

General Finance CORP
Form 10-Q
February 11, 2019
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U. S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the quarterly period ended December 31, 2018

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
(State or Other Jurisdiction of
Incorporation or Organization)

32-0163571
(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 No

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted 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 such files).

Yes 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

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes No

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:
30,309,821 shares outstanding as of February 7, 2019.

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GENERAL FINANCE CORPORATION

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Table of Contents**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, 2018	December 31, 2018
Assets		
Cash and cash equivalents	\$ 21,617	\$ 5,848
Trade and other receivables, net of allowance for doubtful accounts of \$5,687 and \$4,469 at June 30, 2018 and December 31, 2018, respectively	50,525	54,977
Inventories	22,731	36,978
Prepaid expenses and other	8,023	10,452
Property, plant and equipment, net	22,310	23,238
Lease fleet, net	429,388	448,454
Goodwill	109,943	110,924
Other intangible assets, net	25,150	23,851
Total assets	\$ 689,687	\$ 714,722
Liabilities		
Trade payables and accrued liabilities	\$ 50,545	\$ 53,812
Income taxes payable	361	
Unearned revenue and advance payments	19,226	20,208
Senior and other debt, net	427,218	412,020
Fair value of bifurcated derivatives in Convertible Note	15,583	16,910
Deferred tax liabilities	34,969	37,975
Total liabilities	547,902	540,925
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 at June 30, 2018 and December 31,	40,100	40,100

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2018		
Common stock, \$.0001 par value: 100,000,000 shares authorized; 27,017,606 shares issued and outstanding at June 30, 2018 and 30,309,821 at December 31, 2018	3	3
Additional paid-in capital	139,547	175,488
Accumulated other comprehensive loss	(17,091)	(17,568)
Accumulated deficit	(21,278)	(24,730)
Total General Finance Corporation stockholders' equity	141,281	173,293
Equity of noncontrolling interests	504	504
Total equity	141,785	173,797
Total liabilities and equity	\$ 689,687	\$ 714,722

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 December 31,		Six Months Ended December 31,	
	2017	2018	2017	2018
Revenues				
Sales:				
Lease inventories and fleet	\$ 36,065	\$ 31,813	\$ 61,447	\$ 67,449
Manufactured units	2,080	2,671	3,983	6,509
	38,145	34,484	65,430	73,958
Leasing	53,985	63,509	103,617	121,827
	92,130	97,993	169,047	195,785
Costs and expenses				
Cost of sales:				
Lease inventories and fleet (exclusive of the items shown separately below)	25,900	23,289	44,310	50,110
Manufactured units	1,964	2,271	4,140	5,369
Direct costs of leasing operations	21,951	23,574	43,006	45,928
Selling and general expenses	17,725	20,350	37,228	39,663
Depreciation and amortization	9,531	11,054	19,657	21,055
Operating income	15,059	17,455	20,706	33,660
Interest income	23	33	38	81
Interest expense	(9,447)	(8,868)	(15,269)	(17,493)
Change in valuation of bifurcated derivatives in Convertible Note (Note 5)	(1,717)	(9,332)	(1,717)	(12,780)
Foreign exchange and other	(135)	(1,782)	(1,337)	(3,293)
	(11,276)	(19,949)	(18,285)	(33,485)
Income (loss) before provision for income taxes	3,783	(2,494)	2,421	175

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Provision for income taxes	809	1,712	291	3,627
Net income (loss)	2,974	(4,206)	2,130	(3,452)
Preferred stock dividends	(922)	(922)	(1,844)	(1,844)
Noncontrolling interests			801	

Net income (loss) attributable to common

stockholders	\$	2,052	\$	(5,128)	\$	1,087	\$	(5,296)
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Net income (loss) per common share:

Basic	\$	0.08	\$	(0.17)	\$	0.04	\$	(0.18)
Diluted		0.08		(0.17)		0.04		(0.18)

Weighted average shares outstanding:

Basic	26,636,594	29,907,679	26,624,141	28,649,451
Diluted	27,311,401	29,907,679	27,297,266	28,649,451

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

Table of Contents**GENERAL FINANCE CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/LOSS****(In thousands, except share and per share data)****(Unaudited)**

	Quarter Ended December 31,		Six Months Ended December 31,	
	2017	2018	2017	2018
Net income (loss)	\$ 2,974	\$ (4,206)	\$ 2,130	\$ (3,452)
Other comprehensive income (loss):				
Change in fair value change of interest rate swap, net of income tax effect of \$6 and \$44 and \$46 and \$88 in the quarter and six months ended December 31, 2017 and 2018, respectively	(41)	(21)	84	(35)
Cumulative translation adjustment	(249)	(783)	3,629	(442)
Total comprehensive income (loss)	2,684	(5,010)	5,843	(3,929)
Allocated to noncontrolling interests			(1,095)	
Comprehensive income (loss) allocable to General Finance Corporation stockholders	\$ 2,684	\$ (5,010)	\$ 4,748	\$ (3,929)

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)

	Accumulated				Total			
	Cumulative	Additional	Other	Accumulated	General Finance	Equity	Noncontrolling	Total
	Preferred	Common	Comprehensive	Deficit	Corporation	of	Interests	Equity
	Stock	Stock	Income		Stockholders'	Equity		
		Paid-In	(Loss)		Equity			
		Capital						
Balance at June 30, 2018	\$ 40,100	\$ 3	\$ 139,547	\$ (17,091)	\$ (21,278)	\$ 141,281	\$ 504	\$ 141,785
Share-based compensation			1,341			1,341		1,341
Preferred stock dividends			(1,844)			(1,844)		(1,844)
Issuance of 142,463 shares of common stock on exercises of stock options			856			856		856
Grant of 24,855 shares of restricted stock								
Vesting of restricted stock units into 66,073 shares of common stock								
Forced conversion of Convertible Note into 3,058,824 shares of common stock (Note 5)			35,588			35,588		35,588

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Net loss			(3,452)	(3,452)	(3,452)
Fair value change in derivative, net of related tax effect			(35)	(35)	(35)
Cumulative translation adjustment			(442)	(442)	(442)
Total comprehensive income				(3,929)	(3,929)

Balance at December 31, 2018	\$ 40,100	\$ 3	\$ 175,488	\$ (17,568)	\$ (24,730)	\$ 173,293	\$ 504	\$ 173,797
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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, except shares)

(Unaudited)

	Six Months Ended December 31,	
	2017	2018
Net cash provided by operating activities (Note 10)	\$ 14,615	\$ 19,373
Cash flows from investing activities:		
Business acquisitions, net of cash acquired	(11,335)	(16,060)
Acquisition of the noncontrolling interest in Royal Wolf	(73,251)	
Proceeds from sales of property, plant and equipment	34	228
Purchases of property, plant and equipment	(2,154)	(3,660)
Proceeds from sales of lease fleet	12,784	13,797
Purchases of lease fleet	(25,702)	(35,503)
Other intangible assets	(89)	(38)
Net cash used in investing activities	(99,713)	(41,236)
Cash flows from financing activities:		
Repayments of equipment financing activities	(251)	(211)
Repayment of Credit Suisse Term Loan	(10,000)	
Repayment of ANZ/CBA Credit Facility	(81,521)	
Proceeds from issuance of Bison Capital Notes	80,000	
Proceeds from senior and other debt borrowings, net	102,235	7,802
Deferred financing costs	(3,819)	(427)
Proceeds from issuances of common stock	34	856
Dividends and distributions by subsidiaries	(1,038)	
Preferred stock dividends	(1,844)	(1,844)
Net cash provided by financing activities	83,796	6,176
Net decrease in cash	(1,302)	(15,687)
Cash and equivalents at beginning of period	7,792	21,617
The effect of foreign currency translation on cash	(983)	(82)
Cash and equivalents at end of period	\$ 5,507	\$ 5,848

Non-cash investing and financing activities:

The Company included non-cash holdback and other adjustment amounts totaling \$612 and \$1,634 as part of the consideration for business acquisitions during the quarter ended December 31, 2017 and 2018, respectively (see Note 4).

On September 10, 2018, the Company forced the conversion of the aggregate \$26,000 principal balance of the Convertible Note into 3,058,824 shares of GFN common stock (see Note 5).

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 Insurance Corporation, an Arizona corporation (GFNI); GFN North America Leasing Corporation, a Delaware corporation (GFNNA Leasing); GFN North America Corp., a Delaware corporation (GFNNA); GFN Realty Company, LLC, a Delaware limited liability company (GFNRC); GFN Manufacturing Corporation, a Delaware corporation (GFNMC), and its subsidiary, Southern Frac, LLC, a Texas limited liability company (collectively Southern Frac); 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); GFN Asia Pacific Holdings Pty Ltd, an Australian corporation (GFNAPH), and its subsidiaries, Royal Wolf Holdings Pty Ltd, an Australian corporation (RWH), and its Australian and New Zealand subsidiaries (collectively, Royal Wolf).

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 and other steel-related products).

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, 2018 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, 2019. 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, 2018 filed with the Securities and Exchange Commission (SEC).

Unless otherwise indicated, references to FY 2018 and FY 2019 are to the six months ended December 31, 2017 and 2018, 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.

Table of Contents**GENERAL FINANCE CORPORATION AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements****(Unaudited)**Inventories

Inventories are comprised of the following (in thousands):

	June 30,	December 31,
	2018	2018
Finished goods	\$ 18,971	\$ 33,721
Work in progress	1,442	1,062
Raw materials	2,318	2,195
	\$ 22,731	\$ 36,978

Property, Plant and Equipment

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

	Estimated	June 30,	December 31,
	Useful Life	2018	2018
Land		\$ 2,168	\$ 2,168
Building and improvements	10 40 years	4,893	4,893
Transportation and plant equipment (including capital lease assets)	3 20 years	43,078	45,913
Furniture, fixtures and office equipment	3 10 years	11,959	12,866
		62,098	65,840
Less accumulated depreciation and amortization		(39,788)	(42,602)
		\$ 22,310	\$ 23,238

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, 2018 and December 31, 2018, the gross costs of the lease fleet were \$555,263,000 and \$583,619,000, 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 in accordance with FASB ASC Topic 350, *Intangibles – Goodwill and Other*. FASB ASC Topic 350 prohibits the amortization of goodwill and intangible assets with indefinite lives and requires these assets be reviewed for impairment. The Company operates two reportable geographic areas and the vast majority of goodwill recorded was in the acquisitions of Royal Wolf, Pac-Van, Southern Frac and Lone Star. The Company assesses the potential impairment of goodwill on an annual basis 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 the reporting unit is less than its carrying amount. The Company's annual impairment assessment at June 30, 2018 concluded that the fair value of the goodwill of each of its reporting units was greater than their respective carrying amounts. Determining the fair value of a reporting unit requires judgment 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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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), as follows (in thousands):

	June 30, 2018			December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trademark and trade name	\$ 5,486	\$ (453)	\$ 5,033	\$ 5,484	\$ (453)	\$ 5,031
Customer base and lists	29,057	(14,150)	14,907	30,638	(15,616)	15,022
Non-compete agreements	9,005	(7,130)	1,875	8,751	(7,513)	1,238
Deferred financing costs	3,522	(1,905)	1,617	3,563	(2,057)	1,506
Other	4,683	(2,965)	1,718	4,211	(3,157)	1,054
	\$ 51,753	\$ (26,603)	\$ 25,150	\$ 52,647	\$ (28,796)	\$ 23,851

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, vested 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 related to stock options, non-vested equity shares, restricted stock units and convertible debt. The following is a reconciliation of weighted average shares outstanding used in calculating earnings per common share:

	Quarter Ended December 31,		Six Months Ended December 31,	
	2017	2018	2017	2018
Basic	26,636,594	29,907,679	26,624,141	28,649,451

Dilutive effect of common stock equivalents	674,807		673,125	
Diluted	27,311,401	29,907,679	27,297,266	28,649,451

Potential common stock equivalents totaling 4,415,574 and 4,417,256 for the quarter ended December 31, 2017 and FY 2018, respectively, and 2,188,412 for both the quarter ended December 31, 2018 and FY 2019 have been excluded from the computation of diluted earnings per share because the effect is anti-dilutive.

Revenue from Contracts with Customers

The Company leases and sells new and used storage, office, building and portable liquid storage tank containers, modular buildings and mobile offices to its customers, as well as provides other ancillary products and services. The Company recognizes revenue in accordance with two accounting standards. The portions of the Company's revenues that arise from lease arrangements are accounted for in accordance with Topic 840, *Leases*. Revenues determined to be non-lease related are accounted for in accordance with ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which was adopted by the Company under the modified retrospective method at July 1, 2018. The adoption did not have a material impact on the Company's consolidated financial statements, nor was there a significant cumulative effect of initially applying the new standard.

