warehousing, while offering greater security, convenience and immediate accessibility; and (2) freight containers, which are either designed for transport of products by road and rail and are only offered in our Asia-Pacific territory.

Our modular space category is segmented into three products: (1) office containers, which are referred to as portable container buildings in the Asia-Pacific, are either modified or specifically manufactured containers that provide self-contained office space with maximum design flexibility. Office containers in the United States are oftentimes referred to as ground level offices (GLOs); (2) modular buildings, which provide customers with flexible space solutions and are often modified to customer specifications and (3) mobile offices, which are re-locatable units with aluminum or wood exteriors and wood (or steel) frames on a steel carriage fitted with axles, and which allow for an assortment of add-ons to provide convenient temporary space solutions.

Our liquid containment category includes portable liquid storage tanks that are manufactured 500-barrel capacity steel containers with fixed axles for transport. These units are regularly utilized for a variety of applications across a

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wide range of industries, including refinery, petrochemical and industrial plant maintenance, oil and gas services, environmental remediation and field services, infrastructure building construction, marine services, pipeline construction and maintenance, tank terminal services, waste management, wastewater treatment and landfill services.

Results of Operations

Quarter Ended March 31, 2016 (QE FY 2016) Compared to Quarter Ended March 31, 2015 (QE FY 2015)

The following compares our QE FY 2016 results of operations with our QE FY 2015 results of operations.

Revenues. Revenues decreased $2.9 million, or 4%, to $66.5 million in QE FY 2016 from $69.4 million in QE FY 2015. This consisted of a $3.0 million increase, or 8%, in revenues in our North American leasing operations, a decrease of $3.7 million, or 13%, in revenues in the Asia-Pacific area and a decrease of $2.2 million in manufacturing revenues from Southern Frac. The effect of the average currency exchange rate of the weakening Australian dollar relative to the U.S. dollar in QE FY 2016 versus QE FY 2015 adversely effected the translation of revenues from the Asia-Pacific area. The average currency exchange rate of one Australian dollar during QE FY 2016 was $0.7223 U.S. dollar compared to $0.7879 U.S. dollar during QE FY 2015. In Australian dollars, total revenues in the Asia-Pacific area decreased by 5%.

Excluding Lone Star (doing business solely in the oil and gas sector), total revenues of our North American leasing operations increased by $6.8 million in QE FY 2016 from QE FY 2015 across most sectors, offset somewhat by decreases in the oil and gas and government sectors totaling $1.6 million. At Lone Star, revenues declined by $3.9 million, or approximately 41%, from $9.4 million in QE FY 2015 to $5.5 million in QE FY 2016. The revenue decrease in the Asia-Pacific area was primarily in the oil and gas, mining, transportation and retailer sectors, where revenues decreased by $4.5 million in QE FY 2016 from QE FY 2015, offset somewhat by increases in the building and construction, industrial and defense sectors totaling $1.9 million.

Sales and leasing revenues represented 36% and 64% of total non-manufacturing revenues, respectively, in QE FY 2016 compared to 30% and 70% of total non-manufacturing revenues in QE FY 2015.

Sales during QE FY 2016 amounted to $24.6 million, compared to $23.4 million during QE FY 2015; representing an increase of $1.2 million, or 5%. This consisted of a $1.2 million decrease, or 10%, in sales in the Asia-Pacific area, an increase of $4.6 million, or 59%, in our North American leasing operations and a decrease in manufacturing sales of $2.2 million, or 65%, at Southern Frac. Overall, non-manufacturing sales increased by a net $3.4 million, or approximately 17%, in QE FY 2016 from QE FY 2015. The decrease in the Asia-Pacific area was comprised of a decrease of $1.3 million ($0.1 million increase due to higher unit sales, $0.6 million decrease due to average price reductions and a $0.8 million decrease due to foreign exchange movements) in the CSC operations and an increase of $0.1 million ($0.3 million increase due to higher average prices and a $0.2 million decrease due to foreign exchange movements) in the national accounts group. In our North American leasing operations, the higher sales in QE FY 2016 versus QE FY 2015 were across most sectors, but primarily in the construction, commercial, industrial and services sectors, which increased by an aggregate of $4.9 million, and were offset somewhat by decreases in the oil and gas and retail sectors totaling $0.7 million. The decrease at Southern Frac was due to the decreased demand for our portable liquid containment tanks caused by weaker oil and gas drilling activity, primarily in Texas.

