MOBILE MINI INC
Form 10-Q
August 09, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2012

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: 1-12804

(Exact name of registrant as specified in its charter)

Delaware	**86-0748362**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

7420 S. Kyrene Road, Suite 101

Tempe, Arizona 85283

(Address of principal executive offices) (zip code)

(480) 894-6311

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

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

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

At July 27, 2012, there were outstanding 45,717,186 shares of the issuer s common stock.

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MOBILE MINI, INC.

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FOR THE QUARTER ENDED JUNE 30, 2012

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MOBILE MINI, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands except par value data)

	December 31, 2011 (See Note A)	June 30, 2012 (unaudited)
ASSETS		
Cash and cash equivalents	$ 2,860	$ 2,947
Receivables, net of allowance for doubtful accounts of $2,536 and $2,090 at December 31, 2011 and June 30, 2012, respectively	47,102	46,791
Inventories	20,803	21,722
Lease fleet, net	1,018,742	1,020,670
Property, plant and equipment, net	79,875	82,869
Deposits and prepaid expenses	7,338	7,462
Other assets and intangibles, net	16,862	21,409
Goodwill	514,469	516,434
Total assets	$ 1,708,051	$ 1,720,304
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Accounts payable	$ 20,849	$ 23,168
Accrued liabilities	46,369	41,741
Lines of credit	345,149	333,535
Notes payable	316	78
Obligations under capital leases	1,289	1,042
Senior Notes, net	349,718	349,760
Deferred income taxes	183,550	191,012
Total liabilities	947,240	940,336
Commitments and contingencies		
Stockholders equity:		
Common stock: $.01 par value, 95,000 shares authorized, 47,787 issued and 45,612 outstanding at December 31, 2011 and 47,893 issued and 45,718 outstanding at June 30, 2012	478	479
Additional paid-in capital	508,936	514,459
Retained earnings	316,106	328,507
Accumulated other comprehensive loss	(25,409)	(24,177)
Treasury stock, at cost, 2,175 shares	(39,300)	(39,300)
Total stockholders equity	760,811	779,968
Total liabilities and stockholders equity	$ 1,708,051	$ 1,720,304

See accompanying notes to condensed consolidated financial statements (unaudited).

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MOBILE MINI, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands except per share data)

(unaudited)

	Three Months Ended June 30, 2011	2012
Revenues:		
Leasing	$ 78,422	$ 82,854
Sales	11,508	10,749
Other	593	547
Total revenues	90,523	94,150
Costs and expenses:		
Cost of sales	7,070	6,580
Leasing, selling and general expenses	49,628	55,574
Integration, merger and restructuring expenses	266	267
Depreciation and amortization	9,018	9,131
Total costs and expenses	65,982	71,552
Income from operations	24,541	22,598
Other expense:		
Interest income		1
Interest expense	(11,777)	(10,182)
Foreign currency exchange loss	(1)	(2)
Income before provision for income taxes	12,763	12,415
Provision for income taxes	4,821	4,645
Net income	7,942	7,770
Earnings allocable to preferred stockholders	(193)	
Net income available to common stockholders	$ 7,749	$ 7,770
Earnings per share:		
Basic	$ 0.18	$ 0.17
Diluted	$ 0.18	$ 0.17
Weighted average number of common and common share equivalents outstanding:		
Basic	42,656	44,627
Diluted	44,594	44,952

See accompanying notes to condensed consolidated financial statements (unaudited).

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MOBILE MINI, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(unaudited)

	Three Months Ended June 30, 2011	2012
Net income	$ 7,942	$ 7,770
Other comprehensive income (loss), net of tax:		
Fair value change in derivatives	661	
Foreign currency translation adjustment	(117)	(4,828)
Other comprehensive income (loss)	544	(4,828)
Comprehensive income	$ 8,486	$ 2,942

See accompanying notes to condensed consolidated financial statements (unaudited).

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MOBILE MINI, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands except per share data)

(unaudited)

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2012
Revenues:		
Leasing	$ 151,101	$ 160,471
Sales	20,920	20,554
Other	1,361	1,048
Total revenues	173,382	182,073
Costs and expenses:		
Cost of sales	13,089	12,478
Leasing, selling and general expenses	96,716	109,288
Integration, merger and restructuring expenses	471	763
Depreciation and amortization	17,813	18,145
Total costs and expenses	128,089	140,674
Income from operations	45,293	41,399
Other expense:		
Interest income		1
Interest expense	(24,476)	(20,799)
Debt restructuring expense	(1,334)	
Deferred financing costs write-off		(692)
Foreign currency exchange loss	(2)	(3)
Income before provision for income taxes	19,481	19,906
Provision for income taxes	7,388	7,505
Net income	12,093	12,401
Earnings allocable to preferred stockholders	(970)	
Net income available to common stockholders	$ 11,123	$ 12,401
Earnings per share:		
Basic	$ 0.28	$ 0.28
Diluted	$ 0.27	$ 0.28
Weighted average number of common and common share equivalents outstanding:		
Basic	39,138	44,558
Diluted	44,554	45,006

See accompanying notes to condensed consolidated financial statements (unaudited).

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MOBILE MINI, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(unaudited)

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2012
Net income	$ 12,093	$ 12,401
Other comprehensive income, net of tax:		
Fair value change in derivatives	1,316	
Foreign currency translation adjustment	6,207	1,232
Other comprehensive income	7,523	1,232
Comprehensive income	$ 19,616	$ 13,633

See accompanying notes to condensed consolidated financial statements (unaudited).

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MOBILE MINI, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(unaudited)

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2012
Cash Flows From Operating Activities:		
Net income	$ 12,093	$ 12,401
Adjustments to reconcile net income to net cash provided by operating activities:		
Debt restructuring expense	1,334	
Deferred financing costs write-off		692
Provision for doubtful accounts	932	562
Amortization of deferred financing costs	2,037	1,779
Amortization of debt issuance discount	44	42
Amortization of long-term liabilities	121	84
Share-based compensation expense	2,721	3,586
Depreciation and amortization	17,813	18,145
Gain on sale of lease fleet units	(7,119)	(6,556)
Gain on disposal of property, plant and equipment		(44)
Deferred income taxes	7,388	7,505
Foreign currency transaction loss	2	3
Changes in certain assets and liabilities, net of business acquired:		
Receivables	(3,318)	(167)
Inventories	(367)	(937)
Deposits and prepaid expenses	853	(109)
Other assets and intangibles	(118)	(105)
Accounts payable	2,041	1,986
Accrued liabilities	(3,080)	(5,294)
Net cash provided by operating activities	33,377	33,573
Cash Flows From Investing Activities:		
Cash paid for business acquired		(3,563)
Additions to lease fleet	(11,176)	(19,326)
Proceeds from sale of lease fleet units	18,028	16,117
Additions to property, plant and equipment	(6,800)	(8,555)
Proceeds from sale of property, plant and equipment	41	315
Net cash provided by (used in) investing activities	93	(15,012)
Cash Flows From Financing Activities:		
Net repayments under lines of credit	(8,029)	(11,614)
Redemption of 9.75% senior notes due 2014	(22,272)	
Redemption premiums of 9.75% senior notes due 2014	(1,086)	
Deferred financing costs		(7,507)
Principal payments on notes payable	(196)	(238)
Principal payments on capital lease obligations	(715)	(547)
Issuance of common stock, net	484	1,846
Net cash used in financing activities	(31,814)	(18,060)

Effect of exchange rate changes on cash	(1,193)	(414)
Net increase in cash	463	87
Cash at beginning of period	1,634	2,860
Cash at end of period	$ 2,097	$ 2,947
Supplemental Disclosure of Cash Flow Information:		
Interest rate swap changes in value credited to equity	$ (1,317)	$
Convertible preferred stock conversion into common stock	$ 147,427	$
Equipment acquired through capital lease and financing obligations	$	$ 300

See accompanying notes to condensed consolidated financial statements (unaudited).

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MOBILE MINI, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

NOTE A Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (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 GAAP for complete financial statements. In the opinion of management of Mobile Mini, Inc. (referred to herein as Mobile Mini, us, we, our or the Company), all adjustments (which include normal recurring adjustments) necessary to present fairly the financial position, results of operations, and cash flows for all periods presented have been made. All significant inter-company balances and transactions have been eliminated.

The local currency of the Company s foreign operations is translated to U.S. currency for the Company s condensed consolidated financial statements for each period being presented, and the Company is subject to foreign exchange rate fluctuations in connection with the Company s European and Canadian operations.

The Condensed Consolidated Balance Sheet at December 31, 2011 was derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements.

The results of operations for the three- and six-month periods ended June 30, 2012 are not necessarily indicative of the operating results that may be expected for the full fiscal year ending December 31, 2012 or any future period. Demand from certain of the Company s customers is somewhat seasonal. Demand for leases of the Company s portable storage units by large retailers is stronger from September through December because these retailers need to store additional inventory for the holiday season. These retailers usually return these leased units to the Company in December or early in the following year. This seasonality has historically caused lower utilization rates for the Company s lease fleet and a marginal decrease in its operating cash flow during the first quarter of the year.

These condensed consolidated financial statements should be read in conjunction with the Company s December 31, 2011 audited consolidated financial statements and accompanying notes thereto, which are included in the Company s Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on February 29, 2012.

NOTE B Recent Accounting Pronouncements

Comprehensive Income. In June 2011, the Financial Accounting Standards Board (FASB) issued an amendment to the existing guidance on the presentation of comprehensive income. Under the amended guidance, entities have the option to present the components of net income and other comprehensive income in either a single continuous statement of comprehensive income or in two separate but consecutive statements. Entities no longer have the option of presenting the components of other comprehensive income within the statement of changes in stockholders equity. This amendment is effective on a retrospective basis for fiscal years, and interim periods within those years, beginning after December 15, 2011, which for the Company is the first quarter of 2012. The adoption of this amendment resulted in a change to the Company s current presentation of comprehensive income, but did not have any impact on the Company s consolidated financial statements and related disclosures.

Under the amended guidance discussed in the preceding paragraph, an entity is required to present the effect of reclassification adjustments out of accumulated other comprehensive income in both net income and other comprehensive income in the financial statements. In December 2011, the FASB issued an amendment to this provision and decided to defer the effective date, pending reconsideration, of the presentation requirements for reclassification adjustments of items out of accumulated other comprehensive income. The Company does not anticipate that the adoption of this amendment, when it becomes effective, will have a material impact on the Company s consolidated financial statements and related disclosures.

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MOBILE MINI, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) - Continued

Fair Value Measurement. In May 2011, the FASB issued amendments to the existing guidance on fair value measurement. The amendments are intended to create consistency between GAAP and International Financial Reporting Standards on measuring fair value and disclosing information about fair value measurements. The amendments clarify the application of existing fair value measurement requirements, including: (i) the application of the highest and best use valuation premise concepts; (ii) measuring the fair value of an instrument classified in a reporting entity s stockholders equity; and (iii) quantitative information required for fair value measurements categorized within Level 3. In addition, the amendments require additional disclosure for Level 3 measurements regarding the sensitivity of fair value to changes in unobservable inputs and any interrelationships between those inputs. These amendments are effective for interim and annual periods beginning after December 15, 2011, which for the Company is calendar year 2012. These changes are required to be applied prospectively. The adoption of these amendments did not have a material impact on the Company s consolidated financial statements and related disclosures.

NOTE C Fair Value Measurements

The Company 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. 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, the Company adopted the suggested accounting guidance for the three levels of inputs that may be used to measure fair value:

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 for which there is little or no market data, which require the reporting entity to develop its own assumptions. Historically, the Company s interest rate swap agreements were the only instruments measured at fair value. At December 31, 2011 and June 30, 2012, the Company did not have any outstanding interest rate swap agreements.

NOTE D Fair Value of Financial Instruments

The Company determines the estimated fair value of financial instruments using available market information and valuation methodologies. Considerable judgment is required in estimating fair values. Accordingly, the estimates may not be indicative of the amounts the Company could realize in current market exchanges.

The carrying amounts of cash, receivables, accounts payable and accrued liabilities approximate fair values based on the liquidity of these financial instruments or based on their short-term nature. The carrying amounts of the Company s borrowings under its credit facility and notes payable approximate fair value. The fair values of the Company s revolving credit facility, notes payable and capital leases are estimated using discounted cash flow analyses, based on the Company s current incremental borrowing rates for similar types of borrowing arrangements. Based on the borrowing rates currently available to the Company for bank loans with similar terms and average maturities, the fair value of the Company s revolving credit facility debt, notes payable and capital leases at June 30, 2012 approximated their respective book values and are considered Level 2 in the fair value hierarchy described in Note C.

The fair value of the Company s $150.0 million aggregate principal amount of 6.875% senior notes due 2015 (the 2015 Notes) and its $200.0 million aggregate principal amount of 7.875% senior notes due 2020 (the 2020 Notes and together with the 2015 Notes, the Senior Notes) is $363.9 million as of June 30, 2012. The fair value is based on the latest sales price of such notes at the end of each period obtained from a third-party institution and is considered Level 2 in the fair value hierarchy described in Note C, as there is not an active market for such notes.