Our portable storage and modular space rental customers are generally billed in advance for services, which generally includes fleet pickup. Liquid containment rental customers are typically billed in arrears monthly and sales transactions are generally billed upon transfer of the sold items. Payments from customers are generally due upon receipt or 30-day payment terms. Specific customers have extended terms for payment, but no terms are greater than one year from the invoice date.

Leasing Revenue

Typical rental contracts include the direct rental of fleet, which is accounted for under Topic 840. Rental-related services include fleet delivery and fleet pickup, as well as other ancillary services, which are primarily accounted for under Topic 606. The total amounts of rental-related services related to Topic 606 recognized during the quarter ended December 31, 2018 and FY 2019 and the quarter ended December 31, 2017 and FY 2018 were \$14,811,000 and \$27,811,000 and \$11,917,000 and \$22,847,000, respectively. A small portion of the rental-related services, include subleasing, special events leases and other miscellaneous streams, are accounted for under Topic 840. For contracts that have multiple performance obligations, revenue is allocated to each performance obligation in the contract based on the Company's best estimate of the standalone selling prices of each distinct performance obligation. The standalone selling price is determined using methods and assumptions developed consistently across similar customers and markets generally applying an expected cost plus an estimated margin to each performance obligation.

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GENERAL FINANCE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Rental contracts are based on a monthly rate for our portable storage and modular space fleet and a daily rate for our liquid containment fleet. Rental revenue is recognized ratably over the rental period. The rental continues until the end of the initial term of the lease or when cancelled by the customer or the Company. If equipment is returned prior to the end of the contractual lease period, customers are typically billed a cancellation fee, which is recorded as rental revenue in the period billed. Customers may utilize our equipment transportation services and other on-site services in conjunction with the rental of equipment, but are not required to do so. Given the short duration of these services, equipment transportation services and other on-site services revenue of a rented unit is recognized in leasing revenue upon completion of the service.

Non-Lease Revenue

Non-lease revenues consist primarily of the sale of new and used units, and to a lesser extent, sales of manufactured units are all accounted for under Topic 606. Sales contracts generally have a single performance obligation that is satisfied at the time of delivery, which is the point in time control over the unit transfers and the Company is entitled to consideration due under the contract with its customer.

Contract Costs and Liabilities

The Company incurs commission costs to obtain rental contracts and for sales of new and used units. We expect the period benefitted by each commission to be less than one year. Therefore, we have applied the practical expedient for incremental costs of obtaining a contract and expense commissions as incurred.

When customers are billed in advance for rentals, end of lease services, and deposit payments, we defer revenue and reflect unearned rental revenue at the end of the period. As of December 31, 2018 and June 30, 2018, we had approximately \$20,208,000 and \$19,226,000, respectively, of unearned rental revenue included in trade payables and accrued liabilities in the accompanying consolidated balance sheets. Revenues of \$1,755,000 and \$10,401,000, which were included in the unearned rental revenue balance at June 30, 2018, were recognized during the quarter ended December 31, 2018 and FY 2019, respectively. We expect to perform the remaining performance obligations and recognize the unearned rental revenue generally within the next twelve months.

Sales taxes charged to customers are excluded from revenues and expenses.

Sales of new modular buildings not manufactured by the Company are typically covered by warranties provided by the manufacturer of the products sold. Certain sales of manufactured units are covered by assurance-type warranties and as of December 31, 2018 and June 30, 2018, the Company had \$238,902 and \$238,956, respectively, of warranty reserve included in trade payables and accrued liabilities in the accompanying consolidated balance sheets.

Disaggregated Rental Revenue

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In the following table, total revenue is disaggregated by revenue type for the periods indicated. The table also includes a reconciliation of the disaggregated rental revenue to our reportable segments.

Quarter Ended December 31, 2018

North America

	Leasing			Manufacturing	Corporate and Intercompany Adjustments	Total	Asia Pacific Leasing	Consolidated
	Pac-Van	Lone Star	Combined					
Non-lease:								
Sales lease inventories and fleet	\$ 17,105	\$ -	\$ 17,105	\$ -	\$ -	\$ 17,105	\$ 14,708	\$ 31,813
Sales manufactured units	-	-	-	3,617	(946)	2,671	-	2,671
Total non-lease revenues	17,105	-	17,105	3,617	(946)	19,776	14,708	34,484
Leasing:								
Rental revenue	24,277	6,819	31,096	-	(587)	30,509	12,868	43,377
Rental-related services	9,984	6,283	16,267	-	-	16,267	3,865	20,132
Total leasing revenues	34,261	13,102	47,363	-	(587)	46,776	16,733	63,509
Total revenues	\$ 51,366	\$ 13,102	\$ 64,468	\$ 3,617	\$ (1,533)	\$ 66,552	\$ 31,441	\$ 97,993

Table of Contents**GENERAL FINANCE CORPORATION AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements****(Unaudited)****Six Months Ended December 31, 2018**

North America

	Leasing				Corporate and		Asia	
	Pac-Van	Lone Star	Combined	Manufacturing	Intercompany	Total	Pacific	Consolidated
					Adjustments		Leasing	
Non-lease:								
Sales lease inventories and fleet	\$ 39,563	\$ -	\$ 39,563	\$ -	\$ -	\$ 39,563	\$ 27,886	\$ 67,449
Sales manufactured units	-	-	-	7,934	(1,425)	6,509	-	6,509
Total non-lease revenues	39,563	-	39,563	7,934	(1,425)	46,072	27,886	73,958
Leasing:								
Rental revenue	45,963	14,123	60,086	-	(1,091)	58,995	25,086	84,081
Rental-related services	18,692	11,793	30,485	-	-	30,485	7,261	37,746
Total leasing revenues	64,655	25,916	90,571	-	(1,091)	89,480	32,347	121,827
Total revenues	\$ 104,218	\$ 25,916	\$ 130,134	\$ 7,934	\$ (2,516)	\$ 135,552	\$ 60,233	\$ 195,785

Quarter Ended December 31, 2017

North America

	Leasing				Corporate and	Total	Asia	Consolidated
	Pac-Van	Lone Star	Combined	Manufacturing	and		Pacific	

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					Intercompany Adjustments		Leasing									
Non-lease:																
Sales lease inventories and fleet	\$	13,510	\$	-	\$	13,510	\$	-	\$	-	\$	13,510	\$	22,555	\$	36,065
Sales manufactured units		-		-		-		3,505		(1,425)		2,080		-		2,080
Total non-lease revenues		13,510		-		13,510		3,505		(1,425)		15,590		22,555		38,145
Leasing:																
Rental revenue		19,512		5,467		24,979		-		(277)		24,702		12,400		37,102
Rental-related services		8,796		4,092		12,888		-		-		12,888		3,995		16,883
Total leasing revenues		28,308		9,559		37,867		-		(277)		37,590		16,395		53,985
Total revenues	\$	41,818	\$	9,559	\$	51,377	\$	3,505	\$	(1,702)	\$	53,180	\$	38,950	\$	92,130

Six Months Ended December 31, 2017

North America

	Leasing					Corporate and Intercompany Adjustments		Asia Pacific Leasing		Consolidated						
	Pac-Van	Lone Star	Combined	Manufacturing		Total										
Non-lease:																
Sales lease inventories and fleet	\$	25,338	\$	-	\$	25,338	\$	-	\$	-	\$	25,338	\$	36,109	\$	61,447
Sales manufactured units		-		-		-		6,584		(2,601)		3,983		-		3,983
Total non-lease revenues		25,338		-		25,338		6,584		(2,601)		29,321		36,109		65,430

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Leasing:									
Rental revenue	37,316	10,083	47,399	-	(493)	46,906	24,552	71,458	
Rental-related services	17,031	7,825	24,856	-	-	24,856	7,303	32,159	
Total leasing revenues	54,347	17,908	72,255	-	(493)	71,762	31,855	103,617	
Total revenues	\$ 79,685	\$ 17,908	\$ 97,593	\$ 6,584	\$ (3,094)	\$ 101,083	\$ 67,964	\$ 169,047	

Table of Contents**GENERAL FINANCE CORPORATION AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements****(Unaudited)****Recently Issued Accounting Pronouncements**

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, as updated by ASU No. 2018-01 (January 2018), ASU No. 2018-10 (July 2018) and ASU No. 2018-11 (July 2018), 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. During FY 2018, the Company evaluated this new accounting standard and engaged professionals in the new lease accounting implementation and related real estate consulting industry to assist in determining the effect of the new standard as of July 1, 2018. At that date, the Company had over 120 real estate leases worldwide and evaluated each of these leases in accordance with the new lease accounting standard under ASC Topic 842. As of July 1, 2018, the Company estimates that the right of use asset to be recorded on its consolidated balance sheet would be approximately \$59.0 million to \$68.3 million and that the related liability would be approximately \$60.8 million to \$70.2 million related to operating leases. The difference between the right of use asset and related lease liability is predominantly deferred rent and other related lease expenses under the new lease accounting standard. The difference in the ranges is due to the presumed renewal of leases whereby the exercise of the renewal option is twelve months or less from July 1, 2018. The Company will continue to evaluate existing renewal options in excess of one year as to the probability of exercising renewal options and is currently evaluating its equipment and other finance leases and its lessor accounting under the new standard. In addition, the Company is evaluating its proposed transition method in accordance with guidance issued by the FASB in July 2018. The Company will continue this effort in a manner to be appropriately prepared for its implementation on or before July 1, 2019.

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815) Targeted Improvements to Accounting for Hedging Activities*. ASU No. 2017-12 expands hedge accounting for both non-financial and financial risk components and refines the measurement of hedge results in an attempt to better reflect an entity's hedging strategies. The ASU also amends the presentation and disclosure requirements and changes how entities assess hedge effectiveness. The effective date of ASU No. 2017-12 for public companies is for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years, though early adoption is permitted. The new standard must be adopted using a modified retrospective transition with a cumulative effect adjustment recorded to opening retained earnings as of the initial adoption date. The Company is evaluating the effect that ASU No. 2017-12

will have on the consolidated financial statements and related disclosures, but does not currently believe it will be significant.

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, 2018 and December 31, 2018, the Company had outstanding 100 shares of Series B Preferred Stock with an aggregate liquidation preference totaling \$102,000. 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.

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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, 2018 and December 31, 2018, the Company had outstanding 400,000 shares of Series C Preferred Stock with an aggregate liquidation preference totaling \$40,620,000. 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 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 December 31, 2018, since issuance, dividends paid or payable totaled \$97,000 for the Series B Preferred Stock and dividends paid totaled \$19,938,000 for the Series C Preferred Stock. The characterization of dividends to the recipients for Federal income tax purposes is made based upon the earnings and profits of the Company, as defined by the Internal Revenue Code.

Royal Wolf Dividends

On August 2, 2017, Royal Wolf paid a special dividend of AUS\$0.0265 per RWH share to shareholders of record on July 18, 2017. The consolidated financial statements reflect the amount of the dividend 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 acquisition(s) discussed below were

completed 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.

FY 2019 Acquisitions

On July 2, 2018, the Company, through Royal Wolf, purchased the container business of Spacewise (N.Z.) Limited (Spacewise NZ), for approximately \$7,337,000 (NZ\$10,901,000) which included holdback and other adjustment amounts totaling approximately \$615,000 (NZ\$914,000). Spacewise operates from eight major locations in New Zealand.

On August 9, 2018, the Company, through Pac-Van, purchased the container and trailer business of Delmarva Trailer Sales and Rentals, Inc. (Delmarva) for approximately \$358,000, which included a general indemnity and other adjustment amounts of \$50,000. Delmarva is located in Elkridge (Baltimore/D.C. area), Maryland.

On September 21, 2018, the Company, through Pac-Van, purchased the container and trailer business of Instant Storage and Instant Storage of Florida, Inc. (Instant Storage) for approximately \$4,568,000, which included a general indemnity and other adjustment amounts of \$464,000. Instant Storage is located in Bakersfield, California and Opa-Locka (Miami area), Florida.

On October 5, 2018, the Company, through Pac-Van, purchased the container and trailer business of Tilton Trailer Rental Corp. (Tilton) for approximately \$5,431,000, which included a general indemnity and other adjustment amounts of \$505,000. Tilton is located in Tilton, New Hampshire.

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The preliminary allocation for the acquisition in FY 2019 to tangible and intangible assets acquired and liabilities assumed based on their estimated fair market values was as follows (in thousands):

	Spacewise NZ	Delmarva	Instant Storage	Tilton	
	July 2, 2018	August 9, 2018	September 21, 2018	October 5, 2018	Total
Fair value of the net tangible assets acquired and liabilities assumed:					
Trade and other receivables	\$	\$	\$	\$	\$
Inventories	995	157	555	318	2,025
Property, plant and equipment	79	38	465	329	911
Lease fleet	6,834	893	3,013	2,775	13,515
Unearned revenue and advance payments	(5)	(112)	(289)	(260)	(666)
Deferred income taxes	(225)				(225)
Total net tangible assets acquired and liabilities assumed	7,678	976	3,744	3,162	15,560
Fair value of intangible assets acquired:					
Non-compete agreement	67	7	44	42	160
Customer lists/relationships	734		369	576	1,679
Other			(306)		(306)
Goodwill			717	1,651	2,368
	801	7	824	2,269	3,901

Total intangible assets acquired

Total purchase consideration	\$	8,479	\$	983	\$	4,568	\$	5,431	\$	19,461
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The FY 2019 operating results prior to and since the respective date of acquisition were not considered significant.