Leasing revenues during QE FY 2016 totaled $41.9 million, as compared to $46.0 million during QE FY 2015, representing a decrease of $4.1 million, or 9%. This consisted of a decrease of $1.6 million, or approximately 5%, in North America, and a decrease of $2.5 million, or 15%, in the Asia-Pacific area. In Australian dollars, leasing revenues decreased by 8% in the Asia-Pacific area from QE FY 2015 to QE FY 2016.

In the Asia-Pacific area, average utilization in the retail and the national accounts group operations was 83% and 75%, respectively, during QE FY 2016, as compared to 85% and 74% in QE FY 2015. The overall average utilization decreased slightly in QE FY 2016 to 81% from 82% in QE FY 2015; and the average monthly lease rate of containers was AUS$156 in QE FY 2016 versus AUS$172 in QE FY 2015. Leasing revenues in QE FY 2016 decreased in Australian dollars over QE FY 2015 due primarily to the lower composite monthly lease rate as a result of the reduction of units on lease of portable container buildings to the oil and gas sector.

In our North American leasing operations, average utilization rates were 71%, 79%, 44%, 75% and 83% and average monthly lease rates were $116, $322, $592, $278 and $774 for storage containers, office containers, frac tank containers, mobile offices and modular units, respectively, during QE FY 2016; as compared to 73%, 84%, 75%, 73% and 79% and average monthly lease rates of $107, $295, $835, $258 and $762 for storage containers, office containers, frac tank containers, mobile offices and modular units in QE FY 2015, respectively. The average composite utilization rate decreased to 71% in QE FY 2016 from 76% in QE FY 2015; however, the composite average monthly number of units on lease was over 1,900 higher in QE FY 2016 as compared to QE FY 2015. The increased average monthly number of units on lease and generally higher monthly lease rates, other than frac tank containers, resulted from improved demand in most sectors, but was more than offset by a revenue decrease of $5.0 million in the oil and gas sector in QE FY 2016 from QE FY 2015. Leasing revenues from all other sectors increased by a net $3.3 million, or 18%, in QE FY 2016 from FY 2015.

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) increased by $2.9 million from $14.2 million during QE FY 2015 to $17.1 million during QE FY 2016, as a result of the higher sales from our lease inventories and fleet, as discussed above. However, our gross profit percentage from these non-manufacturing sales decreased slightly to approximately 27% in QE FY 2016 from approximately 28% in QE FY 2015. Cost of sales from our manufactured products totaled $1.9 million in QE FY 2016, as compared to $2.8 million in QE FY 2015, resulting in a gross margin loss of $0.7 million in QE FY 2016, versus a gross profit of $0.6 million in QE FY 2015, due to the lack of volume of tank sales and production inefficiencies of the start-up of our new chassis product line. Although we remain focused on making our chassis product line and other steel-based products commercially viable in order to diversify outside of our core portable liquid containment business, we will be closely monitoring the situation.

Direct Costs of Leasing Operations and Selling and General Expenses. Direct costs of leasing operations and selling and general expenses decreased by $2.2 million from $36.4 million during QE FY 2015 to $34.2 million during QE FY 2016. As a percentage of revenues, these costs remained constant at approximately 52% during QE FY 2016 and QE FY 2015.

Impairment of Goodwill. We recognized a non-cash impairment charge of $2.7 million to the goodwill recorded in our North American manufacturing operations as a result of the Southern Frac acquisition. Reference is made to Note 2 of Notes to Condensed Consolidated Financial Statements for further discussion regarding goodwill.

Depreciation and Amortization. Depreciation and amortization increased by $0.1 million to $9.6 million in QE FY 2016 from $9.5 million in QE FY 2015. The decrease was $0.3 million in the Asia-Pacific, primarily as a result of the translation effect of a weaker Australian dollar to the U.S. dollar in QE FY 2016 versus QE FY 2015 (in Australian dollars, depreciation and amortization increased by AUS$0.1 million); offset by a $0.4 million increase in North America, primarily due to our increased investment in the lease fleet and business acquisitions.