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MOBILE MINI, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) - Continued

NOTE E Earnings Per Share

The Company s preferred stock, if applicable, participates in distributions of earnings on the same basis as shares of common stock. As such, the Company adopted the accounting guidance for the standards regarding the computation of earnings per share (EPS) for securities other than common stock that contractually entitle the holder to participate in dividends and earnings of the Company. Earnings for the period are required to be allocated between the common and preferred stockholders based on their respective rights to receive dividends. Basic net income per share is then calculated by dividing income allocable to common stockholders by the weighted average number of common shares outstanding, net of shares subject to repurchase by the Company, during the period. The Company is not required to present basic and diluted net income per share for securities other than common stock. Accordingly, the following net income per share amounts only pertain to the Company s common stock. The Company calculates diluted net income per share under the if-converted method unless the conversion of the preferred stock is anti-dilutive to basic net income per share. To the extent the inclusion of preferred stock is anti-dilutive, the Company calculates diluted net income per share under the two-class method. Potential common shares include restricted common stock, which is subject to risk of forfeiture and incremental shares of common stock issuable upon the exercise of stock options and upon the conversion of convertible preferred stock using the treasury stock method.

The following is a reconciliation of net income and weighted-average shares of common stock outstanding for purposes of calculating basic and diluted EPS for the three- and six-month periods ended June 30, 2011 and 2012:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2012	2011	2012
	(In thousands except per share data)		(In thousands except per share data)	
Historical net income per share:				
Numerator:				
Net income	$ 7,942	$ 7,770	$ 12,093	$ 12,401
Less: Earnings allocable to preferred stockholders	(193)		(970)	
Net income available to common stockholders	$ 7,749	$ 7,770	$ 11,123	$ 12,401
Basic EPS Denominator:				
Common shares outstanding beginning of period	35,637	44,617	35,565	44,432
Effect of weighting shares:				
Weighted shares issued during the period ended June 30	7,019	10	3,573	126
Denominator for basic net income per share	42,656	44,627	39,138	44,558
Diluted EPS Denominator:				
Common shares outstanding beginning of period	35,637	44,617	35,565	44,432
Effect of weighting shares:				
Weighted shares issued during the period ended June 30	7,019	10	3,573	126
Dilutive effect of stock options and nonvested share-awards during the period ended June 30	769	325	736	448
Dilutive effect of convertible preferred stock assumed converted during the period ended June 30 (1)	1,169		4,680	
Denominator for diluted net income per share	44,594	44,952	44,554	45,006
Basic net income per share	$ 0.18	$ 0.17	$ 0.28	$ 0.28

Diluted net income per share	$ 0.18	$ 0.17	$ 0.27	$ 0.28

(1) The outstanding convertible preferred stock automatically converted into an aggregate of 8.2 million shares of common stock on April 14, 2011.

MOBILE MINI, INC.   NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) - Continued

Basic weighted average number of common shares outstanding does not include nonvested share-awards that had not vested of 1.2 million and 1.1 million for the three- and six-month periods ended June 30, 2011 and 2012, respectively.

The following table represents the number of stock options and nonvested share-awards that were issued or outstanding but excluded in calculating diluted EPS because their effect would have been anti-dilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2012	2011	2012
	(In thousands)		(In thousands)	
Stock option awards	580	933	965	942
Nonvested share-awards		326	188	28
Total anti-dilutive shares	580	1,259	1,153	970

NOTE F   Share-Based Compensation

At June 30, 2012, the Company had one active share-based employee compensation plan. There are two expired compensation plans, one of which still has outstanding options subject to exercise or termination. No additional options can be granted under the expired plans.

Stock option awards under these plans were granted with an exercise price per share equal to the fair market value of the Company s common stock on the date of grant. Each outstanding option must expire no later than ten years from the date it was granted, unless exercised or forfeited before the expiration date, and are granted with vesting periods ranging from three to four and a half years. The total value of the Company s stock option awards is expensed over the related employee s service period on a straight-line basis, or if subject to performance conditions, then the expense is recognized using the accelerated attribution method. The service period is the time during which the employees receiving the awards must remain employed for the shares granted to fully vest.

The Company also awards restricted stock, also called nonvested share-awards in this discussion, under the existing share-based compensation plans. The majority of the Company s nonvested share-awards vest in equal annual installments over a four- to five-year period. The total value of these nonperformance-based awards is expensed on a straight-line basis over the service period of the employees receiving the awards.

The Company also grants certain executive officers stock options and nonvested share-awards with vesting subject to performance conditions. Vesting of these grants is dependent upon the respective officers fulfilling the service period requirements as well as the Company achieving certain yearly adjusted EBITDA targets in each of the performance periods (three to four years) after the grant is awarded. EBITDA is defined as net income before interest expense, income taxes, depreciation and amortization and debt restructuring or extinguishment expense, and further adjusted for specific transactions, to arrive at adjusted EBITDA. For performance-based grants, the Company is required to assess the probability that such performance conditions will be met. If the likelihood of the performance conditions being met is deemed probable, the Company will recognize the expense using the accelerated attribution method. The accelerated attribution method could result in as much as 50% of the total value of the shares being recognized in the first year of the service period if the future performance-based targets are assessed as probable of being met.

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MOBILE MINI, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) - Continued

The following table sets forth unrecognized compensation costs related to the Company s share-based compensation plan as of June 30, 2012:

	June 30, 2012 (In thousands)	Weighted Average Recognition Period (Years)
Stock option awards	$ 3,083	2.63
Nonvested share-awards	$ 12,459	2.64

The following table summarizes the share-based compensation expense and capitalized amounts for the three- and six-month periods ended June 30, 2011 and 2012:

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2012	Six Months Ended June 30, 2011	Six Months Ended June 30, 2012
	(In thousands)		(In thousands)	
Gross share-based compensation	$ 1,433	$ 1,777	$ 2,796	$ 3,678
Capitalized share-based compensation	(37)	(47)	(75)	(92)
Share-based compensation expense	$ 1,396	$ 1,730	$ 2,721	$ 3,586

A summary of stock option activity within the Company s share-based compensation plans and changes for the six months ended June 30, 2012 is as follows:

	Number of Shares (In thousands)	Weighted Average Exercise Price
Balance at December 31, 2011	1,394	$ 18.39
Granted		$
Exercised	(150)	$ 12.24
Canceled/Expired	(22)	$ 28.26
Balance at June 30, 2012	1,222	$ 18.97

The intrinsic value of options exercised during the six months ended June 30, 2012 was approximately $1.3 million.

A summary of nonvested share-awards activity within the Company s share-based compensation plans and changes for the six months ended June 30, 2012 is as follows:

	Number of Shares	Weighted Average Grant Date

	(In thousands)	Fair Value
Nonvested at December 31, 2011	1,180	$ 16.20
Awarded	27	$ 18.31
Released	(69)	$ 17.06
Forfeited	(71)	$ 17.63
Nonvested at June 30, 2012	1,067	$ 16.11

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MOBILE MINI, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) - Continued

A summary of fully vested stock options and stock options expected to vest, as of June 30, 2012, is as follows:

	Number of Shares (In thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Values (In thousands)
Outstanding	1,222	$ 18.97	5.91	$ 619
Vested and expected to vest	1,183	$ 18.95	5.84	$ 618
Exercisable	674	$ 19.16	3.31	$ 619

The fair value of each stock option award is estimated on the date of the option grant using the Black-Scholes option pricing model. No stock options were granted during the six-month period ended June 30, 2012.

NOTE G Inventories

Inventories are valued at the lower of cost (principally on a standard cost basis that approximates the first-in, first-out, or FIFO, method) or market. Market is the lower of replacement cost or net realizable value. Inventories primarily consist of raw materials, supplies, work-in-process and finished goods, all related to manufacturing, remanufacturing and maintenance, primarily for the Company s lease fleet and its units held for sale. Raw materials principally consist of raw steel, wood, glass, paint, vinyl and other assembly components used in manufacturing and remanufacturing processes. Work-in-process primarily represents units being built that are either pre-sold or being built to add to the Company s lease fleet upon completion. Finished portable storage units primarily represent ISO, or International Organization for Standardization, containers held in inventory until the containers are either sold as is, remanufactured and sold, or units in the process of being remanufactured to be compliant with the Company s lease fleet standards before transferring the units to its lease fleet. There is no certainty when the Company purchases the containers whether they will ultimately be sold, remanufactured and sold, or remanufactured and moved into its lease fleet. Units that are determined to go into the Company s lease fleet undergo an extensive remanufacturing process that includes installing its proprietary locking system, signage, painting and sometimes its proprietary security doors.

Inventories consisted of the following at the dates indicated:

	December 31, 2011	June 30, 2012
	(In thousands)	
Raw material and supplies	$ 15,797	$ 14,835
Work-in-process	315	494
Finished portable storage units	4,691	6,393
Total inventories	$ 20,803	$ 21,722

NOTE H Lease Fleet

The Company has a lease fleet primarily consisting of remanufactured and modified steel portable storage containers, steel security offices, steel combination offices and wood mobile offices that are leased to customers under short-term operating lease agreements with varying terms. Depreciation is calculated using the straight-line method over the estimated useful life of the Company s units, after the date that the Company put the units in service, and are depreciated down to their estimated residual values. The Company s steel units are depreciated over 30 years with an estimated residual value of 55%. Wood office units are depreciated over 20 years with an estimated residual value of 50%. Van trailers, which are a small part of the Company s fleet, are depreciated over seven years to an estimated residual value of 20%. The Company has other non-core products that have various other measures of useful lives and residual values. Van trailers and other non-core products are only added to the fleet as a result of acquisitions of portable storage businesses.

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MOBILE MINI, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) - Continued

In the opinion of management, estimated residual values do not cause carrying values to exceed net realizable value. The Company continues to evaluate these depreciation policies as more information becomes available from other comparable sources and the Company s own historical experience. Normal repairs and maintenance to the portable storage containers and mobile office units are expensed as incurred.

Lease fleet consisted of the following at the dates indicated:

	December 31, 2011	June 30, 2012
	(In thousands)	
Portable storage containers	$ 611,679	$ 615,695
Steel and wood offices	536,723	543,251
Van trailers	3,047	3,304
Other (chassis and ancillary products)	2,829	3,606
	1,154,278	1,165,856
Accumulated depreciation	(135,536)	(145,186)
Lease fleet, net	$ 1,018,742	$ 1,020,670

NOTE I Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the assets estimated useful lives. Residual values are determined when the property is constructed or acquired and range up to 25%, depending on the nature of the asset. In the opinion of management, estimated residual values do not cause carrying values to exceed net realizable value. Normal repairs and maintenance to property, plant and equipment are expensed as incurred. When property or equipment is retired or sold, the net book value of the asset, reduced by any proceeds, is charged to gain or loss on the retirement of fixed assets and is included in leasing, selling and general expenses in the accompanying Condensed Consolidated Statements of Income.

Property, plant and equipment consisted of the following at the dates indicated:

	December 31, 2011	June 30, 2012
	(In thousands)	
Land	$ 11,079	$ 11,096
Vehicles and equipment	85,553	91,995
Buildings and improvements (1)	17,528	17,971
Office fixtures and equipment	28,442	30,312
	142,602	151,374
Less accumulated depreciation	(62,727)	(68,505)
Total property, plant and equipment, net	$ 79,875	$ 82,869

(1)

Improvements made to leased properties are depreciated over the lesser of the estimated remaining life or the remaining term of the respective lease.

NOTE J Lines of Credit

On February 22, 2012, the Company entered into a new $900.0 million ABL Credit Agreement with Deutsche Bank AG New York Branch and other lenders party thereto (the Credit Agreement). The Credit Agreement provides for a five-year, revolving credit facility and replaced the Company s $850.0 million credit agreement, dated June 27, 2008, as amended. All amounts outstanding under the Credit Agreement are due on February 22, 2017. The obligations of Mobile Mini and its subsidiary guarantors under the Credit Agreement are secured by a blanket lien on substantially all of its assets.

Amounts borrowed under the Credit Agreement and repaid or prepaid during the term may be reborrowed. Outstanding amounts under the Credit Agreement bear interest at the Company s option at either: (i) LIBOR plus a defined margin, or (ii) the Agent bank s prime rate plus a margin. The applicable margins for each type of loan will be 2.25% for LIBOR loans and 1.25% for base rate loans for six months after February 22, 2012. Thereafter, each type of loan will be based on an availability-based pricing grid and will range from 1.75% to 2.25% for LIBOR loans and 0.75% to 1.25% for base rate loans at each measurement date.

MOBILE MINI, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) - Continued

Availability of borrowings under the Credit Agreement is subject to a borrowing base calculation based upon a valuation of the Company s eligible accounts receivable, eligible container fleet (including containers held for sale, work-in-process and raw materials) and machinery and equipment, each multiplied by an applicable advance rate or limit. The lease fleet is appraised at least once annually by a third-party appraisal firm and up to 90% of the net orderly liquidation value, as defined in the Credit Agreement, is included in the borrowing base to determine how much the Company may borrow under the Credit Agreement.

The Credit Agreement provides for U.K. borrowings, which are, at the Company s option, denominated in either Pounds Sterling or Euros, by its U.K. subsidiary based upon a U.K. borrowing base; Canadian borrowings, which are denominated in Canadian dollars, by its Canadian subsidiary based upon a Canadian borrowing base; and U.S. borrowings, which are denominated in U.S. dollars, by the Company based upon a U.S. borrowing base along with any Canadian assets not included in the Canadian subsidiary.