The estimated fair value of the tangible and intangible assets acquired and liabilities assumed exceeded the purchase prices of Spacewise NZ and Delmarva resulting in estimated bargain purchase gains of \$1,142,000 and \$625,000, respectively. These gains have been recorded as non-operating income in the accompanying consolidated statements of operations.

Goodwill recognized is attributable primarily to expected corporate synergies, the assembled workforce and other factors. The goodwill recognized in the Instant Storage and Tilton acquisitions are deductible for U.S. income tax purposes.

The Company incurred approximately \$53,000 and \$64,000 during the quarter ended December 31, 2017 and FY 2018, respectively; and \$58,000 and \$123,000 during the quarter ended December 31, 2018 and FY 2019, 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

The Company's operations in the Asia-Pacific area had an AUS\$150,000,000 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). On October 26, 2017, RWH and its subsidiaries, Deutsche Bank AG, Sydney Branch (Deutsche Bank), CSL Fund (PB) Lux Sarl II, Aiguilles Rouges Lux Sarl II, Perpetual Corporate Trust Limited and P.T. Limited entered into a Syndicated Facility Agreement (the Syndicated Facility Agreement). Pursuant to the Syndicated Facility Agreement, the parties entered into a three-year, \$88,190,000 (AUS\$125,000,000) senior secured credit facility (the Deutsche Bank Credit Facility) and repaid the ANZ/CBA Credit Facility on November 3, 2017. The Deutsche Bank Credit Facility initially consisted of a \$14,110,000 (AUS\$20,000,000) Facility A that will amortize semi-annually; a \$59,970,000 (AUS\$85,000,000) Facility B that has no scheduled amortization; and a \$14,110,000 (AUS\$20,000,000) revolving Facility C that is used for working capital, capital expenditures and general corporate purposes. On June 25, 2018, RWH and its subsidiaries amended the Deutsche Bank Credit Facility to increase by approximately \$6,714,000 (NZ\$10,000,000) the amount that can be borrowed under Facility B. Borrowings bear interest at the rate of 5.0% per annum until delivery of the first compliance certificate and thereafter at the bank bill swap interest rate in Australia (BBSY), plus a margin of 4.25% to 5.50% per annum, as determined by net leverage. The Deutsche Bank Credit

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Facility is secured by substantially all of the assets and by the pledge of all the capital stock of the subsidiaries of RWH and matures on November 3, 2020, at which time an exit fee of up to approximately \$1,446,000 (A\$2,050,000) is owed depending on the final amounts borrowed. In addition, the Deutsche Bank Credit Facility is subject to certain financial and other customary covenants, including, among other things, compliance with specified net leverage and debt requirement or fixed charge ratios based on earnings before interest, income taxes, impairment, depreciation and amortization and other non-operating costs and income (EBITDA), as defined.

At December 31, 2018, the Deutsche Bank Credit Facility totaled \$71,297,000 (A\$101,055,000), net of deferred financing costs of \$1,527,000 (A\$2,164,000), and availability, including cash at the bank, totaled \$15,060,000 (AUS\$21,346,000).

The above amounts were translated based upon the exchange rate of one Australian dollar to 0.705524 U.S. dollar and one New Zealand dollar to 0.671371 U.S. dollar at December 31, 2018.

Bison Capital Notes

General

On September 19, 2017, Bison Capital, GFN, GFN U.S., GFNAPH and GFN Asia Pacific Finance Pty Ltd, an Australian corporation (GFNAPF), entered into that certain Amended and Restated Securities Purchase Agreement dated September 19, 2017 (the Amended Securities Purchase Agreement). On September 25, 2017, pursuant to the Amended Securities Purchase Agreement, GFNAPH and GFNAPF issued and sold to Bison an 11.9% secured senior convertible promissory note dated September 25, 2017 in the original principal amount of \$26,000,000 (the Convertible Note) and an 11.9% secured senior promissory note dated September 25, 2017 in the original principal amount of \$54,000,000 (the Senior Term Note) and collectively with the Convertible Note, the Bison Capital Notes). Net proceeds from the sale of the Bison Capital Notes were used to repay in full all principal, interest and other amounts due under the term loan to Credit Suisse, to acquire the 49,188,526 publicly-traded shares of RWH not owned by the Company and to pay all related fees and expenses.

The Bison Capital Notes have a maturity of five years and bear interest from the date of issuance, payable quarterly in arrears beginning on January 2, 2018. The Bison Capital Notes may be prepaid at 102% of the original principal amount, plus accrued interest, after the first anniversary and prior to the second anniversary of issuance, at 101% of the original principal amount, plus accrued interest, after the second anniversary and prior to the third anniversary of issuance and with no prepayment premium after the third anniversary of issuance. The Company may elect to defer interest under the Bison Capital Notes until the second anniversary of issuance. Interest on the Bison Capital Notes are payable in Australian dollars, but the principal must be repaid in U.S. dollars. The Bison Capital Notes are secured by a first priority security interest over all of the assets of GFN U.S., GFNAPH and GFNAPF, by the pledge by GFN U.S. of the capital stock of GFNAPH and GFNAPF and by of all of the capital stock of RWH. The Bison Capital Notes are subject to all terms, conditions and covenants set forth in the Amended Securities Purchase Agreement. The Amended Securities Purchase Agreement contains certain financial and other customary and restrictive covenants,

including, among other things, a minimum EBITDA requirement to equal or exceed AUS\$30,000,000 per trailing 12-month period. In addition, the Bison Capital Notes must be repaid upon a change of control, as defined. GFNAPF was dissolved in September 2018.

At December 31, 2018, the Senior Term Note totaled \$59,916,000, net of deferred financing costs of \$547,000, which includes interest the Company has elected to defer.

Convertible Note

At any time prior to maturity, Bison Capital may have converted unpaid principal and interest under the Convertible Note into shares of GFN common stock based upon a price of \$8.50 per share (3,058,824 shares based on the original \$26,000,000 principal amount), subject to adjustment as described in the Convertible Note. If GFN common stock trades above 150% of the conversion price over 30 consecutive trading days and the aggregate dollar value of all GFN common stock traded on NASDAQ exceeds \$600,000 over the last 20 consecutive days of the same 30-day period, GFN may force Bison Capital to convert all or a portion of the Convertible Note. Such a conversion threshold occurred on September 5, 2018, and on September 6, 2018 the Company elected to force the conversion and delivered a notice to the holders requiring the conversion of the Convertible Note into 3,058,824 shares of the Company's common stock effective September 10, 2018. The Convertible Note included a provision which required GFNAPH to pay Bison Capital, via the payment of principal, interest and the realized value of GFN common stock received after conversion of the Convertible Note, a minimum return of 1.75 times the original principal amount. As a result of the forced conversion, the Company determined that this minimum return provision was an embedded derivative with a fair value of \$8,918,000 at September 10, 2018 that required to be separately accounted on a standalone basis. The Company determined the fair value using a valuation model and market prices and will reassess its value at each reporting period, with any changes in value reported in the accompanying consolidated statements of operations. At December 31, 2018, the fair value of this

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bifurcated derivative was \$16,910,000. In the event that Bison Capital or holders of the Convertible Note receive aggregate proceeds in excess of \$48,900,000 from the sale of GFN common stock received after the conversion of the Convertible Note, then 50% of the interest actually paid to Bison Capital (such amount, the Price Increase) shall be repaid by Bison Capital or holders of the Convertible Note by either (i) paying such Price Increase to GFNAPH in the form of cash, (ii) returning to GFN shares of GFN Common Stock with a value equal to the Price Increase or (iii) any combination of (i) or (ii) above that if the aggregate equals the Price Increase. The value of the GFN common stock for purposes of the return of shares to GFN shall be deemed to be the average price per share of GFN common stock realized by the Convertible Note holder in the sale of such shares. The Convertible Note holders may satisfy such obligations by returning to GFN shares of GFN common stock with an aggregate value equivalent to the Price Increase.

The Company evaluated the Convertible Note at its issuance and determined that certain conversion rights were an embedded derivative that required bifurcation because they were not deemed to be clearly and closely related to the Convertible Note. As a result, the Company separately accounted for these conversion rights as a standalone derivative. As of the date of issuance on September 25, 2017, the fair value of this bifurcated derivative was determined to be \$1,864,000, resulting in a principal balance of \$24,136,000 for the Convertible Note. The Company determined the fair value of the bifurcated derivative using a valuation model and market prices and reassessed its fair value at the end of each reporting period, with any changes in value reported in the accompanying consolidated statements of operations. At September 10, 2018, prior to conversion, the fair value of this bifurcated derivative was \$20,370,000 and the conversion of the Convertible Note into shares of the Company's common stock and reversal of this bifurcated derivative resulted in a benefit to equity of \$44,506,000 in FY 2019.

North America Senior Credit Facility

The North America leasing (Pac-Van and Lone Star) and manufacturing operations (Southern Frac) have a combined \$260,000,000 senior secured revolving credit facility, as amended, with a syndicate led by Wells Fargo Bank, National Association (Wells Fargo) that also includes East West Bank, CIT Bank, N.A., the Canadian Imperial Bank of Commerce (CIBC), KeyBank, National Association, Bank Hapoalim B.M. and Associated Bank, N.A. (the Wells Fargo Credit Facility). In addition, the Wells Fargo Credit Facility provides an accordion feature that may be exercised by the syndicate, subject to the terms in the credit agreement, to increase the maximum amount that may be borrowed by an additional \$25,000,000. The Wells Fargo Credit Facility matures on March 24, 2022, assuming the Company's publicly-traded senior notes due July 31, 2021(see below) are extended at least 90 days past this scheduled maturity date; otherwise the Wells Fargo Credit Facility would mature on March 24, 2021. There was also a separate loan agreement with Great American Capital Partners (GACP), where GACP provided a First-In, Last-Out Term Loan (FILO Term Loan) within the Wells Fargo Credit Facility in the amount of \$20,000,000 that had the same maturity date and commenced principal amortization on October 1, 2018 at \$500,000 per quarter. On December 24, 2018, the FILO Term Loan, with a principal balance of \$19,500,000, including accrued interest and prepayment fee of one percent, was repaid in full through borrowings from the Wells Fargo Credit Facility and all terms and provisions relating to the FILO Term Loan were terminated within the credit agreement.

The Wells Fargo Credit Facility is secured by substantially all of the rental fleet, inventory and other assets of the Company's North American leasing and manufacturing operations. The Wells Fargo Credit Facility effectively not only finances the North American operations, but also the funding requirements for the Series C Preferred Stock (see Note 3) and the publicly-traded unsecured senior notes. The maximum amount of intercompany dividends that Pac-Van and Lone Star are allowed to pay in each fiscal year to GFN for the funding requirements of GFN's senior and other debt and the Series C Preferred Stock are (a) the lesser of \$5,000,000 for the Series C Preferred Stock or the amount equal to the dividend rate of the Series C Preferred Stock and its aggregate liquidation preference and the actual amount of dividends required to be paid to the Series C Preferred Stock; and (b) \$6,300,000 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%. The FILO Term Loan that was within the Wells Fargo Credit Facility bore interest at 11.00% above the LIBOR rate, with a LIBOR rate floor of 1.00%. 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 December 31, 2018, borrowings and availability under the Wells Fargo Credit Facility totaled \$197,458,000 and \$56,279,000, respectively.

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Senior Notes

On June 18, 2014, the Company completed the sale of unsecured senior notes (the "Senior Notes") in a public offering for an aggregate principal amount of \$72,000,000. On April 24, 2017, the Company completed the sale of a "tack-on" offering of its publicly-traded Senior Notes for an aggregate principal amount of \$5,390,000 that was priced at \$24.95 per denomination. Net proceeds were \$5,190,947, after deducting an aggregate original issue discount ("OID") of \$10,780 and underwriting discount of \$188,273. In both offerings, the Company used at least 80% of the gross proceeds to reduce indebtedness at Pac-Van and Lone Star under the Wells Fargo Credit Facility in order to permit the payment of intercompany dividends by Pac-Van and Lone Star to GFN to fund the interest requirements of the Senior Notes. For the "tack-on" offering, this amounted to \$4,303,376 of the net proceeds. The Company has total outstanding publicly-traded Senior Notes in an aggregate principal amount of \$77,390,000 (\$75,824,000 and \$75,894,000, net of unamortized debt issuance costs of \$1,566,000 and \$1,496,000, at June 30, 2018 and December 31, 2018, respectively).

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"). 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.