Interest Expense. Interest expense of $4.8 million in QE FY 2016 was $0.4 million lower than the $5.2 million in QE FY 2015, consisting of $0.3 million lower in the Asia-Pacific area and $0.1 million lower in North America. The weighted-average interest rate of 4.9% (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 QE FY 2016 increased slightly from 4.7% in QE FY 2015, but was more than offset by the comparatively lower average borrowings and the translation effect of a weaker Australian dollar to the U.S. dollar between the periods. In North America, the lower interest expense was due primarily to the weighted-average interest rate of 4.9% (which does not include the effect of the accretion of interest and amortization of deferred financing costs) in QE FY 2016 being slightly lower than the 5.0% in QE FY 2015, despite higher average borrowings in QE FY 2016 as compared to QE FY 2015.

Foreign Currency Exchange and Other. The currency exchange rate of one Australian dollar to one U.S. dollar was $0.8158 at December 31, 2014, $0.7691 at March 31, 2015, $0.7300 at December 31, 2015 and $0.7670 at March 31, 2016. In QE FY 2015 and QE FY 2016, net unrealized and realized foreign exchange gains (losses) totaled $(7,000) and $(67,000), and $349,000 and $44,000, respectively. In addition, in QE FY 2015and QE FY 2016, unrealized exchange gains (losses) on forward exchange contracts totaled $(286,000) and $(323,000), respectively.

Income Taxes. Our effective income tax rate was 40.0% in QE FY 2016 and QE FY 2015. 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.

Preferred Stock Dividends. In both QE FY 2016 and QE FY 2015, we paid $0.9 million primarily on 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 $0.1 million and $1.4 million in QE FY 2016 and QE FY 2015, respectively, a decrease of $1.3 million. The decrease was due to the reduced profitability at both operating entities, which also included the translation effect at Royal Wolf of a weaker Australian dollar to the U.S. dollar in QE FY 2016 versus QE FY 2015.

Net Income Attributable to Common Stockholders. Net loss attributable to common stockholders of $3.3 million in QE FY 2016 was $1.6 million greater than the $1.7 million net loss attributable to common stockholders in QE FY 2015, primarily as a result of lower operating profit in both North America (including a goodwill impairment charge in our North American manufacturing operations) and the Asia-Pacific area (including the adverse effect of the weakening Australian dollar).

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Nine Months Ended March 31, 2016 (FY 2016) Compared to Nine Months Ended March 31, 2015 (FY 2015)

The following compares our FY 2016 results of operations with our FY 2015 results of operations.

Revenues. Revenues decreased $25.0 million, or 10%, to $213.5 million in FY 2016 from $238.5 million in FY 2015. This consisted of a $10.5 million decrease, or 8%, in revenues in our North American leasing operations, a decrease of $7.9 million, or 8%, in revenues in the Asia-Pacific area and a decrease of $6.6 million in manufacturing revenues from Southern Frac. The effect of the average currency exchange rate of the weakening Australian dollar relative to the U.S. dollar in FY 2016 versus FY 2015 adversely effected the translation of revenues from the Asia-Pacific area. The average currency exchange rate of one Australian dollar during FY 2016 was $0.7230 U.S. dollar compared to $0.8571 U.S. dollar during FY 2015. In Australian dollars, total revenues in the Asia-Pacific area increased by 9% from FY 2015 to FY 2016.

Excluding Lone Star (doing business solely in the oil and gas sector), total revenues of our North American leasing operations increased by $14.8 million in FY 2016 from FY 2015 across most sectors, offset somewhat by decreases in the oil and gas and government sectors totaling $5.7 million. At Lone Star, revenues declined by $25.3 million, or 57%, from $44.5 million in FY 2015 to $19.2 million in FY 2016. The revenue decrease in the Asia-Pacific area was primarily in the oil and gas, consumer, mining, retail and government sectors, where revenues decreased by $11.4 million in FY 2016 from FY 2015, but was offset somewhat by increases totaling $6.3 million in the transportation, building and construction and industrial sectors.

