General Finance CORP
Form 10-Q
May 14, 2010

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U. S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended March 31, 2010

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from __________ to __________.

Commission file number 001-32845

(Exact Name of Registrant as Specified in its Charter)

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

39 East Union Street
Pasadena, CA 91103
(Address of Principal Executive Offices)
(626) 584-9722
(Registrant s Telephone Number, Including Area Code)

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

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

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

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

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

State the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: 17,826,052 shares issued and outstanding as of April 30, 2010.

GENERAL FINANCE CORPORATION
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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

GENERAL FINANCE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands, except share and per share data)

	June 30, 2009	March 31, 2010 (Unaudited)
Assets		
Cash and cash equivalents	$ 3,346	$
Trade and other receivables, net of allowance for doubtful accounts of $2,642 at June 30, 2009 and $2,668 at March 31, 2010	26,432	20,130
Inventories	22,511	19,516
Prepaid expenses	1,883	2,442
Total current assets	54,172	42,088
Lease receivables	1,163	1,020
Property, plant and equipment, net	10,460	10,532
Lease fleet, net	188,915	196,040
Goodwill	73,917	77,725
Intangible assets, net	30,058	27,465
Other assets	11	100
Total assets	$ 358,696	$ 354,970
Current liabilities		
Trade payables and accrued liabilities	$ 24,422	$ 23,303
Current portion of long-term debt and obligations	16,371	24,765
Unearned revenue and advance payments	8,461	8,277
Total current liabilities	49,254	56,345
Non-current liabilities		
Long-term debt and obligations, net of current portion	183,933	165,546
Deferred tax liabilities	13,822	13,583
Employee benefits and other non-current liabilities	235	381
Total non-current liabilities	197,990	179,510

Commitments and contingencies (Note 8)				
Redeemable noncontrolling interest (Note 8)		8,278		10,559
Stockholders equity				
Cumulative preferred stock, $.0001 par value: 1,000,000 shares authorized; 26,000 shares issued and outstanding (in series) and stated at liquidation value ($1,386 and $1,437 total liquidation preference at June 30, 2009 and March 31, 2010, respectively)		1,345		1,395
Common stock, $.0001 par value: 100,000,000 shares authorized; 17,826,052 shares outstanding		2		2
Additional paid-in capital		105,314		105,929
Accumulated other comprehensive income (loss)		(4,963)		1,717
Retained earnings (Accumulated deficit)		1,476		(487)
Total stockholders equity		103,174		108,556
Total liabilities and stockholders equity	$	358,696	$	354,970

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

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GENERAL FINANCE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(In thousands, except share and per share data)
(Unaudited)

	Quarter Ended March 31, 2009	Quarter Ended March 31, 2010	Nine Months Ended March 31, 2009	Nine Months Ended March 31, 2010
Revenues				
Sales	$ 14,769	$ 19,234	$ 57,093	$ 55,135
Leasing	19,686	19,251	51,616	57,715
	34,455	38,485	108,709	112,850
Costs and expenses				
Cost of sales (exclusive of the items shown separately below)	11,115	15,311	43,972	42,865
Direct costs of leasing operations	5,986	6,426	16,313	19,418
Selling and general expenses	8,219	9,191	25,008	27,943
Depreciation and amortization	3,882	4,578	11,161	14,929
Operating income	5,253	2,979	12,255	7,695
Interest income	58	56	244	178
Interest expense	(3,308)	(3,932)	(13,388)	(11,771)
Foreign currency exchange gain (loss) and other	(1,860)	578	(12,575)	3,716
	(5,110)	(3,298)	(25,719)	(7,877)
Income (loss) before provision for income taxes and noncontrolling interest	143	(319)	(13,464)	(182)
Provision (benefit) for income taxes	50	(116)	(4,685)	(66)
Net income (loss)	93	(203)	(8,779)	(116)
Noncontrolling interest	177	(576)	3,017	(1,722)
Net income (loss) attributable to stockholders	$ 270	$ (779)	$ (5,762)	$ (1,838)

Net income (loss) per common share:

Basic	$ 0.01	$ (0.05)	$ (0.35)	$ (0.11)
Diluted	0.01	(0.05)	(0.35)	(0.11)
Weighted average shares outstanding:				
Basic	17,826,052	17,826,052	16,482,986	17,826,052
Diluted	17,826,052	17,826,052	16,482,986	17,826,052