On October 31, 2018, the Company successfully completed a consent solicitation to amend the Base Indenture and First Supplemental Indenture to permit the Company to incur additional indebtedness from time to time, including pursuant to its existing Wells Fargo Credit Facility and existing master capital lease agreement, or such new capital lease obligations as the Company may enter into from time to time. The consent of at least a majority in the aggregate principal amount outstanding of the Senior Notes as of the record date (as defined in the consent solicitation statement dated October 16, 2018) was required to approve the proposed amendments and the Company received consents from approximately 63.3% of the holders of the Senior Notes. Upon the terms and subject to the conditions described in the consent solicitation statement, the Company made cash payments totaling \$195,820, or \$0.10 per \$25 of Senior Notes held by each holder as of the record date who had validly delivered consent. As a result of the successful consent solicitation, the Company and the Trustee entered into the Second Supplemental Indenture dated October 31, 2018 (the "Second Supplemental Indenture" and, together with the Base Indenture and First Supplemental Indenture, the "Indenture").

The Company had an option, prior to July 31, 2017, to 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 have redeemed 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 Company has not redeemed any of its 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 December 31, 2018, equipment financing and other debt totaled \$7,455,000.

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The Company was in compliance with the financial covenants under all its credit facilities as of December 31, 2018.

The weighted-average interest rate in the Asia-Pacific area was 9.9% and 7.3% during the quarter ended December 31, 2017 and FY 2018, respectively, and 8.9% and 9.4% during the quarter ended December 31, 2018 and FY 2019, respectively; which does not include the effect of translation, derivative valuation, amortization of deferred financing costs and accretion. The weighted-average interest rate in North America was 5.9% and 6.0% during the quarter ended December 31, 2017 and FY 2018, respectively, and 7.2% and 6.9% during the quarter ended December 31, 2018 and FY 2019, respectively; which does not include the effect of the amortization of deferred financing costs and accretion.

Note 6. Financial InstrumentsFair Value Measurements

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

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

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

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

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 Balance Sheet Classification	Fair Value (Level 2)	
		June 30, 2018	December 31, 2018

Contract

Swap Contracts	Trade payables and accrued liabilities	\$	223	\$	272
Forward-Exchange Contracts	Trade and other receivables		298		179
	Trade payables and accrued liabilities				14
Bifurcated Derivatives	Fair value of bifurcated derivatives in Convertible Note		15,583		16,910

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Type of Derivative Contract	Statement of Operations Classification	Quarter Ended December 31,		Six Months Ended December 31,	
		2017	2018	2017	2018
Swap Contracts	Unrealized gain (loss) included in Interest expense	\$ (3)	\$	\$	\$
Forward Exchange Contracts	Unrealized foreign currency exchange gain (loss) included in Foreign exchange and other	182	(34)	392	(127)
Bifurcated Derivatives	Change in valuation of bifurcated derivatives in Convertible Note	(1,717)	(9,332)	(1,717)	(12,780)

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 has entered into interest rate swaps and interest rate options, in which the Company agreed 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 were designated to hedge changes in the interest rate of a portion of the outstanding borrowings in the Asia-Pacific area. In the year ended June 30, 2017 (FY 2017), the Company entered into two interest rate swaps that were designated as cash flow hedges. The Company expected these derivatives to remain effective during their remaining terms, but recorded any changes in the portion of the hedges considered ineffective in interest expense in the consolidated statement of operations. There was no ineffective portion recorded in FY 2017 and only a nominal gain in FY 2018. During the quarter ended December 31, 2017, these two interest rate swap contracts were closed, with the Company incurring break costs of \$148,000. In January 2018, the Company entered into another interest rate swap contract that was also designated as a cash flow hedge. The Company expects this derivative to remain highly effective during its term; however, any changes in the portion of the hedge considered ineffective would also be recorded in interest expense in the consolidated statement of operations. There was no ineffective portion recorded in FY 2019 and FY 2018.

The Company's interest rate derivative instruments were not traded on a market exchange; therefore, the fair values were 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, 2018 and December 31, 2018, the open interest rate swap contracts were as follows (dollars in thousands):

	June 30,	December 31,
	2018	2018
Notional amounts	\$ 37,055	\$ 35,276
Fixed/Strike Rates	7.414%	7.414%
Floating Rates	7.16%	7.14%
Fair Value of Combined Contracts	\$ (223)	\$ (272)

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

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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, 2018, there were 32 open forward exchange contracts that mature between July 2018 and November 2018; and, as of December 31, 2018, there were 32 open forward exchange contracts that mature between January 2019 and June 2019, as follows (dollars in thousands):

	June 30,		December 31,	
	2018		2018	
Notional amounts	\$	8,950	\$	9,167
Exchange/Strike Rates (AUD to USD)	0.68142	0.80004	0.65362	0.73675
Fair Value of Combined Contracts	\$	298	\$	165

For the quarter ended December 31, 2017 and 2018, net unrealized and realized foreign exchange gains (losses) totaled \$(348,000) and \$24,000 and \$(1,644,000) and \$(112,000), respectively. In FY 2018 and FY 2019, net unrealized and realized foreign exchange gains (losses) totaled \$(1,332,000) and \$(406,000), and \$(1,268,000) and \$(3,687,000), 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, which are based on data published by 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, 2018 was determined to be approximately \$423,029,000. The Company also determined that the fair value of its other debt of \$6,652,000 at June 30, 2018 approximated or would not vary significantly from their carrying values. The Company believes that market conditions at December 31, 2018 have not changed significantly from June 30, 2018. Therefore, the proportion of the fair value to the carrying value of the Company's senior credit facilities and other debt at December 31, 2018 would not vary significantly from the proportion determined at June 30, 2018.

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.

Note 7. Related-Party Transactions

Effective January 31, 2008, the Company entered into a lease with an affiliate of the Company's then Chief Executive Officer (now Executive Chairman of the Board of Directors) 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 the first option to renew the lease for an additional five-year term commencing February 1, 2013 and on August 7, 2017, it exercised its second option for an additional five-year term commencing on February 1, 2018. Rental payments were \$29,000 and \$56,000 during the quarter ended December 31, 2017 and FY 2018, respectively; and \$28,000 and \$55,000 during the quarter ended December 31, 2018 and FY 2019, respectively.

The premises of Pac-Van's Las Vegas branch are owned by and were leased from the then acting branch manager through December 31, 2016. From January 1, 2017 through May 12, 2017, the use of the premises was rented on a month-to-month basis. Effective May 12, 2017, the Company entered into a lease agreement through December 31, 2020 for rental of \$10,876 per month and the right to extend the term of the lease for three two-year options, with the monthly rental increasing at each option period from \$11,420 to \$12,590 per month. Rental payments on these premises totaled \$33,000 and \$65,000 during the quarter ended December 31, 2017 and FY 2018, respectively; and \$38,000 and \$100,000 during the quarter ended December 31, 2018 and FY 2019, respectively.

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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 expired on June 30, 2016 and the 2009 Plan will expire on December 10, 2019. On December 7, 2017, the stockholders approved an amendment unanimously approved by the Board of Directors of the Company that increased the number of shares reserved for issuance under the 2014 Plan by 1,000,000 shares, from 1,500,000 to 2,500,000 shares of common stock, plus any options which were forfeited or are available for grant under the 2009 Plan. The Predecessor Plans and the 2014 Plan are referred to collectively as the Stock Incentive Plan.

There have been no grants or awards of 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), non-vested equity shares (restricted stock) and restricted stock units (RSU). At December 31, 2018, 855,305 shares remained 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 December 31, 2018, there were no significant outstanding stock options held by non-employee consultants that were not fully vested. A summary of the Company's stock option activity and related information for FY 2019 follows:

	Number of Options (Shares)	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)
Outstanding at June 30, 2018	1,824,910	\$ 4.52	
Granted			
Exercised	(142,463)	6.01	
Forfeited or expired	(9,000)	6.50	
Outstanding at December 31, 2018	1,673,447	\$ 4.38	5.5
Vested and expected to vest at December 31, 2018	1,673,447	\$ 4.38	5.5
Exercisable at December 31, 2018	1,285,861	\$ 3.97	4.6

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At December 31, 2018, outstanding time-based options and performance-based options totaled 1,086,847 and 586,600, respectively. Also at that date, the Company's market price for its common stock was \$10.11 per share, which was above the exercise prices of all of the outstanding stock options, and the intrinsic value of the outstanding stock options at that date was \$9,823,000. Share-based compensation of \$8,566,000 related to stock options has been recognized in the consolidated statements of operations, with a corresponding benefit to equity, from inception through December 31, 2018. At that date, there remains \$1,031,000 of unrecognized compensation expense to be recorded on a straight-line basis over the remaining weighted-average vesting period of 1.2 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 and the tax effect of the difference between the U.S. income tax deduction and the financial statement expense will be recorded in the consolidated statement of operations.

A summary of the Company's restricted stock and RSU activity follows:

	Restricted Stock		RSU	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Nonvested at June 30, 2018	379,850	\$ 6.32	211,763	\$ 7.15
Granted	24,855	12.07		
Vested	(35,430)	6.35	(66,073)	7.15
Forfeited				
Nonvested at December 31, 2018	369,275	\$ 6.71	145,690	\$ 7.15

Share-based compensation of \$3,827,000 and \$568,000 related to restricted stock and RSU, respectively, has been recognized in the consolidated statements of operations, with a corresponding benefit to equity, from inception through December 31, 2018. At that date, there remains \$1,863,000 for the restricted stock and \$947,000 for the RSU of unrecognized compensation expense to be recorded on a straight-line basis over the remaining vesting period of less than a year to 2.5 years for the restricted stock and 1.5 years for the RSU.

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 have granted, 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 were up to four years and, generally, were 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 determined otherwise, if an option, performance right or restricted share had not lapsed or been forfeited earlier, it would have terminated at the seventh anniversary from the date of grant. It was intended that up to one percent of RWH s outstanding capital stock would be reserved for grant under the LTI Plan and a trust was established to hold RWH shares for this purpose. However, since the Company held more than 50% of the outstanding shares of RWH capital stock, RWH shares reserved for grant under the LTI Plan were purchased in the open market. The LTI Plan, among other provisions, did 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, would have determined whether, and how many, unvested options, performance rights and restricted shares would have vested. In addition, if, in the RWH Board s opinion, a participant acted fraudulently or dishonestly or was in breach of his obligations to Royal Wolf, the RWH Board may have deemed any options, performance rights and restricted shares held by or reserved for the participant to have lapsed or been forfeited.

With the Company s acquisition of the noncontrolling interest of Royal Wolf (see Note 5), the LTI Plan was terminated in September 2017 and the RWH Board determined that 582,370 performance rights were deemed vested, resulting in payments totaling A\$1,066,000 (\$835,000) to participants. At the date of its termination, Royal Wolf had granted, net of forfeitures, 2,582,723 performance rights to key management personnel under the LTI Plan. Also, through the date of termination, 677,953 of the performance rights had been converted into RWH capital stock through purchases in

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the open market. In FY 2018, share-based compensation of \$1,207,000 related to the LTI Plan had been recognized in the consolidated statements of operations, with a corresponding benefit to equity. In addition, in the quarter ended March 31, 2018, \$338,000 (A\$458,000) was refunded back to Royal Wolf by the trust established to make the open market purchases of RWH shares reserved for grant under the LTI Plan. This refund was recorded as a benefit to equity.

Note 9. Commitments and ContingenciesSelf-Insurance

The Company has insurance policies to cover auto liability, general liability, directors and officers liability and workers compensation-related claims. Effective on February 1, 2017, the Company became self-insured for auto liability and general liability through GFNI, a wholly-owned captive insurance company, up to a maximum of \$1,200,000 per policy period. Claims and expenses are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At June 30, 2018 and December 31, 2018, reported liability totaled \$691,000 and \$963,000, respectively, and has been recorded in the caption Trade payables and accrued liabilities in the accompanying consolidated balance sheets.

Other Matters

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.

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):

	Six Months Ended December,	
	2017	2018

Cash flows from operating activities

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Net income (loss)	\$	2,130	\$	(3,452)
Adjustments to reconcile net income loss to cash flows from operating activities:				
Gain on sales and disposals of property, plant and equipment		(5)		(75)
Gain on sales of lease fleet		(3,746)		(4,229)
Gains on bargain purchases of businesses				(1,767)
Unrealized foreign exchange loss		1,332		1,268
Non-cash realized foreign exchange loss on forced conversion of Convertible Note				3,554
Unrealized (gain) loss on forward exchange contracts		(392)		127
Change in valuation of bifurcated derivatives in Convertible Note		1,717		12,780
Depreciation and amortization		19,992		21,258
Amortization of deferred financing costs		1,302		1,420
Accretion of interest		344		(555)
Interest deferred on Senior Term Note				3,191
Share-based compensation expense		2,097		1,341
Deferred income taxes		(1,402)		3,251
Changes in operating assets and liabilities (excluding assets and liabilities from acquisitions):				
Trade and other receivables, net		(10,424)		(4,852)
Inventories		(2,731)		(12,937)
Prepaid expenses and other		562		(2,488)
Trade payables, accrued liabilities and unearned revenues		3,038		2,011
Income taxes		801		(473)
Net cash provided by operating activities	\$	14,615	\$	19,373

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We have two geographic areas that include four operating segments; the Asia-Pacific area, consisting of the leasing operations of Royal Wolf, and 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.