Sales and leasing revenues represented 39% and 61% of total non-manufacturing revenues, respectively, in FY 2016 compared to 30% and 70% of total non-manufacturing revenues in FY 2015.

Sales during FY 2016 amounted to $86.3 million, compared to $79.9 million during FY 2015; representing an increase of $6.4 million, or 8%. This consisted of a $3.9 million increase, or 10%, in sales in the Asia-Pacific area, an increase of $9.1 million, or 35%, in our North American leasing operations and a decrease in manufacturing sales of $6.6 million, or 53%, at Southern Frac. Overall, non-manufacturing sales increased by a net $13.1 million, or 19%, in FY 2016 from FY 2015. The increase in the Asia-Pacific area was comprised of a decrease of $6.3 million ($0.3 million decrease due to lower unit sales, $0.1 million decrease due to lower average prices and a $5.9 million decrease due to foreign exchange movements) in the CSC operations and an increase of $10.2 million ($5.4 million increase due to higher unit sales, a $7.4 million increase due to higher average prices and a $2.6 million decrease due to foreign exchange movements) in the national accounts group, which included three low-margin sales in the transportation sector in the Asia-Pacific area totaling approximately $8.0 million (approximately AUS$11.0 million). In our North American leasing operations, sales increased by $11.9 million in FY 2016 from FY 2015 across most sectors, offset somewhat by decreases in the oil and gas and government sectors totaling $2.8 million. The decrease at Southern Frac was due to the decreased demand for our portable liquid containment tanks caused by weaker oil and gas drilling activity, primarily in Texas.

Leasing revenues during FY 2016 totaled $127.3 million, as compared to $158.7 million during FY 2015, representing a decrease of $31.4 million, or 20%. This consisted of a decrease of $19.6 million, or 19%, in North America, and a decrease of $11.8 million, or 22%, in the Asia-Pacific area. In Australian dollars, leasing revenues decreased by 8% in the Asia-Pacific area from FY 2015 to FY 2016.

In the Asia-Pacific area, average utilization in the retail and the national accounts group operations was 84% and 70%, respectively, during FY 2016, a decrease from 85% and 76% in FY 2015. The overall average utilization decreased in FY 2016 to 80% from 83% in FY 2015; and the average monthly lease rate of containers was AUS$161 in FY 2016 versus AUS$176 in FY 2015. Leasing revenues in FY 2016 decreased in Australian dollars over FY 2015 due primarily to the lower composite monthly lease rate, as a result of the reduction of units on lease of portable container buildings to the oil and gas sector, and the average monthly number of units on lease being more than 350 lower in FY 2016 as compared to FY 2015.

In our North American leasing operations, average utilization rates were 75%, 80%, 46%, 76% and 82% and average monthly lease rates were $121, $319, $737, $276 and $780 for storage containers, office containers, frac tank containers, mobile offices and modular units, respectively, during FY 2016; as compared to 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 in FY 2015, respectively. The average composite utilization rate decreased to 72% in FY 2016 from 78% in FY 2015; however, the composite average monthly number of units on lease was over 3,600 higher in FY 2016 as compared to FY 2015. The increased average monthly number of units on lease and generally higher monthly lease rates, other than frac tank containers, resulted from improved demand in most sectors, but was more than offset by a revenue decrease of $28.3 million in the oil and gas sector in FY 2016 from FY 2015. Leasing revenues from all other sectors increased by a net $8.7 million, or 16%, in FY 2016 from FY 2015.

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) increased by $11.4 million from $48.3 million during FY 2015 to $59.7 million during FY 2016, as a result of the increased sales from our lease inventories and fleet, as discussed above. Our gross profit percentage from these non-manufacturing sales decreased slightly to 26% in FY 2016 from 28% in FY 2015, primarily as a result of the low-margin sales in the Asia-Pacific area discussed above. Cost of sales from our manufactured products totaled $8.2 million in FY 2016, as compared to $8.8 million in FY 2015, resulting in a gross margin loss of $2.3 million in FY 2016, versus a gross profit of $3.7 million in FY 2015, due to the lack of volume of tank sales and production inefficiencies of the start-up of our new chassis product line. Although we remain focused on making our chassis product line and other steel-based products commercially viable in order to diversify outside of our core portable liquid containment business, we will be closely monitoring the situation.