The Credit Agreement also contains customary negative covenants, including covenants that restrict the Company s ability to, among other things: (i) allow certain liens to attach to the Company or its subsidiary assets; (ii) repurchase or pay dividends or make certain other restricted payments on capital stock and certain other securities, prepay certain indebtedness or make acquisitions or other investments subject to Payment Conditions (as defined in the Credit Agreement); and (iii) incur additional indebtedness or engage in certain other types of financing transactions. Payment Conditions allow restricted payments and acquisitions to occur without financial covenants as long as the Company has $225.0 million of pro forma excess borrowing availability under the Credit Agreement. The Company must also comply with specified financial maintenance covenants and affirmative covenants only if the Company falls below $90.0 million of borrowing availability levels, with set permitted values for the Debt Ratio and Fixed Charge Coverage Ratio (as defined in the Credit Agreement). The Company was in compliance with the terms of the Credit Agreement as of June 30, 2012 and was above the minimum borrowing availability threshold and therefore not subject to any financial maintenance covenants.

NOTE K Income Taxes

The Company files U.S. Federal tax returns, U.S. state tax returns and foreign tax returns. The Company has identified the Company s U.S. Federal tax return as the Company s major tax jurisdiction. The Company s tax years for 2008, 2009 and 2010 are subject to tax examination by the U.S. Internal Revenue Service through September 15, 2012, 2013 and 2014, respectively. No reserves for uncertain income tax positions have been recorded. The Company does not anticipate that the total amount of unrecognized tax benefit related to any particular tax position will change significantly within the next 12 months.

The Company uses a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than not likely of being realized upon ultimate settlement.

In July 2011, the U.K. s government finalized a reduction of the corporate income tax rate from the statutory rate of 27% to 26% for the remainder of 2011, and 25% beginning April 2012, affecting the Company s U.K. operations. This change reduced the Company s deferred tax liability in the U.K. by approximately $1.0 million during 2011 as the taxes are reflected at the enacted rate in effect at the estimated date such amounts will be payable. The Company recorded this reduction in the third quarter of 2011.

The Company s policy for recording interest and penalties associated with audits is to record such items as a component of income before taxes. Penalties and associated interest costs, if any, are recorded in leasing, selling and general expenses in the accompanying Condensed Consolidated Statements of Income.

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MOBILE MINI, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) - Continued

NOTE L Derivatives

In the normal course of business, the Company s operations are exposed to fluctuations in interest rates. The Company addresses a portion of these risks through a controlled program of risk management that has included the use of derivative financial instruments. The objective of controlling these risks is to limit the impact of fluctuations in interest rates on earnings.

The Company s primary interest rate risk exposure results from changes in short-term U.S. dollar interest rates. In an effort to manage variable interest rate exposures, the Company may enter into interest rate swap agreements that convert the Company s floating rate debt to a fixed-rate, which are typically designated as cash flow hedges. Interest expense on the notional amounts under these agreements is accrued using the fixed rates identified in the swap agreements. The Company did not have any outstanding interest rate swap agreements at December 31, 2011 or June 30, 2012.

The following tables summarize information related to the Company s derivatives. All of the Company s derivatives were designated as effective hedging instruments in cash flow hedging relationships.

Interest Rate Swap Agreements

	Amount of Gain Recognized in Other Comprehensive Income on Derivatives (In thousands)
Three months ended June 30, 2011 (net of income tax expense of $397)	$ 661
Six months ended June 30, 2011 (net of income tax expense of $808)	$ 1,316

NOTE M Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss, net of tax, consisted of the following at the dates indicated:

	December 31, 2011	June 30, 2012
	(In thousands)	
Foreign currency translation adjustment	$ (25,409)	$ (24,177)
Total accumulated other comprehensive loss	$ (25,409)	$ (24,177)

NOTE N Segment Reporting

The Company has operations in North America, the U. K. and The Netherlands. The Company s operating segments are similarly defined geographically. 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. Financial results of the three operating segments are aggregated into two reportable segments, North America and Europe, based on quantitative thresholds. All of the Company s branches operate in their local currency and, although the Company is exposed to foreign exchange rate fluctuation in other foreign markets where the Company leases and sells its products, the Company does not believe this will have a significant impact on its results of operations.

In managing the Company s business, management focuses on growing leasing revenues, particularly in existing markets where it can take advantage of the operating leverage inherent in its business model, EBITDA and consolidated EPS.

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MOBILE MINI, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) - Continued

The following tables set forth certain information regarding each of the Company s segments for the three- and six-month periods ended June 30, 2011 and 2012:

	Three Months Ended June 30,	
	2011	2012
	(In thousands)	
Revenues:		
North America:		
Leasing	$ 64,455	$ 67,645
Sales	10,137	9,806
Other	513	479
Total North America	75,105	77,930
Europe:		
Leasing	13,967	15,209
Sales	1,371	943
Other	80	68
Total Europe	15,418	16,220
Total Revenues (1)	$ 90,523	$ 94,150
Depreciation and amortization:		
North America	$ 7,293	$ 7,122
Europe	1,725	2,009
Total depreciation and amortization	$ 9,018	$ 9,131
Operating income:		
North America	$ 22,265	$ 20,167
Europe	2,276	2,431
Total operating income	$ 24,541	$ 22,598
Interest expense:		
North America	$ 11,283	$ 9,694
Europe	494	488
Total interest expense	$ 11,777	$ 10,182
Income tax provision:		
North America	$ 4,336	$ 4,147
Europe	485	498

Total income tax provision	$ 4,821	$ 4,645

(1) Includes revenues in the United States of $74.2 million and $76.1 million for the three-month periods ended June 30, 2011 and 2012, respectively.

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MOBILE MINI, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) - Continued

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2012
	(In thousands)	
Revenues:		
North America:		
Leasing	$ 124,111	$ 130,675
Sales	18,160	18,568
Other	1,197	919
Total North America	143,468	150,162
Europe:		
Leasing	26,990	29,796
Sales	2,760	1,986
Other	164	129
Total Europe	29,914	31,911
Total Revenues (1)	$ 173,382	$ 182,073
Depreciation and amortization:		
North America	$ 14,445	$ 14,181
Europe	3,368	3,964
Total depreciation and amortization	$ 17,813	$ 18,145
Operating income:		
North America	$ 41,426	$ 37,049
Europe	3,867	4,350
Total operating income	$ 45,293	$ 41,399
Interest expense:		
North America	$ 23,511	$ 19,816
Europe	965	983
Total interest expense	$ 24,476	$ 20,799
Income tax provision:		
North America	$ 6,588	$ 6,631
Europe	800	874
Total income tax provision	$ 7,388	$ 7,505

(1) Includes revenues in the United States of $141.8 million and $146.9 million for the six-month periods ended June 30, 2011 and 2012, respectively.

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MOBILE MINI, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) - Continued

The tables below represent the Company s long-lived assets, which consist of lease fleet and property, plant and equipment at the dates indicated:

	December 31, 2011	June 30, 2012
	(In thousands)	
North America (1)	$ 953,251	$ 947,896
Europe	145,366	155,643
Total long-lived assets	$ 1,098,617	$ 1,103,539

(1) Includes long-lived assets of $936.5 million and $929.3 million in the United States at December 31, 2011 and June 30, 2012, respectively.

NOTE O Acquisitions

The Company enters new markets in one of three ways: (i) a new branch start-up, (ii) through acquiring a business consisting of the portable storage assets and related leases of other companies, or (iii) by establishing greenfield operational yards, which are new start-up locations that do not have all the overhead associated with a fully-staffed new branch start-up. An acquisition generally provides the Company with cash flow, which enables the Company to immediately cover the overhead cost at the newly acquired location. On occasion, the Company also purchases portable storage businesses in areas where the Company has existing small branches either as part of multi-market acquisitions or in order to increase the Company s operating margins at those branches.

In March 2012, Mobile Mini acquired the portable storage assets and assumed certain liabilities of a business based in Calgary, Canada, which became part of its Calgary branch. This acquisition was effected pursuant to an asset purchase agreement.

The accompanying condensed consolidated financial statements include the operations of the acquired business from the date of acquisition and were immaterial to the Company s financial position in the aggregate. The purchase price has been allocated to the assets acquired and liabilities assumed based upon estimated fair values as of the acquisition date and are subject to adjustment when additional information concerning asset and liability valuations is finalized. The Company does not believe any adjustments to the preliminary estimated fair values will have any material impact on the Company s consolidated results of the operations or financial position.

The fair value of the assets acquired and liabilities assumed has been allocated as follows at June 30, 2012 (in thousands):

Tangible assets	$ 2,245
Intangible assets:	
Customer lists	112
Non-compete agreements	25
Goodwill	1,195
Liabilities	(14)
Total purchase price	$ 3,563

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MOBILE MINI, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) - Continued

NOTE P Integration, Merger and Restructuring Expenses

In 2008, the Company completed the acquisition of Mobile Storage Group, Inc. (MSG), which became a wholly-owned subsidiary of Mobile Mini, Inc. In connection with the acquisition of MSG, the Company recorded accruals for costs to be incurred to exit overlapping MSG lease properties, property shut down costs, costs of MSG s severance agreements, costs for asset verification and for damaged assets.

As a result of the acquisition, the Company leveraged the combined fleet and restructured the manufacturing operations and reduced overhead and capital expenditures for the lease fleet. In connection with these activities, the Company recorded costs for severance agreements and recorded impairment charges to write down certain assets previously used in conjunction with the manufacturing operations and inventories.

The majority of accrued integration, merger and restructuring obligations are related to the Company s operations in North America. The following table details these accrued obligations (included in accrued liabilities in the accompanying Condensed Consolidated Balance Sheets) and related activity for the six-month period ended June 30, 2012:

	Severance and Benefits	Lease Abandonment Costs	Acquisition Integration	Total
		(In thousands)		
Accrued obligations as of December 31, 2010	$	$ 3,807	$	$ 3,807
Integration, merger and restructuring expense	992		369	1,361
Cash paid	(992)	(1,678)	(369)	(3,039)
Accrued obligations as of December 31, 2011		2,129		2,129
Integration, merger and restructuring expenses	348	321	94	763
Cash paid (including 2012 restructuring expenses)	(325)	(698)	(94)	(1,117)
Accrued obligations as of June 30, 2012	$ 23	$ 1,752	$	$ 1,775

These accrued obligations are expected to be paid out through the year 2014.

The following amounts are included in integration, merger and restructuring expenses for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2012	2011	2012
	(In thousands)		(In thousands)	
Severance and benefits	$ 173	$ 29	$ 281	$ 348
Lease abandonment costs		200		321
Acquisition integration	93	38	190	94
Integration, merger and restructuring expenses	$ 266	$ 267	$ 471	$ 763

NOTE Q Subsequent Event

On July 3, 2012, the Company issued an irrevocable Notice of Full Redemption for all of its outstanding 6.875% 2015 Notes pursuant to the terms of the indenture governing such notes. The 2015 Notes, which had an outstanding principal balance of $150.0 million at June 30, 2012, were redeemed on August 2, 2012, at a redemption price of 101.719% of the principal amount thereof plus accrued and unpaid interest to, but not including, the redemption date. The Company drew upon its Credit Agreement to fund the redemption. The 2015 Notes are no longer deemed outstanding.

The Company will record, in the third quarter of 2012, a charge of approximately $2.6 million for the redemption premium as a result of calling the 2015 Notes and will incur a non-cash charge of approximately $1.4 million representing the write-off of deferred financing costs and the unamortized original issuance discount related to the 2015 Notes redeemed.

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MOBILE MINI, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) - Continued

NOTE R Condensed Consolidating Financial Information

Mobile Mini Supplemental Indenture

The following tables reflect the condensed consolidating financial information of the Company s subsidiary guarantors of the Senior Notes and its non-guarantor subsidiaries. Separate financial statements of the subsidiary guarantors are not presented because the guarantee by each wholly owned subsidiary guarantor is full and unconditional, joint and several, subject to customary exceptions, and management has determined that such information is not material to investors.