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 December 31, 2018

	North America						Asia Pacific	
	Leasing			Manufacturing	Corporate and Intercompany Adjustments	Total	Leasing	Consolidated
	Pac-Van	Lone Star	Combined					
Revenues:								
Sales	\$ 17,105	\$ -	\$ 17,105	\$ 3,617	\$ (946)	\$ 19,776	\$ 14,708	\$ 34,484
Leasing	34,261	13,102	47,363	-	(587)	46,776	16,733	63,509
	\$ 51,366	\$ 13,102	\$ 64,468	\$ 3,617	\$ (1,533)	\$ 66,552	\$ 31,441	\$ 97,993
Share-based compensation	\$ 74	\$ 7	\$ 81	\$ 6	\$ 384	\$ 471	\$ 192	\$ 663

Depreciation and amortization	\$ 3,841	\$ 2,386	\$ 6,227	\$ 101	\$ (189)	\$ 6,139	\$ 5,016	\$ 11,155
Operating income	\$ 11,079	\$ 4,149	\$ 15,228	\$ 121	\$ (1,331)	\$ 14,018	\$ 3,437	\$ 17,455
Interest income	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ 2	\$ 31	\$ 33
Interest expense	\$ 3,240	\$ 340	\$ 3,580	\$ 76	\$ 1,711	\$ 5,367	\$ 3,501	\$ 8,868

Six Months Ended December 31, 2018

North America

	Pac-Van	Leasing Lone Star	Combined Manufacturing	Corporate and Intercompany Adjustments	Total	Asia Pacific Leasing	Consolidated	
Revenues:								
Sales	\$ 39,563	\$ -	\$ 39,563	\$ 7,934	\$ (1,425)	\$ 46,072	\$ 27,886	\$ 73,958
Leasing	64,655	25,916	90,571	-	(1,091)	89,480	32,347	121,827
	\$ 104,218	\$ 25,916	\$ 130,134	\$ 7,934	\$ (2,516)	\$ 135,552	\$ 60,233	\$ 195,785
Share-based compensation	\$ 148	\$ 14	\$ 162	\$ 12	\$ 783	\$ 957	\$ 384	\$ 1,341

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Depreciation and amortization	\$ 7,505	\$ 4,750	\$ 12,255	\$ 203	\$ (373)	\$ 12,085	\$ 9,173	\$ 21,258
Operating income	\$ 20,808	\$ 9,022	\$ 29,830	\$ 609	\$ (2,632)	\$ 27,807	\$ 5,853	\$ 33,660
Interest income	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ 2	\$ 79	\$ 81
Interest expense	\$ 5,831	\$ 689	\$ 6,520	\$ 159	\$ 3,410	\$ 10,089	\$ 7,404	\$ 17,493
Additions to long-lived assets	\$ 25,997	\$ 1,501	\$ 27,498	\$ 5	\$ (101)	\$ 27,402	\$ 11,761	\$ 39,163

At December 31, 2018

Long-lived assets	\$ 286,678	\$ 47,482	\$ 334,160	\$ 1,886	\$ (9,821)	\$ 326,225	\$ 145,467	\$ 471,692
Goodwill	\$ 64,016	\$ 20,782	\$ 84,798	\$ -	\$ -	\$ 84,798	\$ 26,126	\$ 110,924

At June 30, 2018

Long-lived assets	\$ 264,651	\$ 49,352	\$ 314,003	\$ 2,083	\$ (10,099)	\$ 305,987	\$ 145,711	\$ 451,698
Goodwill	\$ 61,693	\$ 20,782	\$ 82,475	\$ -	\$ -	\$ 82,475	\$ 27,468	\$ 109,943

Quarter Ended December 31, 2017

North America

	Leasing			Corporate and Intercompany Adjustments		Total	Asia Pacific Leasing	Consolidated
	Pac-Van	Lone Star	Combined	Manufacturing				
Revenues:								
Sales	\$ 13,510	\$ -	\$ 13,510	\$ 3,505	\$ (1,425)	\$ 15,590	\$ 22,555	\$ 38,145
Leasing	28,308	9,559	37,867	-	(277)	37,590	16,395	53,985
	\$ 41,818	\$ 9,559	\$ 51,377	\$ 3,505	\$ (1,702)	\$ 53,180	\$ 38,950	\$ 92,130
Share-based compensation								
Share-based compensation	\$ 77	\$ 10	\$ 87	\$ 13	\$ 339	\$ 439	\$ -	\$ 439
Depreciation and amortization								
Depreciation and amortization	\$ 3,485	\$ 2,293	\$ 5,778	\$ 137	\$ (183)	\$ 5,732	\$ 3,936	\$ 9,668
Operating income								
Operating income	\$ 8,151	\$ 1,942	\$ 10,093	\$ (77)	\$ (1,208)	\$ 8,808	\$ 6,251	\$ 15,059
Interest income								
Interest income	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ 1	\$ 22	\$ 23
Interest expense								
Interest expense	\$ 2,188	\$ 472	\$ 2,660	\$ 94	\$ 1,700	\$ 4,454	\$ 4,993	\$ 9,447

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North America

	Leasing		Corporate and Intercompany Adjustments			Total	Asia Pacific Leasing	Consolidated
	Pac-Van	Lone Star	Combined	Manufacturing				
Revenues:								
Sales	\$ 25,338	\$ -	\$ 25,338	\$ 6,584	\$ (2,601)	\$ 29,321	\$ 36,109	\$ 65,430
Leasing	54,347	17,908	72,255	-	(493)	71,762	31,855	103,617
	\$ 79,685	\$ 17,908	\$ 97,593	\$ 6,584	\$ (3,094)	\$ 101,083	\$ 67,964	\$ 169,047
Share-based compensation	\$ 173	\$ 20	\$ 193	\$ 26	\$ 671	\$ 890	\$ 1,207	\$ 2,097
Depreciation and amortization	\$ 6,996	\$ 4,531	\$ 11,527	\$ 335	\$ (365)	\$ 11,497	\$ 8,495	\$ 19,992
Operating income	\$ 14,016	\$ 2,640	\$ 16,656	\$ (663)	\$ (2,341)	\$ 13,652	\$ 7,054	\$ 20,706
Interest income	\$ -	\$ -	\$ -	\$ -	\$ 6	\$ 6	\$ 32	\$ 38
Interest expense	\$ 4,251	\$ 920	\$ 5,171	\$ 200	\$ 3,893	\$ 9,264	\$ 6,005	\$ 15,269

Additions to long-lived assets	\$ 17,041	\$ 2,439	\$ 19,480	\$ -	\$ (181)	\$ 19,299	\$ 8,557	\$ 27,856
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Intersegment net revenues related to sales of primarily portable liquid storage containers and ground level offices from Southern Frac to the North American leasing operations totaled \$1,425,000 and \$2,601,000 during the quarter ended December 31, 2017 and FY 2018, respectively; and \$946,000 and \$1,425,000 during the quarter ended December 31, 2018 and FY 2019, respectively. Intrasegment net revenues in the North American leasing operations related to primarily the leasing of portable liquid storage containers from Pac-Van to Lone Star totaled \$244,000 and \$427,000 during the quarter ended December 31, 2017 and FY 2018, respectively; and \$554,000 and \$1,025,000 during the quarter ended December 31, 2018 and FY 2019, respectively.

Note 12. Subsequent Events

On January 16, 2019, the Company announced that its Board of Directors declared a cash dividend of \$2.30 per share on the Series C Preferred Stock (see Note 3). The dividend is for the period commencing on October 31, 2018 through January 30, 2019, and is payable on January 31, 2019 to holders of record as of January 30, 2019.

Table of Contents**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, 2018 (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 words. 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 Insurance Corporation, an Arizona corporation ("GFNI"); GFN North America Leasing Corporation, a Delaware corporation ("GFNNA Leasing"); GFN North America Corp., a Delaware corporation ("GFNNA"); GFN Realty Company, LLC, a Delaware limited liability company ("GFNRC"); GFN Manufacturing Corporation, a Delaware corporation ("GFNMC"), and its subsidiary, Southern Frac, LLC, a Texas limited liability company (collectively "Southern Frac"); 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"); GFN Asia Pacific Holdings Pty Ltd, an Australian corporation ("GFNAPH"), and its subsidiaries, Royal Wolf Holdings Pty Ltd, an Australian corporation ("RWH"), and its Australian and New Zealand subsidiaries (collectively, "Royal Wolf").

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 (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 and other steel-related products). As of December 31, 2018, our two geographic leasing operations primarily lease and sell their products through 23 customer service centers ("CSCs") in Australia, 14 CSCs in New Zealand, 60 branch locations in the United States and three branch locations in Canada. At that date, we had 277 and 664 employees and 46,194 and 50,406 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 designed for transport of products either 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.

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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 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 December 31, 2018 (QE FY 2019) Compared to Quarter Ended December 31, 2017 (QE FY 2018)**

Revenues. Revenues increased by \$5.9 million, or 6%, to \$98.0 million in QE FY 2019 from \$92.1 million in QE FY 2018. This consisted of an increase of \$12.8 million, or 25%, in revenues in our North American leasing operations, a decrease of \$7.5 million, or 19%, in revenues in the Asia-Pacific area and an increase of \$0.6 million, or 29%, in manufacturing revenues from Southern Frac. The effect of the average currency exchange rate of a weaker Australian dollar relative to the U.S. dollar in FY 2019 versus FY 2018 reduced the translation of revenues from the Asia-Pacific area. The average currency exchange rate of one Australian dollar during QE FY 2019 was \$0.7172 U.S. dollar compared to \$0.7690 U.S. dollar during QE FY 2018. In Australian dollars, total revenues in the Asia-Pacific area decreased by 14% in QE FY 2019 from QE FY 2018.

Excluding Lone Star (doing business solely in the oil and gas sector), total revenues of our North American leasing operations increased across most sectors by \$9.2 million, or 22%, in QE FY 2019 from QE FY 2018; particularly in the industrial, commercial, construction and education sectors, which increased by an aggregate \$6.9 million between the periods. At Lone Star, revenues increased by \$3.5 million, or approximately 37%, from \$9.6 million in QE FY 2018 to \$13.1 million in QE FY 2019. The revenue decrease in the Asia-Pacific area occurred because QE FY 2018 included two large sales, one each in the transportation and utilities sectors, totaling approximately \$10.5 million (approximately AUS\$13.7 million) that were not replicated in QE FY 2019 and the translation effect of the weaker Australian dollar between the periods, as discussed above. In local Australian dollars, revenues between the periods decreased by AUS\$6.9 million, primarily in the transportation and utilities sectors, which decreased by an aggregate AUS\$10.8 million; and was partially offset by a total increase of AUS\$3.3 million in the construction and moving (removals) and storage sectors.

Sales and leasing revenues represented 33% and 67% of total non-manufacturing revenues, respectively, in QE FY 2019, compared to 40% and 60% of total non-manufacturing revenues, respectively in QE FY 2018.

Non-manufacturing sales during QE FY 2019 amounted to \$31.8 million, compared to \$36.0 million during QE FY 2018; representing a decrease of \$4.2 million, or 12%. This consisted of an increase of \$3.6 million, or 27%, in our North American leasing operations, and a decrease of \$7.8 million, or 35%, in sales in the Asia-Pacific area. The decrease in the Asia-Pacific area was comprised of a decrease of \$8.2 million (\$3.5 million decrease due to lower unit sales, \$4.0 million decrease due to lower average prices and a \$0.7 million decrease due to foreign exchange movements) in the CSC operations and an increase of \$0.4 million (\$16.7 million increase due to higher unit sales, \$16.0 million decrease due to lower average prices and a \$0.3 million decrease due to foreign exchange movements) in the national accounts group. As discussed above, sales in the Asia-Pacific area decreased between the periods due to two large sales in the transportation and utilities sectors in QE FY 2018 that were not replicated in QE FY 2019 and the weaker Australian dollar. In Australian dollars, total sales in the Asia-Pacific area decreased by 30% in QE FY 2019 from QE FY 2018, primarily in the transportation and utilities sectors, which decreased by an aggregate AUS\$10.9 million; and was partially offset by an increase of AUS\$2.2 million in the moving (removals) and storage sector. In our North American leasing operations, the sales increase in QE FY 2019 from QE FY 2018 was across

most sectors, but particularly in the commercial and education sectors, which increased by an aggregate \$2.0 million between the periods. The increase at Southern Frac was due primarily from sales of specialty tanks and chassis, which increased by an aggregate \$1.2 million in QE FY 2019 from QE FY 2018, offset somewhat by a reduction of \$0.7 million in the sales of frac tanks.