Direct Costs of Leasing Operations and Selling and General Expenses. Direct costs of leasing operations and selling and general expenses decreased by $12.2 million from $113.6 million during FY 2015 to $101.4 million during FY 2016. As a percentage of revenues, these costs remained constant at approximately 48% during FY 2016 and FY 2015.

Impairment of Goodwill. We recognized a non-cash impairment charge of $2.7 million to the goodwill recorded in our North American manufacturing operations as a result of the Southern Frac acquisition. Reference is made to Note 2 of Notes to Condensed Consolidated Financial Statements for further discussion regarding goodwill.

Depreciation and Amortization. Depreciation and amortization decreased by $0.2 million to $27.9 million in FY 2016 from $28.1 million in FY 2015. The decrease was $1.3 million in the Asia-Pacific, primarily as a result of the translation effect of a weaker Australian dollar to the U.S. dollar in FY 2016 versus FY 2015 (in Australian dollars, depreciation and amortization increased by AUS$0.7 million); offset somewhat by a $1.1 million increase in North America, primarily as a result of our increased investment in lease fleet purchases and business acquisitions.

Interest Expense. Interest expense of $14.8 million in FY 2016 was $1.2 million lower than the $16.0 million in FY 2015, consisting of $0.9 million lower in the Asia-Pacific area and $0.3 million lower in North America. The weighted-average interest rate of 5.3% (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 2016 increased slightly from 5.2% in FY 2015, but was more than offset by the comparatively lower average borrowings between the periods. In North America, the lower interest expense was due primarily to the weighted-average interest rate of 4.9% (which does not include the effect of the accretion of interest and amortization of deferred financing costs) in FY 2016 being lower than the 5.4% in FY 2015, despite higher average borrowings in FY 2016 as compared to FY 2015.

Foreign Currency Exchange and Other. The currency exchange rate of one Australian dollar to one U.S. dollar was $0.9439 at June 30, 2014, $0.7691 at March 31, 2015, $0.7658 at June 30, 2015 and $0.7670 at March 31, 2016. In FY 2015 and FY 2016, net unrealized and realized foreign exchange gains (losses) totaled $(712,000) and $(49,000), and 19,000 and $74,000, respectively. In addition, in FY 2015 and FY 2016, unrealized exchange gains (losses) on forward exchange contracts totaled $492,000 and $(646,000), respectively. In FY 2016, we sold our owned real properties in the Asia-Pacific area for a net gain of $109,000.

Income Taxes. Our effective income tax rate was 40.0% in FY 2016 and FY 2015. 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.

Preferred Stock Dividends. In both FY 2016 and FY 2015, we paid $2.8 million primarily on our 9.00% Series C Preferred Stock.

Noncontrolling Interests. Noncontrolling interests in the Royal Wolf and Southern Frac results of operations were approximately $1.5 million and $4.8 million in FY 2016 and FY 2015, respectively, a decrease of $3.3 million. The decrease was due to the reduced profitability at both operating entities, which also included the translation effect at Royal Wolf of a weaker Australian dollar to the U.S. dollar in FY 2016 versus FY 2015.

Net Income Attributable to Common Stockholders. Net loss attributable to common stockholders of $5.2 million in FY 2016 was $11.8 million less than the net income of $6.6 million in FY 2015, primarily as a result of lower operating profit in both North America (including a goodwill impairment charge in our North American manufacturing operations) and the Asia-Pacific area (including the adverse effect of the weakening Australian dollar).

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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,	
	2015	**2016**	**2015**	**2016**
Net income (loss)	$ 601	$ (2,275)	$ 14,121	$ (930)
Add (deduct)				
Provision (benefit) for income taxes	401	(1,516)	9,414	(620)
Foreign currency exchange loss (gain) and other	374	(59)	219	444
Interest expense	5,179	4,838	16,006	14,818
Interest income	(28)	(35)	(52)	(72)
Impairment of goodwill		2,681		2,681
Depreciation and amortization	9,682	9,787	28,752	28,509
Share-based compensation expense	540	769	1,454	2,122
Expenses of postponed public equity offering	365		365	
Adjusted EBITDA	$ 17,114	$ 14,190	$ 70,279	$ 46,952

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.