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MOBILE MINI, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING BALANCE SHEETS

As of December 31, 2011

(In thousands)

	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS				
Cash	$ 1,840	$ 1,020	$	$ 2,860
Receivables, net	34,529	12,573		47,102
Inventories	19,097	1,755	(49)	20,803
Lease fleet, net	886,411	132,331		1,018,742
Property, plant and equipment, net	63,189	16,686		79,875
Deposits and prepaid expenses	6,167	1,171		7,338
Other assets and intangibles, net	14,166	2,696		16,862
Goodwill	447,442	67,027		514,469
Intercompany	113,484	49,512	(162,996)	
Total assets	$ 1,586,325	$ 284,771	$ (163,045)	$ 1,708,051
LIABILITIES AND STOCKHOLDERS EQUITY				
Liabilities:				
Accounts payable	$ 10,076	$ 10,773	$	$ 20,849
Accrued liabilities	43,574	2,795		46,369
Lines of credit	307,200	37,949		345,149
Notes payable	316			316
Obligations under capital leases	1,289			1,289
Senior Notes	349,718			349,718
Deferred income taxes	171,482	12,824	(756)	183,550
Intercompany	40	11,473	(11,513)	
Total liabilities	883,695	75,814	(12,269)	947,240
Commitments and contingencies				
Stockholders equity:				
Common stock	478	18,434	(18,434)	478
Additional paid-in capital	508,936	133,047	(133,047)	508,936
Retained earnings	231,474	83,927	705	316,106
Accumulated other comprehensive income (loss)	1,042	(26,451)		(25,409)
Treasury stock, at cost	(39,300)			(39,300)
Total stockholders equity	702,630	208,957	(150,776)	760,811
Total liabilities and stockholders equity	$ 1,586,325	$ 284,771	$ (163,045)	$ 1,708,051

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MOBILE MINI, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING BALANCE SHEETS

As of June 30, 2012

(In thousands)

	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS				
Cash and cash equivalents	$ 1,436	$ 1,511	$	$ 2,947
Receivables, net	32,541	14,250		46,791
Inventories	18,528	3,243	(49)	21,722
Lease fleet, net	877,530	143,140		1,020,670
Property, plant and equipment, net	64,624	18,245		82,869
Deposits and prepaid expenses	5,991	1,471		7,462
Other assets and intangibles, net	19,072	2,337		21,409
Goodwill	447,433	69,001		516,434
Intercompany	118,058	34,669	(152,727)	
Total assets	$ 1,585,213	$ 287,867	$ (152,776)	$ 1,720,304
LIABILITIES AND STOCKHOLDERS EQUITY				
Liabilities:				
Accounts payable	$ 12,315	$ 10,853	$	$ 23,168
Accrued liabilities	39,055	2,686		41,741
Lines of credit	286,375	47,160		333,535
Notes payable	78			78
Obligations under capital leases	1,042			1,042
Senior Notes, net	349,760			349,760
Deferred income taxes	178,050	13,757	(795)	191,012
Intercompany	22	4,858	(4,880)	
Total liabilities	866,697	79,314	(5,675)	940,336
Commitments and contingencies				
Stockholders equity:				
Common stock	479	18,434	(18,434)	479
Additional paid-in capital	514,459	129,412	(129,412)	514,459
Retained earnings	242,190	85,572	745	328,507
Accumulated other comprehensive income (loss)	688	(24,865)		(24,177)
Treasury stock, at cost	(39,300)			(39,300)
Total stockholders equity	718,516	208,553	(147,101)	779,968
Total liabilities and stockholders equity	$ 1,585,213	$ 287,867	$ (152,776)	$ 1,720,304

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MOBILE MINI, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF INCOME

Three Months Ended June 30, 2011

(In thousands)

	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues:				
Leasing	$ 64,455	$ 13,967	$	$ 78,422
Sales	10,137	1,371		11,508
Other	513	80		593
Total revenues	75,105	15,418		90,523
Costs and expenses:				
Cost of sales	6,078	992		7,070
Leasing, selling and general expenses	39,203	10,425		49,628
Integration, merger and restructuring expenses	266			266
Depreciation and amortization	7,293	1,725		9,018
Total costs and expenses	52,840	13,142		65,982
Income from operations	22,265	2,276		24,541
Other income (expense):				
Interest income	131		(131)	
Interest expense	(11,283)	(625)	131	(11,777)
Dividend income	221		(221)	
Foreign currency exchange		(1)		(1)
Income before provision for income taxes	11,334	1,650	(221)	12,763
Provision for income taxes	4,386	450	(15)	4,821
Net income	$ 6,948	$ 1,200	$ (206)	$ 7,942

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MOBILE MINI, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

Three Months Ended June 30, 2011

(In thousands)

	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net income	$ 6,948	$ 1,200	$ (206)	$ 7,942
Other comprehensive income, net of tax:				
Fair value change in derivatives	661			661
Foreign currency translation adjustment	(62)	(55)		(117)
Other comprehensive income	599	(55)		544
Comprehensive income	$ 7,547	$ 1,145	$ (206)	$ 8,486

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MOBILE MINI, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF INCOME

Three Months Ended June 30, 2012

(In thousands)

	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues:				
Leasing	$ 66,838	$ 16,016	$	$ 82,854
Sales	9,520	1,231	(2)	10,749
Other	468	79		547
Total revenues	76,826	17,326	(2)	94,150
Costs and expenses:				
Cost of sales	5,762	820	(2)	6,580
Leasing, selling and general expenses	43,801	11,773		55,574
Integration, merger and restructuring expenses	62	205		267
Depreciation and amortization	7,058	2,073		9,131
Total costs and expenses	56,683	14,871	(2)	71,552
Income from operations	20,143	2,455		22,598
Other income (expense):				
Interest income	151		(150)	1
Interest expense	(9,575)	(758)	151	(10,182)
Dividend income	220		(220)	
Foreign currency exchange		(2)		(2)
Income before provision for income taxes	10,939	1,695	(219)	12,415
Provision for income taxes	4,205	462	(22)	4,645
Net income	$ 6,734	$ 1,233	$ (197)	$ 7,770

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MOBILE MINI, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

Three Months Ended June 30, 2012

(In thousands)

	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net income	$ 6,734	$ 1,233	$ (197)	$ 7,770
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	130	(4,958)		(4,828)
Other comprehensive income (loss)	130	(4,958)		(4,828)
Comprehensive income (loss)	$ 6,864	$ (3,725)	$ (197)	$ 2,942

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MOBILE MINI, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF INCOME

Six Months Ended June 30, 2011

(In thousands)

	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues:				
Leasing	$ 124,111	$ 26,990	$	$ 151,101
Sales	18,160	2,760		20,920
Other	1,197	164		1,361
Total revenues	143,468	29,914		173,382
Costs and expenses:				
Cost of sales	11,112	1,977		13,089
Leasing, selling and general expenses	76,014	20,702		96,716
Integration, merger and restructuring expenses	471			471
Depreciation and amortization	14,445	3,368		17,813
Total costs and expenses	102,042	26,047		128,089
Income from operations	41,426	3,867		45,293
Other income (expense):				
Interest income	257		(257)	
Interest expense	(23,511)	(1,222)	257	(24,476)
Dividend income	442		(442)	
Debt restructuring expense	(1,334)			(1,334)
Foreign currency exchange		(2)		(2)
Income before provision for income taxes	17,280	2,643	(442)	19,481
Provision for income taxes	6,687	731	(30)	7,388
Net income	$ 10,593	$ 1,912	$ (412)	$ 12,093

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MOBILE MINI, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

Six Months Ended June 30, 2011

(In thousands)

	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net income	$ 10,593	$ 1,912	$ (412)	$ 12,093
Other comprehensive income, net of tax:				
Fair value change in derivatives	1,316			1,316
Foreign currency translation adjustment	349	5,858		6,207
Other comprehensive income	1,665	5,858		7,523
Comprehensive income	$ 12,258	$ 7,770	$ (412)	$ 19,616

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MOBILE MINI, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF INCOME

Six Months Ended June 30, 2012

(In thousands)

	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues:				
Leasing	$ 129,234	$ 31,237	$	$ 160,471
Sales	18,211	2,345	(2)	20,554
Other	907	141		1,048
Total revenues	148,352	33,723	(2)	182,073
Costs and expenses:				
Cost of sales	10,910	1,570	(2)	12,478
Leasing, selling and general expenses	85,966	23,322		109,288
Integration, merger and restructuring expenses	385	378		763
Depreciation and amortization	14,073	4,072		18,145
Total costs and expenses	111,334	29,342	(2)	140,674
Income from operations	37,018	4,381		41,399
Other income (expense):				
Interest income	286		(285)	1
Interest expense	(19,592)	(1,493)	286	(20,799)
Dividend income	436		(436)	
Deferred financing costs write-off	(692)			(692)
Foreign currency exchange		(3)		(3)
Income before provision for income taxes	17,456	2,885	(435)	19,906
Provision for income taxes	6,740	804	(39)	7,505
Net income	$ 10,716	$ 2,081	$ (396)	$ 12,401

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MOBILE MINI, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

Six Months Ended June 30, 2012

(In thousands)

	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net income	$ 10,716	$ 2,081	$ (396)	$ 12,401
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	(354)	1,586		1,232
Other comprehensive income (loss)	(354)	1,586		1,232
Comprehensive income	$ 10,362	$ 3,667	$ (396)	$ 13,633

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MOBILE MINI, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

Six Months Ended June 30, 2011

(In thousands)

	Guarantors	Non-Guarantors	Eliminations	Consolidated
Cash Flows From Operating Activities:				
Net income	$ 10,593	$ 1,912	$ (412)	$ 12,093
Adjustments to reconcile net income to net cash provided by operating activities:				
Debt restructuring expense	1,334			1,334
Provision for doubtful accounts	617	315		932
Amortization of deferred financing costs	2,037			2,037
Amortization of debt issuance discount	44			44
Amortization of long-term liabilities	113	8		121
Share-based compensation expense	2,420	301		2,721
Depreciation and amortization	14,445	3,368		17,813
Gain on sale of lease fleet units	(6,514)	(605)		(7,119)
Deferred income taxes	6,678	731	(21)	7,388
Foreign currency exchange loss		2		2
Changes in certain assets and liabilities:				
Receivable	(2,151)	(1,167)		(3,318)
Inventories	207	(574)		(367)
Deposits and prepaid expenses	1,074	(221)		853
Other assets and intangibles	(118)			(118)
Accounts payable	(810)	2,851		2,041
Accrued liabilities	(2,738)	(342)		(3,080)
Intercompany	269	(376)	107	
Net cash provided by operating activities	27,500	6,203	(326)	33,377
Cash Flows From Investing Activities:				
Additions to lease fleet	(5,743)	(5,433)		(11,176)
Proceeds from sale of lease fleet units	16,157	1,871		18,028
Additions to property, plant and equipment	(5,614)	(1,186)		(6,800)
Proceeds from sale of property, plant and equipment	39	2		41
Net cash provided by (used in) investing activities	4,839	(4,746)		93
Cash Flows From Financing Activities:				
Net borrowings (repayments) under lines of credit	(8,120)	(1,268)	1,359	(8,029)
Redemption of 9.75% senior notes due 2014	(22,272)			(22,272)
Redemption premiums of 9.75% senior notes due 2014	(1,086)			(1,086)

Principal payments on notes payable	(196)			(196)
Principal payments on capital lease obligations	(715)			(715)
Issuance of common stock, net	484			484
Intercompany		(444)	444	
Net cash used in financing activities	(31,905)	(1,712)	1,803	(31,814)
Effect of exchange rate changes on cash	143	141	(1,477)	(1,193)
Net increase (decrease) in cash	577	(114)		463
Cash at beginning of period	1,065	569		1,634
Cash at end of period	$ 1,642	$ 455	$	$ 2,097

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MOBILE MINI, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

Six Months Ended June 30, 2012

(In thousands)

	Guarantors	Non-Guarantors	Eliminations	Consolidated
Cash Flows From Operating Activities:				
Net income	$ 10,716	$ 2,081	$ (396)	$ 12,401
Adjustments to reconcile net income to net cash provided by operating activities:				
Deferred financing costs write-off	692			692
Provision for doubtful accounts	287	275		562
Amortization of deferred financing costs	1,759	20		1,779
Amortization of debt issuance discount	42			42
Amortization of long-term liabilities	79	5		84
Share-based compensation expense	3,287	299		3,586
Depreciation and amortization	14,073	4,072		18,145
Gain on sale of lease fleet units	(5,972)	(584)		(6,556)
Gain on disposal of property, plant and equipment	(36)	(8)		(44)
Deferred income taxes	6,733	804	(32)	7,505
Foreign currency exchange loss		3		3
Changes in certain assets and liabilities, net of effect of business acquired:				
Receivable	1,689	(1,856)		(167)
Inventories	569	(1,506)		(937)
Deposits and prepaid expenses	175	(284)		(109)
Other assets and intangibles	(100)	(5)		(105)
Accounts payable	2,243	(257)		1,986
Accrued liabilities	(5,140)	(154)		(5,294)
Intercompany	(1,008)	1,097	(89)	
Net cash provided by operating activities	30,088	4,002	(517)	33,573
Cash Flows From Investing Activities:				
Cash paid for business acquired		(3,563)		(3,563)
Additions to lease fleet	(8,402)	(10,924)		(19,326)
Proceeds from sale of lease fleet units	14,448	1,669		16,117
Additions to property, plant and equipment	(5,747)	(2,808)		(8,555)
Proceeds from sale of property, plant and equipment	90	225		315
Net cash provided by (used in) investing activities	389	(15,401)		(15,012)
Cash Flows From Financing Activities:				
Net (repayments) borrowings under lines of credit	(20,826)	8,947	265	(11,614)

Deferred financing costs		(7,507)						(7,507)
Principal payments on notes payable		(238)						(238)
Principal payments on capital lease obligations		(547)						(547)
Issuance of common stock, net		1,846						1,846
Intercompany		(3,563)		3,125		438		
Net cash (used in) provided by financing activities		(30,835)		12,072		703		(18,060)
Effect of exchange rate changes on cash		(46)		(182)		(186)		(414)
Net (decrease) increase in cash		(404)		491				87
Cash at beginning of period		1,840		1,020				2,860
Cash at end of period	$	1,436	$	1,511	$		$	2,947

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read together with our December 31, 2011consolidated financial statements and the accompanying notes thereto which are included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on February 29, 2012. This discussion contains forward-looking statements. Forward-looking statements are based on current expectations and assumptions that involve risks and uncertainties. Our actual results may differ materially from those anticipated in our forward-looking statements.