Leasing revenues totaled \$63.5 million in QE FY 2019, an increase of \$9.5 million, or 18%, from \$54.0 million in QE FY 2018. This consisted of increases of \$9.2 million, or 24%, in North America and \$0.3 million, or 2%, in the Asia-Pacific area. In Australian dollars, leasing revenues increased by 9% percent in the Asia-Pacific area in QE FY 2019 from QE FY 2018.

In the Asia-Pacific area, average utilization in the retail and the national accounts group operations was 86% and 78%, respectively, during QE FY 2019, as compared to 86% and 77%, respectively, in QE FY 2018. The overall average utilization was 84% in both QE FY 2019 and QE FY 2018; but the average monthly lease rate of containers increased to AUS\$163 in QE FY 2019 from AUS\$160 in QE FY 2018, caused primarily by higher average lease rates in portable storage and building containers between the periods. In addition, the composite average monthly number of units on lease

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was over 3,100 higher in QE FY 2019, as compared to QE FY 2018. Locally, in Australian dollars, leasing revenue remained constant or increased across most of the sectors, but particularly in the retail, consumer, industrial and construction sectors, which increased between the periods by an aggregate AUS\$1.5million.

In our North American leasing operations, average utilization rates were 85%, 85%, 80%, 86% and 85% and average monthly lease rates were \$125, \$364, \$1,012, \$318 and \$775 for storage containers, office containers, frac tank containers, mobile offices and modular units, respectively, during QE FY 2019; as compared to 81%, 83%, 79%, 80% and 83% and average monthly lease rates of \$130, \$345, \$729, \$294 and \$770 for storage containers, office containers, frac tank containers, mobile offices and modular units in QE FY 2018, respectively. The average composite utilization rate was 83% QE FY 2019 and 78% in QE FY 2018, and the composite average monthly number of units on lease was over 8,600 higher in QE FY 2019 as compared to QE FY 2018. The increase in leasing revenues between the periods was across most sectors, but primarily in the oil and gas, commercial and construction sectors, which increased by an aggregate \$7.9 million in QE FY 2019 from QE FY 2018. Excluding Lone Star, total leasing revenues of our North American leasing operations increased by \$5.6 million, or approximately 20%, in QE FY 2019 from QE FY 2018.

Cost of Sales. Cost of sales from our lease inventories and fleet (which is the cost related to our sales revenues only and exclusive of the line items discussed below) decreased by \$2.6 million from \$25.9 million during QE FY 2018 to \$23.3 million during QE FY 2019, and our gross profit percentage from these non-manufacturing sales deteriorated slightly to 27% in QE FY 2019 from 28% in QE FY 2018. Fluctuations in gross profit percentage between periods is not unusual as a significant amount of our non-manufacturing sales are out of the lease fleet which, among other things, would have varying sales prices and carrying values. Cost of sales from our manufactured products totaled \$2.3 million in QE FY 2019, as compared to \$2.0 million in QE FY 2018, resulting in a gross margin gain of \$0.4 million in QE FY 2019 versus \$0.1 million in QE FY 2018. Increased manufacturing sales (including a favorable mix of higher margin specialty tanks and chassis) and improved production efficiency between the periods were the primary factors in the \$0.3 million improvement in the gross margin.

Direct Costs of Leasing Operations and Selling and General Expenses. Direct costs of leasing operations and selling and general expenses increased by \$4.2 million from \$39.7 million during QE FY 2018 to \$43.9 million during QE FY 2019. As a percentage of revenues, these costs also increased to 45% during QE FY 2019 from 43% in QE FY 2018. However, this increase in the percentage of operating costs between the periods was due primarily to the significant beneficial effect on the percentage in QE FY 2018 from the two large sales in the Asia-Pacific area discussed above rather than deterioration in QE FY 2019.

Depreciation and Amortization. Depreciation and amortization increased by \$1.5 million to \$11.0 million in QE FY 2019 from \$9.5 million in QE FY 2018, most of it in the Asia-Pacific area, which increased by \$1.1 million between the periods. Depreciation and amortization in our North American operations increased by \$0.4 million in QE FY 2019 from QE FY 2018. The increases were primarily as a result of our increased investment in the lease fleet and business acquisitions.

Interest Expense. Interest expense of \$8.9 million in QE FY 2019 decreased by \$0.5 million from \$9.4 million in QE FY 2018. In the Asia-Pacific area, QE FY 2019 interest expense was \$1.5 million lower from QE FY 2018 due to lower average borrowings, a lower weighted-average interest rate between the periods and the translation effect of a weaker Australian dollar between the periods. The weighted-average interest rate was 8.9% (which does not include the effect of translation, interest rate swap contracts and options and the amortization of deferred financing costs) in QE FY 2019 versus 9.9% in QE FY 2018. In North America, QE FY 2019 interest expense increased by \$1.0 million from QE FY 2018 due primarily to the weighted-average interest rate of 7.2% (which does not include the effect of the accretion of interest and amortization of deferred financing costs) in QE FY 2019 being higher than the 5.9% in

QE FY 2018, offset somewhat by lower average borrowings between the periods.

Change in Valuation of Bifurcated Derivatives. QE FY 2019 and QE FY 2018 include a non-cash charge of \$9.3 million and \$1.7 million, respectively, for the loss on the change in the valuation of the stand-alone bifurcated derivatives in the Bison Capital Convertible Note (see Note 5 of Notes to Condensed Consolidated Financial Statements).

Foreign Exchange and Other. The currency exchange rate of one Australian dollar to one U.S. dollar was 0.7834 at September 30, 2017, 0.7807 at December 31, 2017, 0.7411 at June 30, 2018 and 0.7055 at December 31, 2018. In QE FY 2018 and QE FY 2019, net unrealized and realized foreign exchange gains (losses) totaled \$(348,000) and \$24,000 and \$(1,644,000) and \$(112,000), respectively. In addition, in QE FY 2018 and QE FY 2019, net unrealized exchange gains on forward exchange contracts totaled \$182,000 and \$(34,000), respectively.

Income Taxes. Our income tax provision for QE FY 2019, which derived an effective tax rate of 68.6% on a pretax loss, was greater than the benefit that would have been derived from the U.S. federal statutory rate of 21% primarily as a result of nondeductible expenses for (i) the loss on the change in the valuation of the bifurcated derivatives in the Bison Capital Convertible Note and (ii) the non-cash realized foreign exchange loss prior its conversion to equity. Our effective income tax rate was 21.4% in QE FY 2018 and was comprised of:

(i) A provision of \$1.3 million to derive a year-to-date interim effective income tax rate of 38.6%;

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(ii) As a result of the enactment on December 22, 2017 of the Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018 (the Act), a tax benefit of \$0.7 million for, among other things, the re-measurement of approximately \$6.5 million for our estimated deferred tax assets and liabilities for temporary differences and NOL and FTC carryforwards reasonably estimated to be existing at December 22, 2017, and from the current statutory rate of 35% to the new corporate rate of either 28% (if the temporary timing differences are expected to roll off in FY 2018) or 21 percent (if the temporary timing differences and NOL carryforwards are expected to remain as of June 30, 2018). This estimated tax benefit was offset by approximately \$5.2 million for both the estimated transition tax on accumulated foreign earnings and a valuation allowance that was established to offset previously recognized FTC carryforward deferred tax assets that we believe will not be realized, and other adjustments totaling approximately \$0.6 million; and

(iii) A net tax charge of \$0.2 million for excess tax benefits and forfeitures on equity compensation awards.

In both periods, the effective tax rate also differs from the U.S. federal tax rate 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. QE FY 2019 included a tax benefit of \$81,000 for equity plan activity that is currently recognized in the consolidated statements of operations.

Preferred Stock Dividends. In both QE FY 2019 and QE FY 2018, we paid dividends of \$0.9 million primarily on our 9.00% Series C Cumulative Redeemable Perpetual Preferred Stock.

Net Income (Loss) Attributable to Common Stockholders. Net loss attributable to common stockholders was \$5.1 million in QE FY 2019 versus net income of \$2.1 million in QE FY 2018, a loss between the periods of \$7.2 million. This was primarily due to the non-cash charge for the change in the valuation of the stand-alone bifurcated derivative in the Bison Capital Convertible Note, lower operating profit in the Asia-Pacific area, unrealized foreign exchange losses and higher income taxes; offset somewhat by higher operating profit in North America and the Asia-Pacific area and reduced interest expense.

Six Months Ended December 31, 2018 (FY 2019) Compared to Six Months Ended December 31, 2017 (FY 2018)

Revenues. Revenues increased by \$26.8 million, or 16%, to \$195.8 million in FY 2019 from \$169.0 million in FY 2018. This consisted of an increase of \$32.0 million, or 33%, in revenues in our North American leasing operations, a decrease of \$7.7 million, or 11%, in revenues in the Asia-Pacific area and an increase of \$2.5 million, or 63%, in manufacturing revenues from Southern Frac. The effect of the average currency exchange rate of a weaker Australian dollar relative to the U.S. dollar in FY 2019 versus FY 2018 reduced the translation of revenues from the Asia-Pacific area. The average currency exchange rate of one Australian dollar during FY 2019 was \$0.7243 U.S. dollar compared to \$0.7794 U.S. dollar during FY 2018. In Australian dollars, total revenues in the Asia-Pacific area decreased by 5% in FY 2019 from FY 2018.

Excluding Lone Star (doing business solely in the oil and gas sector), total revenues of our North American leasing operations increased across most sectors by \$24.0 million, or 30%, in FY 2019 from FY 2018; primarily in the industrial, commercial, construction, education, mining and oil and gas sectors, which increased by an aggregate \$21.6 million between the periods. At Lone Star, revenues increased by \$8.0 million, or 45%, from \$17.9 million in FY 2018 to \$25.9 million in FY 2019. The revenue decrease in the Asia-Pacific area occurred because FY 2018 included two large sales, one each in the transportation and utilities sectors, totaling approximately \$10.5 million (approximately AU\$13.7 million) that were not replicated in FY 2019 and the translation effect of the weaker Australian dollar between the periods, as discussed above. In local Australian dollars, revenues between the periods

decreased by AUS\$4.2 million, primarily in the transportation and utilities sectors, which decreased by an aggregate AUS\$8.8 million; and was partially offset by a total increase of AUS\$3.4 million in the industrial and moving (removals) and storage sectors.

Sales and leasing revenues represented 36% and 64% of total non-manufacturing revenues, respectively, in FY 2019, compared to 37% and 63% of total non-manufacturing revenues, respectively in FY 2018.

Non-manufacturing sales during FY 2019 amounted to \$67.5 million, compared to \$61.4 million during FY 2018; representing an increase of \$6.1 million, or 10%. This consisted of an increase of approximately \$14.3 million, or approximately 56%, in our North American leasing operations and a decrease of \$8.2 million, or 23%, in sales in the Asia-Pacific area. The decrease in the Asia-Pacific area was comprised of a decrease of

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\$8.5 million (\$3.9 million decrease due to lower unit sales, \$3.0 million decrease due to lower average prices and a \$1.6 million decrease due to foreign exchange movements) in the CSC operations and an increase of \$0.3 million (\$15.9 million increase due to higher unit sales, \$15.2 million decrease due to lower average prices and a \$0.4 million decrease due to foreign exchange movements) in the national accounts group. As discussed above, sales in the Asia-Pacific area decreased between the periods due to two large sales in the transportation and utilities sectors in FY 2018 that were not replicated in FY 2019 and the weaker Australian dollar. In Australian dollars, total sales in the Asia-Pacific area decreased by 17% in FY 2019 from FY 2018, primarily in the transportation, utilities and consumer sectors, which decreased by an aggregate AUS\$10.0 million; and was partially offset by an increase of AUS\$2.4 million in the moving (removals) and storage sector. In our North American leasing operations, the sales increase in FY 2019 from FY 2018 was across most sectors, but particularly in the industrial, commercial and education, mining and oil and gas sectors, which increased by an aggregate \$12.9 million between the periods. FY 2019 included four large sales aggregating \$7.1 million, one in the industrial sector for \$5.5 million, two in the education sector for \$1.0 million and one in the mining sector for \$0.6 million. The increase at Southern Frac was due primarily from sales of specialty tanks and chassis, which increased by an aggregate \$4.1 million in FY 2019 from FY 2018, offset somewhat by a reduction of \$1.6 million in the sales of frac tanks.

Leasing revenues totaled \$121.8 million in FY 2019, an increase of \$18.2 million, or 18%, from \$103.6 million in FY 2018. This consisted of increases of \$17.7 million, or 25%, in North America and \$0.5 million, or 2%, in the Asia-Pacific area. In Australian dollars, leasing revenues increased by 9% percent in the Asia-Pacific area in FY 2019 from FY 2018.