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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.

Asia-Pacific Leasing Senior Credit Facility

Royal Wolf has a $134,220,000 (AUS$175,000,000) secured senior credit facility, as amended, under a common terms deed arrangement with the Australia and New Zealand Banking Group Limited (ANZ) and Commonwealth Bank of Australia (CBA) (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 $80,532,000 (AUS$105,000,000) and CBA s proportionate share is $53,688,000 (AUS$70,000,000). The ANZ/CBA Credit Facility has $95,871,000 (AUS$125,000,000) maturing on July 31, 2017 (Facility A), and $38,349,000 (AUS$50,000,000) maturing on July 31, 2019 (Facility B).

North America Senior Credit Facility

Our North America leasing (Pac-Van and Lone Star) and manufacturing operations (Southern Frac) have a combined $232,000,000 senior secured revolving credit facility, as amended, with a syndicate led by Wells Fargo Bank, National Association (Wells Fargo) that also includes HSBC Bank USA, NA, the Private Bank and Trust Company, Capital One Business Credit Corp. and OneWest Bank N.A. (the Wells Fargo Credit Facility). The Wells Fargo Credit Facility, which matures on September 7, 2017, effectively not only finances the Company s North American operations, but also the funding requirements for the Series C Preferred Stock, the term loan with Credit Suisse AG, Singapore Branch (Credit Suisse) and the publicly-traded unsecured senior notes (see below).

The Wells Fargo Credit Facility includes a $20,000,000 real estate sub-facility to allow the borrowers (including GFNRC) to acquire real estate as collateral. 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 $252,000,000. 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 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.

Corporate Senior and Other Debt

Credit Suisse Term Loan

On March 31, 2014, we entered into a $25,000,000 facility agreement, as amended, with Credit Suisse (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. Since that time, we have prepaid $15,000,000 of the initial borrowings and there now remain $10,000,000 outstanding at March 31, 2016. 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 it will mature on July 1, 2017. In addition, the Credit Suisse Term Loan is secured by a first ranking pledge over substantially 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.

Senior Notes

We have outstanding publicly-traded senior notes (the Senior Notes) in an aggregate principal amount of $72,000,000. 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

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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 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.

As of March 31, 2016, our required principal and other obligations payments for the twelve months ending March 31, 2017 and the subsequent three twelve-month periods are as follows (in thousands):

	Twelve Months Ending March 31,			
	2017	2018	2019	2020
ANZ/CBA Credit Facility	$	$ 77,749	$	$ 6,911
Wells Fargo Credit Facility		182,461		
Credit Suisse Term Loan		10,000		
Senior Notes				
Other	4,407	1,689	1,868	1,430
	$ 4,407	$ 271,899	$ 1,767	$ 8,341

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

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

Capital Deployment and Cash Management

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. 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 and 8.00% Series B Cumulative Preferred Stock (Series B Preferred Stock), if and when declared by our Board of Directors. While we own a majority interest of Royal Wolf and its results and accounts are included in our consolidated financial statements, access to its operating cash flows, cash on hand and other financial assets and the borrowing capacity under its senior credit facility are limited to us in North America contractually by its senior lenders and, to a certain extent, as a result of Royal Wolf being a public reporting entity on the Australian Stock Exchange.

Reference is made to Note 12 of Notes to Condensed Consolidated Financial Statements for a discussion of recent developments.

Supplemental information pertaining to our consolidated sources and uses of cash is presented in the table below (in thousands):

	Nine Months Ended March 31,	
	2015	**2016**
Net cash provided by operating activities	$ 22,503	$ 35,192
Net cash used in investing activities	$ (101,047)	$ (28,448)
Net cash provided by (used in) financing activities	$ 83,670	$ (2,073)

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Cash Flow for FY 2016 Compared to FY 2015