Overview

General

We are the world s leading provider of portable storage solutions with a total lease fleet of approximately 235,000 units at June 30, 2012. As of June 30, 2012, we operated in 136 locations throughout North America and Europe, maintaining a strong leadership position in virtually all markets served. We offer a wide range of portable storage products in varying lengths and widths with an assortment of differentiated features such as our patented locking systems, premium doors, electrical wiring and shelving. Our portable storage units provide secure, accessible temporary storage for a diversified client base of over 80,000 customers across various industries, including construction, consumer services and retail, industrial, commercial and governmental. Our customers use our products for a wide variety of storage applications, including retail and manufacturing supplies, inventory and maintenance supplies, temporary offices, construction materials and equipment, documents and records and household goods.

We derive most of our revenues from the leasing of portable storage containers, security office units and mobile office units. We also sell new and used portable storage containers and occasionally sell security office units and mobile office units. In addition, we provide delivery, installation and other ancillary products and services to our customers. Our sales revenues represented 12.1% and 11.4% of total revenues for the six months ended June 30, 2011 and 2012, respectively.

At June 30, 2012, we operated 136 locations, of which 113 were located in the U.S., four in Canada, 18 in the U.K., and one in The Netherlands. As of June 30, 2012, we had 84 branch locations, of which 65 were located in the U.S., two in Canada, 16 in the U.K. and one in The Netherlands. In addition to our branches, we had 52 properties we call operational yards from which we can service a local market and store and maintain our products and equipment. We continue to evaluate our branch operations and where it becomes operationally feasible, we convert some of our branches to operational yards to further reduce expenses. Likewise, in order to enter new markets, we will open new operational yards, which we refer to as greenfields, that can be serviced by nearby full-service branches. Traditionally, we entered new markets through the acquisition of smaller local competitors and then implement our business model, which is typically more focused on customer service and marketing than the acquired business or other market competitors. Given our current utilization levels, we are primarily entering new markets by migrating idle fleet to new low-cost greenfield operational yards and occasionally by acquiring an existing business when the right economic conditions are present. These greenfield operational yards do not have all the overhead associated with a fully staffed branch as they typically only have a sales representative, drivers and yard personnel to handle deliveries and pick-ups of our fleet. A new location will generally have fairly low operating margins during its early years, but as we penetrate the new market through our marketing efforts and increase the number of units on rent at the new location, we are typically able to reach company average levels of profitability after several years. The costs associated with opening a greenfield operational yard are lower than a fully staffed branch, which should have a comparatively positive effect on margins. We may also make opportunistic acquisitions from time to time in a particular market where we believe that such approach will allow us to enter that market more profitably than by greenfield expansion. In 2011, with growth returning to our business following the recent recession, we entered 12 new markets in North America and another four new North American markets thus far in 2012 through greenfield expansions. Additionally, in 2012, we combined two branches in the U.K. into one location and converted two full service branches in the U.S. into low-cost operational yards.

When we enter a new market, we incur certain costs in developing new infrastructure. For example, advertising and marketing costs are incurred and certain minimum levels of staffing and delivery equipment are put in place regardless of the new market s revenue base. Once we have achieved revenues during any period that are sufficient to cover our fixed expenses, we are able to generate relatively high margins on incremental lease revenues. Therefore, each additional unit rented in excess of the break-even level contributes significantly to profitability. Conversely, any additional fixed expenses require us to achieve additional revenue in order to maintain our margins. When we refer to our operating leverage in this discussion, we are describing the impact on margins once we either cover our fixed costs or if we incur additional fixed costs in a market.

In 2010, to further diversify our customer segments and to focus additional growth on our non-construction business, we implemented a hybrid sales model consisting of a dedicated sales staff at all of our branch locations and opened our National Sales Center (NSC). Our local sales staff builds and strengthens relationships with local customers in each market with particular emphasis on contractors and construction-related customers, who tend to demand local salesperson presence. The NSC handles inbound calls from new customers and leads sales campaigns to existing customers not serviced by branch sales personnel. In addition, the NSC initiates outbound marketing calls to solicit new customers. Our NSC sales staff works with our local branch managers, dispatchers and sales personnel to ensure customers receive integrated first class service from initial call to delivery. Our branch sales staff, NSC and sales management team at our headquarters and other locations conduct sales and marketing on a full-time basis. We believe that offering local salesperson presence for customers along with the efficiencies of a centralized sales operation for customers not needing a local sales contact will continue to allow us to provide high levels of customer service and serve all of our customers in a dedicated, efficient manner.

The level of non-residential construction activity is an important external factor that we examine to assess market trends and determine the direction of our business. Customers in the construction industry represented approximately 36% of our leased units at June 30, 2012 and, because of the degree of operating leverage we have, increases or decreases in non-residential construction activity can have a significant effect on our operating margins and net income. Beginning in the second quarter of 2008, our construction related business slowed down and then declined. The decline continued and adversely affected our results of operations. Although the construction business has not returned to pre-2009 levels, the level of our construction related business began to stabilize and then increased in 2010. In 2012, our construction activity improved quarter over quarter, compared to the same period in 2011.

In managing our business, we focus on growing leasing revenues, particularly in existing markets where we can take advantage of the high operating leverage inherent in our business model. Our goal is to increase operating margins as we continue to grow leasing revenues.

We are a capital-intensive business. Therefore, in addition to focusing on earnings per share (EPS), we focus on adjusted EBITDA to measure our operating results. We calculate this number by first calculating EBITDA, which we define as net income before interest expense, income taxes, depreciation and amortization and debt restructuring or extinguishment expense. This measure eliminates the effect of financing transactions that we enter into and it provides us with a means to track internally generated cash from which we can fund our interest expense and our lease fleet growth. In comparing EBITDA from year to year, we typically further adjust EBITDA to exclude the effect of what we consider transactions or events not related to our core business operations to arrive at what we define as adjusted EBITDA. The U.S. generally accepted accounting principles (GAAP) financial measure that is most directly comparable to EBITDA is net cash provided by operating activities.

Because EBITDA, EBITDA margin, adjusted EBITDA and adjusted EBITDA margin are non-GAAP financial measures as defined by the SEC, we include below in this report reconciliations of EBITDA to the most directly comparable financial measures calculated and presented in accordance with GAAP.

We present EBITDA and EBITDA margin because we believe it provides useful information regarding our ability to meet our future debt payment requirements, capital expenditures and working capital requirements and EBITDA provides an overall evaluation of our financial condition. EBITDA margin is calculated by dividing consolidated EBITDA by total revenues. The GAAP financial measure that is most directly comparable to EBITDA margin is operating margin, which represents operating income divided by revenues. More emphasis should not be placed on EBITDA margin than the corresponding GAAP measure. In addition, EBITDA is also a component of certain financial covenants under our Credit Agreement (as defined herein). EBITDA has certain limitations as an analytical tool and should not be used as a substitute for net income, cash flows or other consolidated income or cash flow data prepared in accordance with GAAP or as a measure of our profitability or our liquidity. In particular, EBITDA, as defined, does not include:

Interest expense Because we borrow money to partially finance our capital expenditures, interest expense is a necessary element of our cost to secure this financing to continue generating additional revenues.

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Income taxes EBITDA, as defined, does not reflect income taxes or the requirements for any tax payments.

Depreciation and amortization Because we are a leasing company, our business is capital intensive and we hold acquired assets for a period of time before they generate revenues, cash flow and earnings; therefore, depreciation and amortization expense is a necessary element of our business.

Debt restructuring or extinguishment expense Debt restructuring or debt extinguishment expenses are not deducted in our various calculations made under our Credit Agreement and are treated no differently than interest expense. As discussed above, interest expense is a necessary element of our cost to finance a portion of the capital expenditures needed for the growth of our business.

When evaluating EBITDA as a performance measure, and excluding the above-noted charges, all of which have material limitations, investors should consider, among other factors, the following:

increasing or decreasing trends in EBITDA;

how EBITDA compares to levels of debt and interest expense; and

whether EBITDA historically has remained at positive levels.

Because EBITDA, as defined, excludes some but not all items that affect our cash flow from operating activities, EBITDA may not be comparable to similarly titled performance measures presented by other companies.

Adjusted EBITDA represents EBITDA plus the sum of certain transactions that are excluded when internally evaluating our operating performance. Management believes adjusted EBITDA is a more meaningful evaluation and comparison of our core business when comparing period over period results without regard to transactions that potentially distort the performance of our core business operating results.

The table below is a reconciliation of EBITDA to net cash provided by operating activities for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2012	2011	2012
	(In thousands)		(In thousands)	
EBITDA	$ 33,558	$ 31,728	$ 63,104	$ 59,542
Interest paid	(17,971)	(24,663)	(23,354)	(27,710)
Income and franchise taxes paid	(524)	(548)	(590)	(589)
Share-based compensation expense	1,396	1,730	2,721	3,586
Gain on sale of lease fleet units	(4,026)	(3,442)	(7,119)	(6,556)
Gain on disposal of property, plant and equipment	(21)	(31)		(44)
Changes in certain assets and liabilities, net of effect of business acquired:				
Receivables	(4,144)	(2,568)	(2,386)	395
Inventories	527	365	(367)	(937)
Deposits and prepaid expenses	1,158	(303)	853	(109)
Other assets and intangibles	(44)	132	(118)	(105)
Accounts payable and accrued liabilities	2,694	12,326	633	6,100
Net cash provided by operating activities	$ 12,603	$ 14,726	$ 33,377	$ 33,573

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The table below is a reconciliation of net income to EBITDA and adjusted EBITDA, for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2012	2011	2012
	(In thousands except percentages)		(In thousands except percentages)	
Net income	$ 7,942	$ 7,770	$ 12,093	$ 12,401
Interest expense	11,777	10,182	24,476	20,799
Income taxes	4,821	4,645	7,388	7,505
Depreciation and amortization	9,018	9,131	17,813	18,145
Debt restructuring expense			1,334	
Deferred financing costs write-off				692
EBITDA	33,558	31,728	63,104	59,542
Integration, merger, restructuring and other (1)	557	267	802	763
Acquisition expenses (2)		45		139
Adjusted EBITDA	$ 34,115	$ 32,040	$ 63,906	$ 60,444
EBITDA margin (3)	37.1%	33.7%	36.4%	32.7%
Adjusted EBITDA margin (3)	37.7%	34.0%	36.9%	33.2%

(1) Merger and restructuring expenses represent continuing costs we incurred in connection with the Mobile Storage Group, Inc. (MSG) acquisition and expenses primarily incurred in conjunction with the restructuring of our operations.
(2) Acquisition expenses represent acquisition activity costs.
(3) EBITDA margin and adjusted EBITDA margin are calculated as EBITDA and adjusted EBITDA, respectively, divided by total revenues, expressed as a percentage.

In managing our business, we measure our adjusted EBITDA margins from year to year based on the size of the branch. We define this margin as adjusted EBITDA divided by our total revenues, expressed as a percentage. We use this comparison, for example, to study internally the effect that increased costs have on our margins. As capital is invested in our established branch 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 branch or operational yard, we must first fund and absorb the start-up costs for setting up the new location, hiring and developing the management and sales teams and developing our marketing and advertising programs. A new location will have lower adjusted EBITDA margins in its early years until the branch increases the number of units it has on rent. Because this operating leverage creates 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. Conversely, absent growth in leasing revenues, the adjusted EBITDA margin at a branch will be expected to remain relatively flat on a period-by-period comparative basis if expenses remained the same or would decrease if fixed costs increased.

Accounting and Operating Overview

Our leasing revenues include all rent and ancillary revenues we receive for our portable storage containers and combination storage/office and mobile office units. Our sales revenues include sales of these units to customers. Our other revenues consist principally of charges for the delivery of the units we sell. Our principal operating expenses are (1) cost of sales, (2) leasing, selling and general expenses and (3) depreciation and amortization, primarily depreciation of the portable storage containers and mobile office units in our lease fleet. Cost of sales is the cost of the units that we sold during the reported period and includes both our cost to buy, transport, remanufacture and modify used ocean-going containers and our cost to manufacture portable storage units and other structures. Leasing, selling and general expenses include, among other expenses, payroll and related payroll costs, advertising and other marketing expenses, real property lease expenses, commissions, repair and maintenance costs of our lease fleet and transportation equipment, stock-based compensation expense and corporate expenses for both our leasing and sales activities. Annual repair and maintenance expenses on our leased units have averaged approximately 2.9% of lease revenues over the last three fiscal years and are included in leasing, selling and general expenses. These expenses tend to increase during periods when utilization is increasing. We expense our normal repair and maintenance costs as incurred (including the cost of periodically repainting units).