In the Asia-Pacific area, average utilization in the retail and the national accounts group operations was 85% and 70%, respectively, during FY 2019, as compared to 86% and 69%, respectively, in FY 2018. The overall average utilization was 82% in both FY 2019 and FY 2018; but the average monthly lease rate of containers increased to AUS\$163 in FY 2019 from AUS\$159 in FY 2018, caused primarily by higher average lease rates in portable storage and building containers between the periods. In addition, the composite average monthly number of units on lease was over 2,700 higher in FY 2019, as compared to FY 2018. Locally, in Australian dollars, leasing revenue remained constant or increased across most of the sectors, but particularly in the mining, transportation, consumer, industrial and construction sectors, which increased between the periods by an aggregate AUS\$2.7 million.

In our North American leasing operations, average utilization rates were 82%, 86%, 81%, 86% and 85% and average monthly lease rates were \$123, \$361, \$1,013, \$311 and \$764 for storage containers, office containers, frac tank containers, mobile offices and modular units, respectively, during FY 2018; as compared to 78%, 82%, 75%, 81% and 83% and average monthly lease rates of \$124, \$342, \$712, \$290 and \$769 for storage containers, office containers, frac tank containers, mobile offices and modular units in FY 2018, respectively. The average composite utilization rate was 82% FY 2019 and 78% in FY 2018, and the composite average monthly number of units on lease was over 7,400 higher in FY 2019 as compared to FY 2018. The increase in leasing revenues between the periods was across most sectors, but particularly in the oil and gas, commercial and construction sectors, which increased by an aggregate \$15.5 million in FY 2019 from FY 2018. Excluding Lone Star, total leasing revenues of our North American leasing operations increased by \$9.7 million, or 18%, in FY 2019 from FY 2018.

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 \$5.8 million from \$44.3 million during FY 2018 to \$50.1 million during FY 2019, and our gross profit percentage from these non-manufacturing sales deteriorated to 26% in FY 2019 from 28% in FY 2018. Fluctuations in gross profit percentage between periods is not unusual as a significant amount of our non-manufacturing sales are out of the lease fleet which, among other things, would have varying sales prices and carrying values. Cost of sales from our manufactured products totaled \$5.4 million in FY 2019, as compared to \$4.1 million in FY 2018, resulting in a gross margin gain of \$1.1 million in FY 2019 versus a

gross margin loss of approximately \$0.1 million in FY 2018. Increased manufacturing sales (including a favorable mix of higher margin specialty tanks and chassis) and production levels, as well as improved efficiency, between the periods were the primary factors in the \$1.2 million improvement in the gross margin.

Direct Costs of Leasing Operations and Selling and General Expenses. Direct costs of leasing operations and selling and general expenses increased by \$5.4 million from \$80.2 million during FY 2018 to \$85.6 million during FY 2019. As a percentage of revenues, however, these costs decreased to 44% during FY 2019 from 47% in FY 2018 due to the higher revenues being primarily driven by increases in revenues in North America and average units on lease and rates between the periods in both geographic venues without a proportionate cost increase in the infrastructure.

Depreciation and Amortization. Depreciation and amortization increased by \$1.4 million to \$21.1 million in FY 2019 from \$19.7 million in FY 2018, with both geographic venues increasing \$0.7 million between the periods. The increases were primarily as a result of our increased investment in the lease fleet and business acquisitions.

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Interest Expense. Interest expense of \$17.5 million in FY 2019 increased by \$2.2 million from \$15.3 million in FY 2018. In the Asia-Pacific area, FY 2019 interest expense was \$1.4 million higher from FY 2018 due to both higher average borrowings and a higher weighted-average interest rate between the periods, which more than offset the translation effect of a weaker Australian dollar between the periods. The weighted-average interest rate was 9.4% (which does not include the effect of translation, interest rate swap contracts and options and the amortization of deferred financing costs) in FY 2019 versus 7.3% in FY 2018. In North America, FY 2019 interest expense increased by \$0.8 million from FY 2018 due primarily to the weighted-average interest rate of 6.9% (which does not include the effect of the accretion of interest and amortization of deferred financing costs) in FY 2019 being higher than the 6.0% in FY 2018, offset somewhat by lower average borrowings between the periods.

Change in Valuation of Bifurcated Derivatives. FY 2019 and FY 2018 include non-cash charges of \$12.8 million and \$1.7 million, respectively, for the loss on the change in the valuation of the stand-alone bifurcated derivatives in the Bison Capital Convertible Note.

Foreign Exchange and Other. The currency exchange rate of one Australian dollar to one U.S. dollar was 0.7687 at June 30, 2017, 0.7807 at December 31, 2017, 0.7411 at June 30, 2018 and 0.7055 at December 31, 2018. In FY 2018 and FY 2019, net unrealized and realized foreign exchange gains (losses) totaled \$(1,332,000) and \$(406,000) and \$(1,268,000) and \$(3,687,000), respectively. FY 2019 includes a non-cash realized foreign exchange loss of \$3,554,000 related to the Bison Capital Convertible Note prior to its conversion to equity. In addition, in FY 2018 and FY 2019, net unrealized exchange gains on forward exchange contracts totaled \$392,000 and \$(127,000), respectively.

Income Taxes. Our income tax provision for FY 2019, which derived a very high effective tax rate on a relatively small pretax income, was significantly greater than the provision that would have been derived from the U.S. federal statutory rate of 21% primarily as a result of nondeductible expenses for (i) the loss on the change in the valuation of the bifurcated derivatives in the Bison Capital Convertible Note and (ii) the non-cash realized foreign exchange loss prior its conversion to equity (see Note 5 of Notes to Condensed Consolidated Financial statements). Our effective income tax rate was 12.0% in FY 2018 and was comprised of:

- (i) A provision of \$0.9 million for an interim effective income tax rate of 38.6%;
- (ii) As a result of the enactment on December 22, 2017 of the Act, a tax benefit of \$0.7 million for, among other things, the re-measurement of approximately \$6.5 million for our estimated deferred tax assets and liabilities for temporary differences and NOL and FTC carryforwards reasonably estimated to be existing at December 22, 2017, and from the current statutory rate of 35% to the new corporate rate of either 28% (if the temporary timing differences are expected to roll off in FY 2018) or 21 percent (if the temporary timing differences and NOL carryforwards are expected to remain as of June 30, 2018). This estimated tax benefit was offset by approximately \$5.2 million for both the estimated transition tax on accumulated foreign earnings and a valuation allowance that was established to offset previously recognized FTC carryforward deferred tax assets that we believe will not be realized, and other adjustments totaling approximately \$0.6 million; and
- (iii) A net tax charge of \$0.1 million for excess tax benefits and forfeitures on equity compensation awards.

In both periods, the effective tax rate also differs from the U.S. federal tax rate 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. FY 2019 included a tax benefit of \$195,000 for equity plan activity that is currently recognized in the consolidated statements of operations. In addition, because it was not significant, FY 2018 included a \$135,000 benefit for the cumulative-effect adjustment for previously unrecognized excess tax benefits and the tax-effect of the difference between the fair value estimate of awards historically expected to be forfeited and the fair value estimate of

awards actually forfeited

Preferred Stock Dividends. In both FY 2019 and FY 2018, we paid dividends of \$1.8 million primarily on our 9.00% Series C Cumulative Redeemable Perpetual Preferred Stock.

Noncontrolling Interests. In FY 2018, prior to acquiring all the shares of Royal Wolf that we did not own, noncontrolling interests in the Royal Wolf operations were a decrease of \$0.8 million to the net loss.

Net Income (Loss) Attributable to Common Stockholders. Net loss attributable to common stockholders was \$5.3 million in FY 2019 versus net income of \$1.1 million in FY 2018, a loss between the periods of \$6.4 million. This was primarily due to the non-cash charges for the change in the valuation of the stand-alone bifurcated derivatives in the Bison Capital Convertible Note and realized foreign exchange loss prior to its conversion to equity, lower operating profit in the Asia-Pacific area, unrealized foreign exchange losses and higher interest expense and income taxes; offset somewhat by higher operating profit in North America.

Table of Contents**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 (loss) (in thousands):

	Quarter Ended December 31,		Six Months Ended December 31,	
	2017	2018	2017	2018
Net income (loss)	\$ 2,974	\$ (4,206)	\$ 2,130	\$ (3,452)
Add (deduct)				
Provision for income taxes	809	1,712	291	3,627
Change in valuation of bifurcated derivatives in Convertible Note	1,717	9,332	1,717	12,780
Foreign currency exchange and other loss (gain)	135	1,782	1,337	3,293
Interest expense	9,447	8,868	15,269	17,493
Interest income	(23)	(33)	(38)	(81)
Depreciation and amortization	9,668	11,155	19,992	21,258
Share-based compensation expense	439	663	2,097	1,341
Refinancing costs not capitalized		448		448
Adjusted EBITDA	\$ 25,166	\$ 29,721	\$ 42,795	\$ 56,707

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.

Table of Contents**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

Our operations in the Asia-Pacific area had an AUS\$150,000,000 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). On October 26, 2017, RWH and its subsidiaries, Deutsche Bank AG, Sydney Branch (Deutsche Bank), CSL Fund (PB) Lux Sarl II, Aiguilles Rouges Lux Sarl II, Perpetual Corporate Trust Limited and P.T. Limited entered into a Syndicated Facility Agreement (the Syndicated Facility Agreement). Pursuant to the Syndicated Facility Agreement, the parties entered into a three-year, \$88,190,000 (AUS\$125,000,000) senior secured credit facility (the Deutsche Bank Credit Facility) and repaid the ANZ/CBA Credit Facility on November 3, 2017. The Deutsche Bank Credit Facility initially consisted of a \$14,110,000 (AUS\$20,000,000) Facility A that will amortize semi-annually; a \$59,970,000 (AUS\$85,000,000) Facility B that has no scheduled amortization; and a \$14,110,000 (AUS\$20,000,000) revolving Facility C that is used for working capital, capital expenditures and general corporate purposes. On June 25, 2018, RWH and its subsidiaries amended the Deutsche Bank Credit Facility to increase by approximately \$6,714,000 (NZ\$10,000,000) the amount that can be borrowed under Facility B. The Deutsche Bank Credit Facility is secured by substantially all of the assets and by the pledge of all the capital stock of the subsidiaries of RWH and matures on November 3, 2020.

Bison Capital Notes

On September 19, 2017, Bison Capital, GFN, GFN U.S., GFNAPH and GFNAPF, entered into that certain Amended and Restated Securities Purchase Agreement dated September 19, 2017 (the Amended Securities Purchase Agreement). On September 25, 2017, pursuant to the Amended Securities Purchase Agreement, GFNAPH and GFNAPF issued and sold to Bison an 11.9% secured senior convertible promissory note dated September 25, 2017 in the original principal amount of \$26,000,000 (the Convertible Note) and an 11.9% secured senior promissory note dated September 25, 2017 in the original principal amount of \$54,000,000 (the Senior Term Note and collectively with the Convertible Note, the Bison Capital Notes). Net proceeds from the sale of the Bison Capital Notes were used to repay in full all principal, interest and other amounts due under the term loan to Credit Suisse (see Note 5 of Notes to Consolidated Financial Statements), to acquire the 49,188,526 publicly-traded shares of RWH not owned by the Company (see Note 4 of Notes to consolidated Financial Statements) and to pay all related fees and expenses. On September 6, 2018, we elected to force the conversion of the Convertible Note under its terms therein and delivered a notice to the holders requiring the conversion of the Convertible Note into 3,058,824 shares of the Company's common stock effective September 10, 2018. The Senior Term Note has a maturity of five years and is secured by a first priority security interest over all of the assets of GFN U.S., GFNAPH and GFNAPF, by the pledge by GFN U.S. of the capital stock of GFNAPH and GFNAPF and by of all of the capital stock of RWH. GFNAPF was dissolved in September 2018.

North America Senior Credit Facility

Our North America leasing (Pac-Van and Lone Star) and manufacturing operations (Southern Frac) have a combined \$260,000,000 senior secured revolving credit facility, as amended, with a syndicate led by Wells Fargo Bank,

National Association (Wells Fargo) that also includes East West Bank, CIT Bank, N.A., the Canadian Imperial Bank of Commerce (CIBC), KeyBank, National Association, Bank Hapoalim B.M. and Associated Bank, N.A. (the Wells Fargo Credit Facility). In addition, the Wells Fargo Credit Facility provides an accordion feature that may be exercised by the syndicate, subject to the terms in the credit agreement, to increase the maximum amount that may be borrowed by an additional \$25,000,000. The Wells Fargo Credit Facility matures on March 24, 2022, assuming our publicly-traded senior notes due July 31, 2021(see below) are extended at least 90 days past this scheduled maturity date; otherwise the Wells Fargo Credit Facility would mature on March 24, 2021. There was also a separate loan agreement with Great American Capital Partners (GACP), where GACP provided a First-In, Last-Out Term Loan (FILO Term Loan) within the Wells Fargo Credit Facility in the amount of \$20,000,000 that had the same maturity date and commenced principal amortization on October 1, 2018 at \$500,000 per quarter. On December 24, 2018, the FILO Term Loan, with a principal balance of \$19,500,000, including accrued interest and prepayment fee of one percent, was repaid in full and all terms and provisions relating to the FILO Term Loan were terminated within the credit agreement.