Operating activities. Our operations provided net cash flow of $35.2 million during FY 2016, an increase of $12.7 million from the $22.5 million of operating cash flow provided during FY 2015. While FY 2016 was a net loss of 0.9 million and $15.0 million lower than the net income of $14.1 million in FY 2015, our management of operating assets and liabilities in FY 2016, when compared to FY 2015, enhanced operating cash flows by $34.5 million. In FY 2016, our management of operating assets and liabilities increased operating cash flows by $7.7 million, whereas in FY 2015 operating cash flows were reduced by $26.8 million. Significant reasons for the decrease in operating assets and liabilities in FY 2015 was the payment of accruals in connection with the initial year of Lone Star operations totaling $9.0 million and increased sale and manufacturing inventories of $9.3 million and $5.4 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 addbacks for cash flow purposes, caused a net increase of 0.7 million to operating cash flows in FY 2016 versus a net increase of $0.2 million in FY 2015. Also, our operating cash flows in FY 2016 increased by $2.7 million over FY 2015 as a result of the non-cash addback of the goodwill impairment charge recognized at Southern Frac, but depreciation and amortization (including amortization of deferred financing costs) and accretion of interest in FY 2016 was a non-cash decrease of $1.3 million when compared to FY 2015. Depreciation, amortization (including amortization of deferred financing costs) and accretion of interest totaled $30.0 million in FY 2016 versus $31.3 million in FY 2015. Additionally, our FY 2016 operating cash flows were further reduced by $8.8 million when compared to FY 2015 from non-cash adjustments of deferred income taxes. Typically, our operating cash flows are 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. In both FY 2016 and FY 2015, operating cash flows were reduced by gains on the sales of lease fleet of $5.1 million and $4.7 million, respectively, and enhanced by non-cash share-based compensation charges of $2.1 million and 1.5 million, respectively.

Investing Activities. Net cash used in investing activities was $28.4 million during FY 2016, as compared to $101.0 million used during FY 2015, a significant decrease of $72.6 million. Purchases of property, plant and equipment (or rolling stock) were $3.3 million in FY 2016 and $16.0 million in FY 2015, a decrease of $12.7 million; and proceeds from sales of property, plant and equipment were $10.5 million in FY 2016 and $0.2 million in FY 2015, an increase of $10.3 million. FY 2015 included a real estate purchase in the Asia-Pacific area totaling $9.1 million and in FY 2016 all of our owned real properties in the Asia-Pacific area were sold for $10.3 million. Net capital expenditures of lease fleet (purchases, net of proceeds from sales of lease fleet) were $19.6 million in FY 2016 as compared to $50.7 million in FY 2015, a decrease of $31.1 million. In FY 2016, net capital expenditures of lease fleet were approximately $12.7 million in North America, as compared to $38.4 million in FY 2015, a decrease of $25.7 million, due primarily to reduced demand in our liquid containment business; and net capital expenditures of lease fleet in the Pan Pacific totaled $6.9 million in FY 2016, versus $12.3 million in FY 2015, a decrease of $5.4 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 2016, we made five business acquisitions (three in North America and two in the Asia-Pacific area) for cash of $15.9 million (see Note 4 of Notes to Condensed Consolidated Financial Statements), as compared to seven business acquisitions (six in North America and one in the Asia-Pacific area) in FY 2015 for cash totaling $33.9 million.

Financing Activities. Net cash used in financing activities was $2.0 million during FY 2016, as compared to net cash provided of $83.7 million during FY 2015, a significant decrease of $85.7 million. In FY 2016 and FY 2015, cash provided from financing activities included net borrowings of $2.8 million and $91.9 million, respectively, on existing credit facilities to primarily fund our investment in the container lease fleet and business acquisitions. This represents a decrease in net borrowings in FY 2016 of $89.1 million from FY 2015. However, cash was used in both FY 2016 and FY 2015 to pay dividends on primarily our Series C Preferred Stock of $2.8 million. Additionally, in FY 2016 and FY 2015, Royal Wolf paid capital stock dividends of $1.7 million and $2.4 million, respectively, to noncontrolling interests (see Note 3 of Notes to Condensed Consolidated Financial Statements); and in FY 2016, $0.2 million of cash was used to make a distribution to the noncontrolling interest of Southern Frac. In FY 2015, cash was used to purchase $3.4 million of RWH capital stock in the open market, of which a net $0.9 million 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).