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Our principal asset is our container lease fleet, which has historically maintained an appraised value close to its original cost. Our lease fleet primarily consists of remanufactured and modified steel portable storage containers, steel security offices, steel combination offices and wood mobile offices that are leased to customers under short-term operating lease agreements with varying terms. Depreciation is calculated using the straight-line method over the estimated useful life of our units, after the date that we put the unit in service, and are depreciated down to their estimated residual values. Our steel units are depreciated over 30 years with an estimated residual value of 55%. This depreciation policy is supported by our historical lease fleet data, which shows that we have been able to obtain comparable rental rates and sales prices irrespective of the age of our container lease fleet. Wood office units are depreciated over 20 years with an estimated residual value of 50%. Van trailers, which are a small part of our fleet, are depreciated over seven years to an estimated residual value of 20%. Van trailers, which are only added to the fleet as a result of acquisitions of portable storage businesses, are of much lower quality than storage containers and consequently depreciate more rapidly. We have other non-core products that have various other measures of useful lives and residual values.

The table below summarizes those transactions that effectively maintained the net book value of our lease fleet at $1.0 billion at December 31, 2011 and June 30, 2012:

	Dollars (In thousands)	Units
Lease fleet at December 31, 2011, net	$ 1,018,742	237,628
Purchases:		
Container purchases and containers acquired through acquisitions, including freight	8,097	1,703
Non-core units obtained through acquisitions, primarily van trailers	585	169
Manufactured units:		
Steel security offices	686	77
Remanufacturing and customization of units purchased or obtained in prior years	11,428(1)	340(2)
Other (3)	830	(360)
Cost of sales from lease fleet	(9,594)	(4,556)
Effect of exchange rate changes	807	
Change in accumulated depreciation, excluding sales	(10,911)	
Lease fleet at June 30, 2012, net	$ 1,020,670	235,001

(1) Does not include any routine maintenance, which is expensed as incurred.

(2) These units include the net additional units that were the result of splitting steel containers into two or more shorter units, such as splitting a 40-foot container into two 20-foot units or one 25-foot unit and one 15-foot unit, and include units moved from finished goods to the lease fleet.

(3) Includes net transfers to and from property, plant and equipment and net non-sale disposals and recoveries of the lease fleet.

The table below outlines the composition of our lease fleet (by book value and unit count) at June 30, 2012:

	Book Value (In thousands)	Number of Units	Percentage of Units
Portable storage containers	$ 615,695	190,095	81%
Steel and wood offices	543,251	40,995	17%
Van trailers	3,304	3,911	2%
Other (chassis and ancillary products)	3,606		
	1,165,856		
Accumulated depreciation	(145,186)		
Lease fleet, net	$ 1,020,670	235,001	100%

Appraisals on our fleet are conducted on a regular basis by an independent appraiser selected by our lenders. The appraiser does not differentiate in value based upon the age of the container or the length of time it has been in our fleet. The latest orderly liquidation value appraisal was conducted in October 2011 by AccuVal Associates, Incorporated. Based on the values assigned in this appraisal, on which our borrowings under our Credit Agreement are based, our lease fleet net liquidation appraisal value as of June 30, 2012 was approximately $998.3 million.

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Our average utilization rate for the second quarter of 2012 was 57.7% compared to 55.8% in the second quarter of 2011. At June 30, 2012, our utilization rate increased to 58.9%. Historically, our utilization is somewhat seasonal, with the low normally being realized in the first quarter and the high realized in the fourth quarter of each year.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2012, Compared to

Three Months Ended June 30, 2011

Total revenues for the quarter ended June 30, 2012 increased $3.6 million, or 4.0%, to $94.1 million, compared to $90.5 million for the same period in 2011. Leasing revenues for the quarter ended June 30, 2012 increased $4.4 million, or 5.7%, to $82.9 million, compared to $78.4 million for the same period in 2011. This increase in leasing revenues was driven by higher trucking revenues, increasing rental rates, product mix and an increase in the number of units on rent, which resulted in a 4.2% increase in our yield. In addition, rental rates increased 2.1% over the prior year. Our sales of portable storage and office units for the quarter ended June 30, 2012 decreased 6.6% to $10.7 million. The decrease in sales revenues primarily reflects a lower volume in units sold compared to the same period in 2011. Leasing revenues, as a percentage of total revenues for the quarters ended June 30, 2012 and 2011 were 88.0% and 86.6%, respectively. Our leasing business continues to be our primary focus and leasing revenues have and continue to be the predominant part of our revenue mix.

Cost of sales is the cost related to our sales revenues only. Cost of sales was 61.2% and 61.4% of sales revenue for the quarters ended June 30, 2012 and 2011, respectively. Although we sold fewer units, the units we sold were at a higher average selling price compared to the same period in 2011.

Leasing, selling and general expenses for the quarter ended June 30, 2012 increased by $5.9 million, or 12.0%, to $55.6 million, compared to $49.6 million for the same period in 2011. The major increases in leasing, selling and general expenses were: (i) delivery and freight costs due to an increase in delivery activity of units, (ii) repairs and maintenance expenses of our lease fleet as a result of an increase in delivery activity, including our office units, (iii) operating costs related to the 16 new markets we entered since the beginning of 2011 and (iv) costs associated with our new consumer initiative.

Adjusted EBITDA for the quarter ended June 30, 2012 decreased $2.1 million, or 6.1%, to $32.0 million, compared to $34.1 million for the same period in 2011. Adjusted EBITDA margins were 34.0% and 37.7% of total revenues for the three months ended June 30, 2012 and 2011, respectively. Adjusted EBITDA in 2012 was adversely impacted by approximately $2.8 million of costs associated with our new consumer initiative. Excluding this charge, adjusted EBITDA would have increased $0.7 million to $34.8 million, compared to the same period in 2011, and adjusted EBITDA margin would be approximately 37.0%.

Depreciation and amortization expense for the quarter ended June 30, 2012 was $9.1 million, compared to $9.0 million for the same period in 2011.

Interest expense for the quarter ended June 30, 2012 decreased $1.6 million, or 13.5%, to $10.2 million, compared to $11.8 million for the same period in 2011. This decrease is primarily attributable to lower average debt outstanding during the quarter, principally due to the use of operating cash flow to reduce our debt over the last year, as well as a lower weighted average interest rate. The weighted average interest rate on our debt for the three months ended June 30, 2012 was 5.4%, compared to 5.7% for the same period in 2011, excluding amortization of debt issuance and other costs. Including the amortization of debt issuance and other costs, the weighted average interest rate for the three months ended June 30, 2012 was 5.9%, compared to 6.3% in the same period in 2011.

Provision for income taxes was based on our annual estimated effective tax rate. The tax rate for the quarters ended June 30, 2012 and 2011 was 37.4% and 37.8%, respectively. Our consolidated tax provision includes the expected tax rates for our operations in the U.S., Canada, U.K. and The Netherlands. See Note K to the accompanying condensed consolidated financial statements for a further discussion on income taxes.

Net income for the quarter ended June 30, 2012 decreased $0.1 million, or 2.2%, to $7.8 million, compared to net income of $7.9 million for the same period in 2011. Our second quarter net income results include integration, merger and restructuring expenses of $0.3 million (approximately $0.2 million after tax) for each of the three months ended June 30, 2012 and 2011, respectively.

Six Months Ended June 30, 2012, Compared to

Six Months Ended June 30, 2011

Total revenues for the six months ended June 30, 2012 increased $8.7 million, or 5.0%, to $182.1 million, compared to $173.4 million for the same period in 2011. Leasing revenues for the six months ended June 30, 2012 increased $9.4 million, or 6.2%, to $160.5 million, compared to $151.1 million for the same period in 2011. This increase in leasing revenues was driven by higher trucking revenues, increasing rental rates, product mix and an increase in the number of units on rent, which resulted in a 4.3% increase in our yield. Our sales of portable storage and office units for the six months ended June 30, 2012 decreased 1.7% to $20.6 million. The decrease in sales revenues primarily reflects a lower volume of units sold compared to the same period in 2011. Leasing revenues, as a percentage of total revenues for the six months ended June 30, 2012 and 2011 were 88.1% and 87.1%, respectively. Our leasing business continues to be our primary focus and leasing revenues have and continue to be the predominant part of our revenue mix.

Cost of sales is the cost related to our sales revenues only. Cost of sales was 60.7% and 62.6% of sales revenue for the six months ended June 30, 2012 and 2011, respectively. Although we sold fewer units, the units we sold were at a higher average selling price compared to the same period in 2011.

Leasing, selling and general expenses for the six months ended June 30, 2012 increased by $12.6 million, or 13.0%, to $109.3 million, compared to $96.7 million for the same period in 2011. The major increases in leasing, selling and general expenses were: (i) delivery and freight costs due to an increase in delivery activity of units, (ii) repairs and maintenance expenses of our lease fleet as a result of an increase in delivery activity, including our office units, (iii) operating costs related to the 16 new markets we entered since the beginning of 2011, (iv) costs associated with our new consumer initiative, and (v) branch start-up costs and fleet repositioning to both new and existing markets.

Adjusted EBITDA for the six months ended June 30, 2012 decreased $3.5 million, or 5.4%, to $60.4 million, compared to $63.9 million for the same period in 2011. Adjusted EBITDA margins were 33.2% and 36.9% of total revenues for the six months ended June 30, 2012 and 2011, respectively. Adjusted EBITDA in 2012 was adversely impacted by approximately $3.5 million of costs associated with our new consumer initiative. Excluding this charge, adjusted EBITDA and adjusted EBITDA margins would be approximately $63.9 million and 35.1%, respectively.

Depreciation and amortization expense for the six months ended June 30, 2012 was $18.1 million, compared to $17.8 million for the same period in 2011.

Interest expense for the six months ended June 30, 2012 decreased $3.7 million, or 15.0%, to $20.8 million, compared to $24.5 million for the same period in 2011. This decrease is primarily attributable to lower average debt outstanding during the quarter, principally due to the use of operating cash flow to reduce our debt over the last year, as well as a lower weighted average interest rate. The weighted average interest rate on our debt for the six months ended June 30, 2012 was 5.5%, compared to 5.9% for the same period in 2011, excluding amortization of debt issuance and other costs. Including the amortization of debt issuance and other costs, the weighted average interest rate for the six months ended June 30, 2012 was 6.0%, compared 6.5% in the same period in 2011.

Debt restructuring expense for the six months ended June 30, 2011 was $1.3 million, related to the redemption of $22.3 million aggregate principal balance outstanding of our 9.75% senior notes due 2014 and represents the tender premiums and the write-off of the remaining unamortized acquisition date discount related to such notes redeemed.

Deferred financing costs write-off for the six months ended June 30, 2012 was $0.7 million and represents a portion of the deferred financing costs associated with our prior $850.0 million credit agreement, which was replaced in February 2012 with our $900.0 million Credit Agreement.

Provision for income taxes was based on our annual estimated effective tax rate. The tax rate for the six months ended June 30, 2012 was 37.7%, compared to 37.9% during the same period in 2011. Our consolidated tax provision includes the expected tax rates for our operations in the U.S., Canada, U.K. and The Netherlands. See Note K to the accompanying condensed consolidated financial statements for a further discussion on income taxes.

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Net income for the six months ended June 30, 2012 increased $0.3 million, or 2.5%, to $12.4 million, compared to net income of $12.1 million for the same period in 2011. Our second quarter net income results include integration, merger and restructuring expenses of $0.8 million and $0.5 million (approximately $0.5million and $0.3 million after tax) for the six months ended June 30, 2012 and 2011, respectively. Net income was also negatively impacted by $1.3 million in 2011 and $0.7 million in 2012 (approximately $0.8 million and $0.5 million after tax, respectively) related to debt restructuring expense and deferred financing costs write-off discussed above.

LIQUIDITY AND CAPITAL RESOURCES

Leasing is a capital-intensive business that requires us to acquire assets before they generate revenues, cash flow and earnings. The assets that we lease have very long useful lives and require relatively little recurrent maintenance expenditures. Most of the capital we have deployed in our leasing business historically has been used to expand our operations geographically, to increase the number of units available for lease at our existing locations, and to add to the mix of products we offer. During recent years, our operations have generated annual cash flow that exceeds our pre-tax earnings, particularly due to cash flow from operations and the deferral of income taxes caused by accelerated depreciation of our fixed assets in our tax return filings. For the past three years, we were cash flow positive after capital expenditures. This positive cash flow trend has continued for the six-month period ended June 30, 2012.

During the past three years, our capital expenditures and acquisitions have been funded by our cash flow from operations. Our cash flow from operations is generally weaker during the first quarter of each fiscal year, when customers who leased containers for holiday storage return the units and as a result of seasonal weather in certain of our markets. Since 2008, we have significantly reduced our capital expenditures and currently expect this trend to continue throughout 2012. In addition to cash flow generated by operations, our principal current source of liquidity is our Credit Agreement described below.

Revolving Credit Facility. On February 22, 2012, we entered into our new $900.0 million ABL Credit Agreement with Deutsche Bank AG New York Branch and other lenders party thereto (the Credit Agreement). The Credit Agreement provides for a five-year, revolving credit facility and replaced our $850.0 million credit agreement, dated June 27, 2008, as amended. All amounts outstanding under the Credit Agreement are due on February 22, 2017. The obligations of us and our subsidiary guarantors under the Credit Agreement are secured by a blanket lien on substantially all of our assets. At June 30, 2012, we had $333.5 million of borrowings outstanding and $558.5 million of additional borrowing availability under the Credit Agreement, based upon borrowing base calculations as of such date. We were in compliance with the terms of the Credit Agreement as of June 30, 2012 and were above the minimum borrowing availability threshold and therefore not subject to any financial maintenance covenants.