The Wells Fargo Credit Facility is secured by substantially all of the rental fleet, inventory and other assets of our North American leasing and manufacturing operations. The FILO Term Loan also contains a first priority lien on the same collateral, but on a last out basis, after all of the outstanding obligations to the primary lenders in the Wells Fargo Credit Facility have been satisfied. The Wells Fargo Credit Facility effectively

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not only finances our North American operations, but also the funding requirements for the Series C Preferred Stock and the publicly-traded unsecured senior notes (see below). 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; and (b) \$6,300,000 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 Notes

On June 18, 2014, we completed the sale of unsecured senior notes (the Senior Notes) in a public offering for an aggregate principal amount of \$72,000,000. On April 24, 2017, we completed the sale of a tack-on offering of our publicly-traded Senior Notes for an aggregate principal amount of \$5,390,000 that was priced at \$24.95 per denomination. Net proceeds were \$5,190,947, after deducting an aggregate original issue discount (OID) of \$10,780 and underwriting discount of \$188,273. In both offerings, we used at least 80% of the gross proceeds to reduce indebtedness at Pac-Van and Lone Star under the Wells Fargo Credit Facility in order to permit the payment of intercompany dividends by Pac-Van and Lone Star to GFN to fund the interest requirements of the Senior Notes. For the tack-on offering, this amounted to \$4,303,376 of the net proceeds. The Company has total outstanding publicly-traded Senior Notes in an aggregate principal amount of \$77,390,000. 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 December 31, 2018, our required principal and other obligations payments for the twelve months ending December 31, 2019 and the subsequent three twelve-month periods are as follows (in thousands):

	Twelve Months Ending December 31,			
	2019	2020	2021	2022
Deutsche Bank Credit Facility	\$ 3,311	\$ 1,670	\$ 67,843	\$
Senior Term Note				60,463
Wells Fargo Credit Facility				197,458
Senior Notes			77,390	
Other	4,635	1,517	559	641
	\$ 7,946	\$ 3,187	\$ 145,792	\$ 258,562

Reference is made to Notes 3 and 5 of Notes to Consolidated Financial Statements for further discussion of our equity transactions and senior and other debt, respectively, and Note 12 for a discussion of recent developments.

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 have always owned a majority interest in 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 having been a publicly-listed entity on the Australian Stock Exchange.

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

	Six Months Ended December 31,	
	2017	2018
Net cash provided by operating activities	\$ 14,615	\$ 19,373
Net cash used in investing activities	\$ (99,713)	\$ (41,236)
Net cash provided by financing activities	\$ 83,796	\$ 6,176

Cash Flow for FY 2019 Compared to FY 2018

Operating activities. Our operations provided cash of \$19.4 million during FY 2019 versus \$14.6 million during FY 2018, an increase of \$4.8 million between the periods. The net loss in FY 2019 of \$3.5 million was \$5.6 million worse than the net income in FY 2018 of \$2.1 million and our management of operating assets and liabilities in FY 2019, when compared to FY 2018, further reduced cash by approximately \$10.0 million. Historically we have experienced significant variations in operating assets and liabilities between periods when conducting our business in due course. In FY 2019, we invested more in our fleet inventory than in the prior year to anticipate the demands of our expanding business. In addition, the non-cash gains on the bargain purchases of two businesses, one in each geographic venue (see Note 4 of Notes to Condensed Consolidated Financial Statements), reduced our cash from operating activities by \$1.8 million in FY 2019; and non-cash share-based compensation also decreased operating cash flows by \$0.8 million between the periods. Share-based compensation was \$1.3 million in FY 2019 versus \$2.1 million in FY 2018. However, net unrealized gains and losses from foreign exchange and foreign exchange contracts (see Note 6 of Notes to Condensed Consolidated Financial Statements), which affect operating results but are non-cash addbacks for cash flow purposes, increased operating cash flow by \$0.5 million between the periods, from a net cash increase of \$0.9 million in FY 2018 to a net cash increase of \$1.4 million in FY 2019. Also, cash from operating activities between the periods significantly increased by \$14.6 million as a result of non-cash adjustments of \$12.8 million in FY 2019 relating to the change in the valuation of the stand-alone bifurcated derivatives in the Convertible Note, versus \$1.7 million in FY 2018, and the non-cash realized foreign exchange loss of \$3.6 million prior to its conversion to equity in FY 2019 (see Note 5 of Notes to Condensed Consolidated Financial Statements). In addition, non-cash depreciation and amortization, including the amortization of deferred financing costs, accretion of interest and interest deferred on the Senior Term Note, increased cash between the periods by \$3.7 million, from an aggregate \$21.6 million in FY 2018 to \$25.3 million in FY 2019; and operating cash flows were further enhanced by \$4.7 million between the periods for deferred income taxes. Deferred income taxes increased cash in FY 2019 by \$3.3 million versus reducing cash by \$1.4 million in FY 2018. During FY 2019 and FY 2018, the net gain on the sales of lease fleet reduced operating cash flows by \$4.2 million and \$3.7 million, respectively.

Investing Activities. Net cash used in investing activities was \$41.2 million during FY 2019, as compared to \$99.7 million used during FY 2018, resulting in a net reduction in cash used between the periods of \$58.5 million. In FY 2018, we used \$73.2 million and \$11.3 million of cash to acquire the noncontrolling interest of Royal Wolf and

make two business acquisitions in North America, respectively; whereas in FY 2019 we made four business acquisitions, three in North America and one in the Asia-Pacific area, for \$16.1 million (see Note 4 of Notes to Condensed Consolidated Financial Statements). Purchases of property, plant and equipment, or rolling stock (maintenance capital expenditures), were \$3.7 million in FY 2019 and \$2.2 million in FY 2018, an increase of \$1.5 million. In both periods, proceeds from sales of property, plant and equipment were not significant. Net capital expenditures of lease fleet (purchases, net of proceeds from sales of lease fleet) were \$21.7 million in FY 2019 as compared to \$12.9 million in FY 2018, an increase of \$8.8 million. In FY 2019, net capital expenditures of lease fleet were approximately \$16.6 million in North America, as compared to \$11.6 million in FY 2018, an increase of \$5.0 million; and net capital expenditures of lease fleet in the Asia Pacific totaled \$5.1 million in FY 2019, versus \$1.3 million in FY 2018, an increase of \$3.8 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.

Financing Activities. Net cash provided from financing activities was \$6.2 million during FY 2019, as compared to \$83.8 million provided during FY 2018, a decrease to cash between the periods of \$77.6 million. In FY 2018, we issued the Bison Capital Notes for proceeds totaling \$80.0 million to, among other things, acquire the noncontrolling interest of Royal Wolf (see above) and repay the principal of \$10.0 million due under the term loan to Credit Suisse (see Note 5 of Notes to Condensed Consolidated Financial Statements). In FY 2019 and FY 2018, financing activities also included net borrowings of \$7.8 million and \$102.2 million, respectively, on existing credit facilities. These financing activities on our existing credit facilities were

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primarily to fund our investment in the container lease fleet, make business acquisitions, pay dividends and manage our operating assets and liabilities. In addition, in FY 2018, \$81.5 million was borrowed from the Deutsche Bank Credit Facility to repay the ANZ/CBA Credit Facility (see Note 5 of Notes to Condensed Consolidated Financial Statements). Deferred financing costs related to the Bison Capital Notes and Deutsche Bank Credit Facility totaled \$3.8 million in FY 2018 versus \$0.4 million in FY 2019, which primarily related to the Senior Notes consent solicitation and an amendment to Wells Fargo Credit Facility. Cash of \$1.8 million was used during both periods to pay dividends on primarily our Series C Preferred Stock; and, in FY 2018, Royal Wolf paid a capital stock dividend of \$1.0 million to noncontrolling interests (see Note 3 of Notes to Condensed Consolidated Financial Statements). In FY 2019, we received proceeds of \$0.9 million from issuances of common stock on the exercises of stock options versus only \$34,000 in FY 2018.

Asset Management

Receivables and inventories were \$55.0 million and \$37.0 million at December 31, 2018 and \$50.5 million and \$22.7 million at June 30, 2018, respectively. At December 31, 2018, DSO in trade receivables were 39 days and 45 days in the Asia-Pacific area and our North American leasing operations, as compared to 35 days and 47 days at June 30, 2018, respectively. The \$14.3 million increase in inventories was primarily due to the timing of receipts of sale and fleet units to fulfill known increased portable storage demand. 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 \$448.5 million at December 31, 2018, as compared to \$429.4 million at June 30, 2018. At December 31, 2018, we had 96,600 units (24,564 units in retail operations in Australia, 8,841 units in national account group operations in Australia, 12,789 units in New Zealand, which are considered retail; and 50,406 units in North America) in our lease fleet, as compared to 85,812 units (24,037 units in retail operations in Australia, 8,046 units in national account group operations in Australia, 10,222 units in New Zealand, which are considered retail; and 43,507 units in North America) at June 30, 2018. At those dates, 81,046 units (20,949 units in retail operations in Australia, 7,746 units in national account group operations in Australia, 10,891 units in New Zealand, which are considered retail; and 41,460 units in North America); and 68,712 units (20,102 units in retail operations in Australia, 5,038 units in national account group operations in Australia, 8,705 units in New Zealand, which are considered retail; and 34,867 units in North America) were on lease, respectively.

In the Asia-Pacific area, the lease fleet was comprised of 38,535 storage and freight containers and 7,659 portable building containers at December 31, 2018; and 34,507 storage and freight containers and 7,798 portable building containers at June 30, 2018. At those dates, units on lease were comprised of 34,384 storage and freight containers and 5,202 portable building containers; and 28,301 storage and freight containers and 5,544 portable building containers, respectively.

In North America, the lease fleet was comprised of 35,694 storage containers, 4,836 office containers (GLOs), 4,219 portable liquid storage tank containers, 4,484 mobile offices and 1,173 modular units at December 31, 2018; and 29,518 storage containers, 4,216 office containers (GLOs), 4,147 portable liquid storage tank containers, 4,447 mobile offices and 1,179 modular units at June 30, 2018. At those dates, units on lease were comprised of 29,467 storage containers, 3,976 office containers, 3,260 portable liquid storage tank containers, 3,765 mobile offices and 992 modular units; and 23,040 storage containers, 3,620 office containers, 3,405 portable liquid storage tank containers, 3,792 mobile offices and 1,010 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 the 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 increased levels of lease revenues derived

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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 of our fiscal year; while customers in the retail industry tend to lease more units in the second quarter. Our business at Lone Star and Southern Frac, which has been 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, particularly if inclement weather delays, or suspends, customer projects.

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.

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 the 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 since June 30, 2018.

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.

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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 December 31, 2018 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, 2018, as filed with the SEC on September 7, 2018 (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.

Table of Contents**EXHIBIT INDEX**

Exhibit	
Number	Exhibit Description
3.1	<u>Amended and Restated Certificate of Designations, Preferences and Rights of 9.00% Series C Cumulative Redeemable Perpetual Preferred Stock</u>
4.1	<u>Second Supplemental Indenture dated as of October 31, 2018, between General Finance Corporation and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Registrant's Form 8-K filed November 1, 2018)</u>
10.1	<u>Amendment No. 8 to Amended and Restated Credit Agreement dated as of December 24, 2018 among Wells Fargo Bank, National Association (Wells Fargo), East West Bank (East West), CIT Bank, N.A. (CIT), CIBC Bank USA (CIBC), Key Bank, National Association (Key Bank), Bank Hapoalim, B.M. (BHI), Associated Bank (Associated and collectively with Wells Fargo, East West, CIT, CIBC, Key Bank and BHI, the Lenders), Pac-Van, Inc., Lone Star Tank Rental Inc., GFN Realty Company, LLC and Southern Frac, LLC and the Guarantor Acknowledgement dated December 24, 2018 by PV Acquisition Corp. and GFN Manufacturing Corporation (incorporated by reference to Registrant's Form 8-K filed December 26, 2018)</u>
31.1	<u>Certification of Chief Executive Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a)</u>
31.2	<u>Certification of Chief Financial Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a)</u>
32.1	<u>Certification of Chief Executive Officer Pursuant to 18 U.S.C. §1350</u>
32.2	<u>Certification of Chief Financial Officer Pursuant to 18 U.S.C. §1350</u>
101	The following materials from the Registrant's Quarterly report on Form 10-Q for the quarter ended December 31, 2018, 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.

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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: February 11, 2019

GENERAL FINANCE CORPORATION

By: /s/ Jody E. Miller
Jody E. Miller
Chief Executive Officer

By: /s/ Charles E. Barrantes
Charles E. Barrantes
Chief Financial Officer