Asset Management

Receivables and inventories were $39.7 million and $39.9 million at March 31, 2016 and $47.6 million and $36.9 million at June 30, 2015, respectively. At March 31, 2016, days sales outstanding (DSO) in trade receivables were 37 days and 45 days in the Asia-Pacific area and in our North American leasing operations, as compared to 40 days and 66 days at June 30, 2015, respectively. The higher DSO in our North American leasing operations was primarily due to the longer payment lag by our oil and gas customers. 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 was $423.2 million at March 31, 2016, as compared to $411.0 million at June 30, 2015. At March 31, 2016, we had 77,784 units (22,655 units in retail operations in Australia, 9,832 units in national account group operations in Australia, 9,963 units in New Zealand, which are considered retail; and 35,334 units in North America) in our lease fleet, as compared to 72,856 units (21,301 units in retail operations in Australia, 10,263 units in national account group operations in Australia, 10,178 units in New Zealand, which are considered retail; and 31,114 units in North America) at June 30, 2015. At those dates, 56,902 units (18,473 units in retail operations in Australia, 6,460 units in national account group operations in Australia, 8,461 units in New Zealand, which are considered retail; and 23,508 units in North America); and 54,730 units (17,851 units in retail operations in Australia, 6,391 units in national account group operations in Australia, 8,762 units in New Zealand, which are considered retail; and 21,726 units in North America) were on lease, respectively.

In the Asia-Pacific area, the lease fleet was comprised of 35,951 storage and freight containers and 6,499 portable building containers at March 31, 2016; and 36,177 storage and freight containers and 5,565 portable building containers at June 30, 2015. At those dates, units on lease were comprised of 28,719 storage and freight containers and 4,675 portable building containers; and 29,178 storage and freight containers and 3,826 portable building containers, respectively.

In North America, the lease fleet was comprised of 22,568 storage containers**,** 2,956 office containers (GLOs), 4,048 portable liquid storage tank containers, 4,620 mobile offices and 1,142 modular units at March 31, 2016; and 18,708 storage containers**,** 2,550 office containers (GLOs), 4,027 portable liquid storage tank containers, 4,690 mobile offices and 1,139 modular units at June 30, 2015. At those dates, units on lease were comprised of 15,169 storage containers, 2,384 office containers, 1,520 portable liquid storage tank containers, 3,495 mobile offices and 940 modular units; and 13,225 storage containers, 2,062 office containers, 1,980 portable liquid storage tank containers, 3,548 mobile offices and 911 modular units, respectively.

Contractual Obligations and Commitments

Our material contractual obligations and commitments consist of outstanding borrowings under our credit facilities discussed above and operating leases for facilities and office equipment. We believe that our contractual obligations have not changed significantly from those included in our Annual Report.

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.

Environmental and Safety

Our operations, and the operations of many of our customers, are subject to numerous federal and local laws and regulations governing environmental protection and transportation. These laws regulate such issues as wastewater, storm water and the management, storage and disposal of, or exposure to, hazardous substances. We are not aware of any pending environmental compliance or remediation matters that are reasonably likely to have a material adverse effect on our business, financial position or results of operations. However, the failure by us to comply with applicable environmental and other requirements could result in fines, penalties, enforcement actions, third party claims, remediation actions, and could negatively impact our reputation with customers. We have a company-wide focus on safety and have implemented a number of measures to promote workplace safety.

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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.

A comprehensive discussion of our critical and significant accounting policies and management estimates are included in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and in Note 2 of Notes to Consolidated Financial Statements in our Annual Report. Reference is also made to Note 2 of Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q for a further discussion of our significant accounting policies. We believe there have been no significant changes in our critical accounting policies, estimates and judgments during FY 2016.

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 Notes 5 and 6 of Notes to Condensed Consolidated Financial Statements for a discussion of our senior and other debt and 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, 2016 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, 2015, as filed with the SEC on September 11, 2015 (Annual Report) and other subsequent filings with the SEC.

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 9, 2016	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 Number	Exhibit Description
10.1	Amendment and Restatement Agreement dated January 27, 2016 among General Finance Corporation, GFN U.S. Australasia Holdings, Inc. and Credit Suisse AG, Singapore Branch (incorporated by reference to Registrant s Form 8-K filed January 28, 2016)
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, 2016, 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.