On August 2, 2012 after the redemption of our senior notes due 2015, we had $483.9 million of borrowings outstanding and $408.1 million of additional borrowings available under the Credit Agreement. See Note Q to the accompanying condensed consolidated financial statements for further detail.

Amounts borrowed under the Credit Agreement and repaid or prepaid during the term may be reborrowed. Outstanding amounts under the Credit Agreement bear interest at our option at either: (i) LIBOR plus a defined margin, or (ii) the Agent bank s prime rate plus a margin. The applicable margins for each type of loan will be 2.25% for LIBOR loans and 1.25% for base rate loans for six months after February 22, 2012. Thereafter, each type of loan will be based on an availability-based pricing grid and will range from 1.75% to 2.25% for LIBOR loans and 0.75% to 1.25% for base rate loans at each measurement date.

Availability of borrowings under the Credit Agreement is subject to a borrowing base calculation based upon a valuation of our eligible accounts receivable, eligible container fleet (including containers held for sale, work-in-process and raw materials) and machinery and equipment, each multiplied by an applicable advance rate or limit. The lease fleet is appraised at least once annually by a third-party appraisal firm and up to 90% of the net orderly liquidation value, as defined in the Credit Agreement, is included in the borrowing base to determine how much we may borrow under the Credit Agreement.

The Credit Agreement provides for U.K. borrowings, which are, at our option, denominated in either Pounds Sterling or Euros, by our U.K. subsidiary based upon a U.K. borrowing base; Canadian borrowings, which are denominated in Canadian dollars, by our Canadian subsidiary based upon a Canadian borrowing base; and U.S. borrowings, which are denominated in U.S. dollars, based upon a U.S. borrowing base along with any Canadian assets not included in the Canadian subsidiary.

The Credit Agreement also contains customary negative covenants, including covenants that restrict our ability to, among other things: (i) allow certain liens to attach to the Company or its subsidiary assets; (ii) repurchase or pay dividends or make certain other restricted payments on capital stock and certain other securities, prepay certain indebtedness or make acquisitions or other investments subject to Payment Conditions (as defined in the Credit Agreement); and (iii) incur additional indebtedness or engage in certain other types of financing transactions. Payment Conditions allow restricted payments and acquisitions to occur without financial covenants as long as we have $225.0 million of pro forma excess borrowing availability under the Credit Agreement. We must also comply with specified financial maintenance covenants and affirmative covenants only if we fall below $90.0 million of borrowing availability levels.

We believe our cash provided by operating activities will provide for our normal capital needs for the next twelve months. If not, we have sufficient borrowings available under our Credit Agreement to meet any additional funding requirements. We monitor the financial strength of our lenders on an ongoing basis using publicly-available information. Based upon that information, we do not presently believe that there is a likelihood that any of our lenders might not be able to honor its commitments under the Credit Agreement.

Senior Notes. At June 30, 2012, we had two series of outstanding senior notes: (i) $150.0 million aggregate principal amount of 6.875% senior notes due 2015 (the 2015 Notes), and (ii) $200.0 million aggregate principal amount of 7.875% senior notes due 2020 (the 2020 Notes and together with the 2015 Notes, the Senior Notes). The Senior Notes are more fully described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011. The $150.0 million outstanding principal balance of our 2015 Notes were fully redeemed on August 2, 2012. See Note Q to the accompanying condensed consolidated financial statements for further detail.

Operating Activities. Our cash provided by operations provided net cash flow of $33.6 million for the six months ended June 30, 2012, compared to $33.4 million during the same period in 2011. The $0.2 million increase in cash provided by operations primarily resulted from an increase in net income after giving effect to non-cash items. We used this net cash flow to fund operations and repay debt.

Investing Activities. Net cash used in investing activities was $15.0 million for the six months ended June 30, 2012, compared to net cash provided by investing activities of $0.1 million for the same period in 2011. Capital expenditures for our lease fleet were $19.3 million and proceeds from sale of lease fleet units were $16.1 million for the six months ended June 30, 2012, compared to capital expenditures of $11.2 million and proceeds of $18.0 million for the same period in 2011. We anticipate our near-term investing activities will be primarily focused on lease fleet additions in the U.K. as well as remanufacturing units previously acquired in acquisitions to meet our lease fleet standards as these units are placed on lease and to invest in our new consumer products. Capital expenditures for property, plant and equipment, net of proceeds from sales of property, plant and equipment, for the six months ended June 30, 2012 were $8.2 million, compared to $6.8 million for the same period in 2011. The expenditures for property, plant and equipment in 2012 were primarily for replacement of our transportation equipment and upgrades to technology equipment. The amount of cash that we use during any period in investing activities is almost entirely within management s discretion. We have no contracts or other arrangements pursuant to which we are required to purchase a fixed or minimum amount of capital goods in connection with any portion of our business.

Financing Activities. Net cash used in financing activities during the six months ended June 30, 2012 was $18.1 million, after incurring $7.5 million in financing costs related to our $900.0 million Credit Agreement in February 2012, compared to $31.8 million for the same period in 2011.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Our contractual obligations primarily consist of our outstanding balance under the Credit Agreement and $349.8 million of Senior Notes (net of unamortized discounts of $0.2 million) and obligations under capital leases. We also have operating lease commitments for: (i) real estate properties for the majority of our locations with remaining lease terms typically ranging from one to five years, (ii) delivery, transportation and yard equipment, typically under a five-year lease with purchase options at the end of the lease term at a stated or fair market value price, and (iii) office related equipment.

At June 30, 2012, primarily in connection with the issuance of our insurance policies, we provided certain insurance carriers and others with approximately $7.9 million in letters of credit.

We currently do not have any obligations under purchase agreements or commitments. Historically, we have entered into capitalized lease obligations from time to time. June 30, 2012, we had $1.0 million in outstanding capital lease obligations.

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OFF-BALANCE SHEET TRANSACTIONS

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

Demand from certain of our customers is somewhat seasonal. Demand for leases of our portable storage units by large retailers is stronger from September through December because these retailers need to store more inventory for the holiday season. These retailers usually return these leased units to us in December or early in the following year. This seasonality historically has caused lower utilization rates for our lease fleet and a marginal decrease in our operating cash flow during the first quarter of each year.

EFFECTS OF INFLATION

Our results of operations for the periods discussed in this report have not been significantly affected by inflation.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

Our significant accounting policies are disclosed in Note 1 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011. The following discussion addresses our most critical accounting policies, some of which require significant judgment.

Our consolidated financial statements have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the reporting period. These estimates and assumptions are based upon our evaluation of historical results and anticipated future events, and these estimates may change as additional information becomes available. The SEC defines critical accounting policies as those that are, in management s view, most important to our financial condition and results of operations and those that require significant judgments and estimates. Management believes that our most critical accounting policies relate to:

Revenue Recognition. Lease and leasing ancillary revenues and related expenses generated under portable storage containers and mobile office units are recognized on a straight-line basis. Delivery and hauling revenues and expenses from our portable storage containers and mobile office units are recognized when these services are earned. We recognize revenues from sales of containers and mobile office units upon delivery when the risk of loss passes, the price is fixed and determinable and collectability is reasonably assured. We sell our products pursuant to sales contracts stating the fixed sales price with our customers.

Share-Based Compensation. We account for share-based compensation using the modified-prospective-transition method and recognize the fair-value of share-based compensation transactions in the consolidated statements of income. The fair value of our share-based awards is estimated at the date of grant using the Black-Scholes option pricing model. The Black-Scholes valuation calculation requires us to estimate key assumptions such as future stock price volatility, expected terms, risk-free rates and dividend yield. Expected stock price volatility is based on the historical volatility of our stock. We use historical data to estimate option exercises and employee terminations within the valuation model. The expected term of options granted is derived from an analysis of historical exercises and remaining contractual life of stock options, and represents the period of time that options granted are expected to be outstanding. The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of grant. We historically have not paid cash dividends, and do not currently intend to pay cash dividends, and thus have assumed a 0% dividend rate. If our actual experience differs significantly from the assumptions used to compute our share-based compensation cost, or if different assumptions had been used, we may have recorded too much or too little share-based compensation cost. In the past, we have issued stock options and restricted stock, which we also refer to as nonvested share-awards. For stock options and nonvested share-awards subject solely to service conditions, we recognize expense using the straight-line method. For nonvested share-awards subject to service and performance conditions, we are required to assess the probability that such performance conditions will be met. If the likelihood of the performance condition being met is deemed probable, we will recognize the expense using the accelerated attribution method. In addition, for both stock options and nonvested share-awards, we are required to estimate the expected forfeiture rate of our stock grants and only recognize the expense for those shares expected to vest. If the actual forfeiture rate is materially different from our estimate, our share-based compensation expense could be materially different. We had approximately $3.1 million of total unrecognized compensation costs related to stock options at June 30, 2012 that are expected to be recognized over a weighted average period of 2.6 years and $12.5 million of total unrecognized compensation costs related to nonvested share-awards at June 30, 2012 that are expected to be recognized over a weighted average period 2.6 years. See Note F to the accompanying condensed consolidated financial statements for a further discussion of share-based compensation.

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Allowance for Doubtful Accounts. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We establish and maintain reserves against estimated losses based upon historical loss experience and evaluation of past due accounts receivable. Management reviews the level of the allowances for doubtful accounts on a regular basis and adjusts the level of the allowances as needed. If we were to increase our reserve estimates by 25%, it would have the following approximate effect on our net income and diluted EPS:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2012	2011	2012
	(In thousands except per share data)		(In thousands except per share data)	
As Reported:				
Net income	$ 7,942	$ 7,770	$ 12,093	$ 12,401
Diluted earnings per share	$ 0.18	$ 0.17	$ 0.27	$ 0.28
As adjusted for change in estimates:				
Net income	$ 7,875	$ 7,715	$ 11,949	$ 12,314
Diluted earnings per share	$ 0.18	$ 0.17	$ 0.27	$ 0.28

If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances could be required.

Impairment of Goodwill. We assess the impairment of goodwill and other identifiable intangibles on an annual basis or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Some factors we consider important that could trigger an impairment review include the following:

- significant under-performance relative to historical, expected or projected future operating results;
- significant changes in the manner of our use of the acquired assets or the strategy for our overall business;
- our market capitalization relative to net book value; and
- significant negative industry or general economic trends.

We operate in two reportable segments, which are comprised of three operating segments that also represent our reporting units (North America, the U.K. and The Netherlands). All of our goodwill was allocated between these three reporting units. At December 31, 2011, only North America and the U.K. had goodwill subject to impairment testing. We perform an annual impairment test on goodwill at December 31. In addition, we perform impairment tests during any reporting period in which events or changes in circumstances indicate that an impairment may have occurred.

In assessing the fair value of the reporting units, we consider both the market approach and the income approach. Under the market approach, the fair value of the reporting unit is based on quoted market prices of companies comparable to the reporting unit being valued. Under the income approach, the fair value of the reporting unit is based on the present value of estimated cash flows. The income approach is dependent on a number of significant management assumptions, including estimated future revenue growth rates, gross margins on sales, operating margins, capital expenditures, tax payments and discount rates. Each approach is given equal weight in arriving at the fair value of the reporting unit. As of December 31, 2011, management assessed qualitative factors and determined it is more likely than not each of our two reporting units assigned goodwill had estimated fair values greater than the respective reporting unit s individual net asset carrying values; therefore, the two step impairment test was not required.

At June 30, 2012, there were no significant negative changes to the future projected cash flows or to the general or specific economic trends since the last annual test indicating the need for testing goodwill recoverability.

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Impairment of Long-Lived Assets. We review property, plant and equipment and intangibles with finite lives (those assets resulting from acquisitions) for impairment when events or circumstances indicate these assets might be impaired. We test impairment using historical cash flows and other relevant facts and circumstances as the primary basis for our estimates of future cash flows. This process requires the use of estimates and assumptions, which are subject to a high degree of judgment. If these assumptions change in the future, whether due to new information or other factors, we may be required to record impairment charges for these assets.

Depreciation Policy. Our depreciation policy for our lease fleet uses the straight-line method over the estimated useful life of our units, after the date that we put the unit in service, and are depreciated down to their estimated residual values. Our steel units are depreciated over 30 years with an estimated residual value of 55%. Wood offices units are depreciated over 20 years with an estimated residual value of 50%. Van trailers, which are a small part of our fleet, are depreciated over seven years to an estimated residual value of 20%. We have other non-core products that have various other measures of useful lives and residual values. Van trailers and other non-core products are only added to the fleet as a result of acquisitions of portable storage businesses.

We periodically review our depreciation policy against various factors, including the results of our lenders independent appraisal of our lease fleet, practices of other competitors in our industry, profit margins we achieve on sales of depreciated units and lease rates we obtain on older units. If we were to change our depreciation policy on our steel units from a 55% residual value and a 30-year life to a lower or higher residual value and a shorter or longer useful life, such change could have a positive, negative or neutral effect on our earnings, with the actual effect being determined by the extent of the change. For example, a change in our estimates used in our residual values and useful life would have the following approximate effect on our net income and diluted EPS as reflected in the table below.

	Salvage Value	Useful Life in Years	Three Months Ended June 30, 2011	Three Months Ended June 30, 2012	Six Months Ended June 30, 2011	Six Months Ended June 30, 2012
			(In thousands except per share data)		(In thousands except per share data)	
As Reported:	55%	30				
Net income			$ 7,942	$ 7,770	$ 12,093	$ 15,545
Diluted earnings per share			$ 0.18	$ 0.17	$ 0.27	$ 0.35
As adjusted for change in estimates:	70%	20				
Net income			$ 7,942	$ 7,770	$ 12,093	$ 15,545
Diluted earnings per share			$ 0.18	$ 0.17	$ 0.27	$ 0.35
As adjusted for change in estimates:	62.5%	25				
Net income			$ 7,942	$ 7,770	$ 12,093	$ 15,545
Diluted earnings per share			$ 0.18	$ 0.17	$ 0.27	$ 0.35
As adjusted for change in estimates:	50%	20				
Net income			$ 6,500	$ 6,295	$ 9,220	$ 12,607
Diluted earnings per share			$ 0.15	$ 0.14	$ 0.21	$ 0.28
As adjusted for change in estimates:	47.5%	35				
Net income			$ 7,942	$ 7,770	$ 12,093	$ 15,545
Diluted earnings per share			$ 0.18	$ 0.17	$ 0.27	$ 0.35
As adjusted for change in estimates:	40%	40				
Net income			$ 7,942	$ 7,770	$ 12,093	$ 15,545
Diluted earnings per share			$ 0.18	$ 0.17	$ 0.27	$ 0.35
As adjusted for change in estimates:	30%	25				
Net income			$ 6,067	$ 5,853	$ 8,359	$ 11,726
Diluted earnings per share			$ 0.14	$ 0.13	$ 0.19	$ 0.26
As adjusted for change in estimates:	25%	25				
Net income			$ 5,779	$ 5,558	$ 7,784	$ 11,138
Diluted earnings per share			$ 0.13	$ 0.12	$ 0.17	$ 0.25

Insurance Reserves. Our worker s compensation, auto and general liability insurance are purchased under large deductible programs. Our current per incident deductibles are: worker s compensation $250,000, auto $500,000 and general liability $100,000. We provide for the estimated expense relating to the deductible portion of the individual claims. However, we generally do not know the full amount of our exposure to a deductible in connection with any particular claim during the fiscal period in which the claim is incurred and for which we must make an accrual for the deductible expense. We make these accruals based on a combination of the claims development experience of our staff and our insurance companies. At year end, the accrual is reviewed and adjusted, in part, based on an independent actuarial review of historical loss data and using certain actuarial assumptions followed in the insurance industry. A high degree of judgment is required in developing these estimates of amounts to be accrued, as well as in connection with the underlying assumptions. In addition, our assumptions will change as our loss experience is developed. All of these factors have the potential for significantly impacting the amounts we have previously reserved in respect of anticipated deductible expenses, and we may be required in the future to increase or decrease amounts previously accrued.

Our North America health benefits programs are considered to be self-insured products; however, we buy excess insurance coverage that limits our medical liability exposure on a per individual insured basis. Additionally, our medical program has a limitation on our total aggregate claim exposure and we accrue and reserve to the total projected losses. Our Canadian and European employees are primarily provided medical coverage through their governmental national insurance programs.

Contingencies. We are a party to various claims and litigation in the normal course of business. Management s current estimated range of liability related to various claims and pending litigation is based on claims for which our management can determine that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Because of the uncertainties related to both the probability of incurred and possible range of loss on pending claims and litigation, management must use considerable judgment in making a reasonable determination of the liability that could result from an unfavorable outcome. As additional information becomes available, we will assess the potential liability related to our pending litigation and revise our estimates. Such revisions in our estimates of the potential liability could materially impact our results of operation. We do not anticipate the resolution of such matters known at this time will have a material adverse effect on our business or consolidated financial position.

Deferred Taxes. In preparing our consolidated financial statements, we recognize income taxes in each of the jurisdictions in which we operate. For each jurisdiction, we estimate the actual amount of taxes currently payable or receivable as well as deferred tax assets and liabilities attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

A valuation allowance is provided for those deferred tax assets for which it is more likely than not that the related benefits will not be realized. In determining the amount of the valuation allowance, we consider estimated future taxable income as well as feasible tax planning strategies in each jurisdiction. If we determine that we will not realize all or a portion of our deferred tax assets, we will increase our valuation allowance with a charge to income tax expense or offset goodwill if the deferred tax asset was acquired in a business combination. Conversely, if we determine that we will ultimately be able to realize all or a portion of the related benefits for which a valuation allowance has been provided, all or a portion of the related valuation allowance will be reduced with a credit to income tax expense except if the valuation allowance was created in conjunction with a tax asset in a business combination.

Purchase Accounting. We account for acquisitions under the purchase method. Under the purchase method of accounting, the price paid by us, is allocated to the assets acquired and liabilities assumed based upon the estimated fair values of the assets and liabilities acquired at the date of acquisition. The excess of the purchase price over the fair value of the net assets and liabilities acquired represents goodwill that is subject to annual impairment testing.

Earnings Per Share. Basic net income per share is calculated by dividing income allocable to common stockholders by the weighted average number of common shares outstanding, net of shares subject to repurchase by us during the period. Income allocable to common stockholders is net income less the earnings allocable to preferred stockholders, if applicable. Diluted net income per share is calculated under the if-converted method unless the conversion of the preferred stock is anti-dilutive to basic net income per share. Potential common shares include restricted common stock and incremental shares of common stock issuable upon the exercise of stock options and vesting of nonvested stock awards and upon conversion of convertible preferred stock using the treasury stock method.

There have been no changes in our critical accounting policies, estimates and judgments during the six month period ended June 30, 2012.

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RECENT ACCOUNTING PRONOUNCEMENTS

Comprehensive Income. In June 2011, the Financial Accounting Standards Board (FASB) issued an amendment to the existing guidance on the presentation of comprehensive income. Under the amended guidance, entities have the option to present the components of net income and other comprehensive income in either a single continuous statement of comprehensive income or in two separate but consecutive statements. Entities no longer have the option of presenting the components of other comprehensive income within the statement of changes in stockholders equity. This amendment is effective on a retrospective basis for fiscal years, and interim periods within those years, beginning after December 15, 2011, which for us is the first quarter of 2012. The adoption of this amendment resulted in a change to our current presentation of comprehensive income, but did not have any impact on our consolidated financial statements and related disclosures.

Under the amended guidance discussed in the preceding paragraph, an entity is required to present the effect of reclassification adjustments out of accumulated other comprehensive income in both net income and other comprehensive income in the financial statements. In December 2011, the FASB issued an amendment to this provision and decided to defer the effective date, pending reconsideration, of the presentation requirements for reclassification adjustments of items out of accumulated other comprehensive income. We do not anticipate that the adoption of this amendment, when it becomes effective, will have a material impact on our consolidated financial statements and related disclosures.

Fair Value Measurement. In May 2011, the FASB issued amendments to the existing guidance on fair value measurement. The amendments are intended to create consistency between GAAP and International Financial Reporting Standards on measuring fair value and disclosing information about fair value measurements. The amendments clarify the application of existing fair value measurement requirements including: (i) the application of the highest and best use valuation premise concepts; (ii) measuring the fair value of an instrument classified in a reporting entity s stockholders equity; and (iii) quantitative information required for fair value measurements categorized within Level 3. In addition, the amendments require additional disclosure for Level 3 measurements regarding the sensitivity of fair value to changes in unobservable inputs and any interrelationships between those inputs. These amendments are effective for interim and annual periods beginning after December 15, 2011, which for us is calendar year 2012. These changes are required to be applied prospectively. The adoption of these amendments did not have a material impact on our consolidated financial statements and related disclosures.

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CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This section and other sections of this report contain forward-looking information about our financial results and estimates and our business prospects that involve substantial risks and uncertainties. From time to time, we also may provide oral or written forward-looking statements in other materials we release to the public. Forward-looking statements are expressions of our current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historic or current facts. They include words such as anticipate, estimate, expect, project, intend, plan, believe, will, and other words and terms of similar meaning in connection with any discussion o operating or financial performance. In particular, these include statements relating to future actions, future performance or results, expenses, the outcome of contingencies, such as legal proceedings, and financial results. Factors that could cause actual results to differ materially from projected results include, without limitation:

- a continued economic slowdown in the U.S. and/or the U.K. that affects any significant portion of our customer base, or the geographic regions where we operate in those countries;
- our ability to manage growth or integrate acquisitions at existing or new locations;
- our European operations may divert our resources from other aspects of our business;
- our ability to obtain borrowings under our Credit Agreement or additional debt or equity financing on acceptable terms;
- our ability to maintain a continuous and secure cyber network with regards to information technology;
- changes in the supply and cost of the raw materials we use in refurbishing or remanufacturing storage units;
- competitive developments affecting our industry, including pricing pressures in newer markets;
- the timing, effectiveness and number of new markets we enter;
- our ability to protect our patents and other intellectual property;
- currency exchange and interest rate fluctuations;
- governmental laws and regulations affecting domestic and foreign operations, including tax obligations, union formation and zoning laws;
- changes in generally accepted accounting principles;
- changes in local zoning laws affecting either our ability to operate in certain areas or our customer s ability to use our products;

- any changes in business, political and economic conditions due to the threat of future terrorist activity in the U.S. and other parts of the world and related U.S. military action overseas; and

- increases in costs and expenses, including the cost of raw materials, litigation, compliance obligations, real estate and employment costs.

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from past results and those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our Form 10-Q, 8-K and 10-K reports filed with the SEC. Our Form 10-K filing for the fiscal year ended December 31, 2011 listed various important factors that could cause actual results to differ materially from expected and historic results. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995, as amended. Readers can find them in Item 1A. Risk Factors of that filing and under the same heading of this filing. You may obtain a copy of our Form 10-K by requesting it from our Investor Relations Department at (480) 894-6311 or by mail to Mobile Mini, Inc., 7420 S. Kyrene Road, Suite 101, Tempe, Arizona 85283. Our filings with the SEC, including the Form 10-K, may be accessed through Mobile Mini s website at *www.mobilemini.com*, and at the SEC s website at *www.sec.gov*. Material on our website is not incorporated into this report, except by express incorporation by reference herein.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Swap Agreements. We seek to reduce earnings and cash flow volatility associated with changes in interest rates through a financial arrangement intended to provide a hedge against a portion of the risks associated with such volatility. We continue to have exposure to such risks to the extent they are not hedged. Interest rate swap agreements are the only instruments we have used to manage interest rate fluctuations affecting our variable rate debt. At June 30, 2012, we did not have any outstanding interest rate swap agreements.

Impact of Foreign Currency Rate Changes. We currently have branch operations outside the U.S. and we bill those customers primarily in their local currency, which is subject to foreign currency rate changes. Our operations in Canada are billed in the Canadian Dollar, operations in the U.K. are billed in Pound Sterling and operations in The Netherlands are billed in the Euro. We are exposed to foreign exchange rate fluctuations as the financial results of our non-U.S. operations are translated into U.S. Dollars. The impact of foreign currency rate changes has historically been insignificant with our Canadian operations, but we have more exposure to volatility with our European operations. In order to help minimize our exchange rate gain and loss volatility, we finance our European entities through our Credit Agreement, which allows us, at our option, to borrow funds locally in Pound Sterling denominated debt.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of the end of the period covered by this quarterly report on Form 10-Q, the Company s disclosure controls and procedures, subject to the limitations as noted below, were effective such that the information relating to the Company required to be disclosed in our SEC reports (i) is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and (ii) is accumulated and communicated to the Company s management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls.

There were no changes in our internal controls over financial reporting that have occurred during the fiscal quarter covered by this report 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 1A. RISK FACTORS

We refer you to documents filed by us with the SEC, specifically Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, which identify important risk factors that could materially affect our business, financial condition and future results. We also refer you to the factors and cautionary language set forth in the section entitled Cautionary Statements Regarding Forward-looking Statements in Item 2. Management s Discussion and Analysis of Financial Conditions and Results of Operations of this quarterly report on Form 10-Q. This quarterly report on Form 10-Q, including the accompanying condensed consolidated financial statements and related notes, should be read in conjunction with such risks and other factors for a full understanding of our operations and financial condition. The risks described in our Form 10-K and herein are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results. The risk factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 have not materially changed.

ITEM 6. EXHIBITS

Number	Description
23.2*	Consent of Independent Valuation Firm
31.1*	Certification of Chief Executive Officer pursuant to Item 601(b)(31) of Regulation S-K
31.2*	Certification of Chief Financial Officer pursuant to Item 601(b)(31) of Regulation S-K
32.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to item 601(b)(32) of Regulation S-K
101.INS***	XBRL Instance Document
101.SCH***	XBRL Taxonomy Extension Schema Document
101.CAL***	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF***	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB***	XBRL Taxonomy Extension Label Linkbase Document
101.PRE***	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.
** Furnished herewith.
*** Furnished herewith. In accordance with Rule 406T of Regulation S-T, the information in these exhibits shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.

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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.

MOBILE MINI, INC.

Date: August 9, 2012

/s/ Mark E. Funk
Mark E. Funk
Chief Financial Officer