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

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GENERAL FINANCE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended March 31,	
	2009	**2010**
Net cash provided by operating activities (Note 9)	$ 9,636	$ 24,472
Cash flows from investing activities:		
Proceeds from sales of property, plant and equipment	109	37
Business acquisitions, net of cash acquired	(20,989)	
Purchases of property, plant and equipment	(2,483)	(1,369)
Purchases of lease fleet	(14,086)	(3,320)
Purchase of intangible assets	(33)	
Net cash used by investing activities	(37,482)	(4,652)
Cash flows from financing activities:		
Proceeds (repayments) on capital leasing activities	579	(214)
Proceeds from (repayments of) long-term borrowings	23,903	(21,662)
Proceeds from issuances of capital	1,186	50
Cumulative dividends paid	(21)	(125)
Net cash provided (used) by financing activities	25,647	(21,951)
Net decrease in cash	(2,199)	(2,131)
Cash and equivalents at beginning of period	2,772	3,346
The effect of foreign currency translation on cash	(573)	(1,215)
Cash and equivalents at end of period	$	$

Non-cash investing and financing activities:
On October 1, 2008, the Company issued a subordinated promissory note of $1,500 and common stock of $25,600 as part of the consideration for the Pac-Van acquisition (see Note 1).
On December 8, 2008, the Company issued preferred stock of $100 as part of the consideration for a small acquisition (see Note 3).

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

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GENERAL FINANCE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Organization and Business Operations

Organization

General Finance Corporation (GFN) was incorporated in Delaware in October 2005 to effect a business combination with one or more operating businesses in the rental services and specialty finance sectors. From inception through September 13, 2007, GFN had no business or operations. References to the Company in these Notes are to GFN and its consolidated subsidiaries. These subsidiaries include GFN U.S. Australasia Holdings, Inc., a Delaware corporation (GFN U.S.); GFN North America Corp., a Delaware corporation (GFNNA); GFN Mobile Storage Inc., a Delaware corporation (GFNMS); GFN Australasia Holdings Pty Ltd., an Australian corporation (GFN Holdings); GFN Australasia Finance Pty Ltd, an Australian corporation (GFN Finance); RWA Holdings Pty Limited (RWA), an Australian corporation, and its subsidiaries (collectively, Royal Wolf); and Pac-Van, Inc., an Indiana corporation (combined with GFNMS, Pac-Van).

Acquisition of Royal Wolf

On September 13, 2007 (September 14 in Australia), the Company completed the acquisition of Royal Wolf through the acquisition of all of the outstanding shares of RWA. Based upon the actual exchange rate of one Australian dollar to $0.8407 U.S. dollar realized in connection with payments made upon completion of the acquisition, the purchase price paid to the sellers for the RWA shares was $64.3 million, including deposits of $1,005,000 previously paid in connection with the acquisition. The Company paid the purchase price, less the deposits, by a combination of cash in the amount of $44.7 million plus the issuance to Bison Capital Australia, L.P., (Bison Capital), one of the sellers, of shares of common stock of GFN U.S.; and the issuance of a note to Bison Capital. As a result of this structure, the Company owns 86.2% of the outstanding capital stock of GFN U.S. and Bison Capital owns 13.8% of the outstanding capital stock of GFN U.S.

Royal Wolf leases and sells storage containers, portable container buildings and freight containers in Australia and New Zealand, which is considered geographically by the Company to be the Asia-Pacific area.

Acquisition of Pac-Van

The Company s long-term strategy is to acquire and conduct operations in North America, Europe and the Asia-Pacific area. The acquisition of Pac-Van gave the Company the opportunity to enter and participate in the United States with an experienced management team. On October 1, 2008, the Company completed its acquisition of Pac-Van through a merger with Mobile Office Acquisition Corp. (MOAC), the parent of Pac-Van, and the Company s wholly-owned subsidiary formed in July 2008, GFNNA. Pac-Van leases and sells modular buildings, mobile offices and storage containers in the United States.

The Company, in addition to assuming Pac-Van s long-term debt, paid the purchase price to the stockholders of MOAC by a combination of $19.4 million in cash, 4,000,000 shares of GFN restricted common stock (valued at $25.6 million) and a 20-month subordinated promissory note in the aggregate principal amount of $1.5 million bearing interest at 8% per annum. The note and 1,133,333 shares of the restricted common stock will secure the indemnification obligations for 20 months and 36 months, respectively. Among other things, the Company and the stockholders of MOAC entered into a stockholders agreement which provided registration rights which may be exercised after June 30, 2009. In addition, in connection with the acquisition, the Company granted options to certain key employees of Pac-Van and to a former stockholder of MOAC, who became a non-employee member of Company s Board of Directors effective on that date, to purchase 347,000 and 9,000 shares of common stock, respectively, at an exercise price equal to the closing market price of the Company s common stock as of October 1, 2008, or $6.40.

The total purchase consideration, including the Company s transaction costs of approximately $0.9 million has been allocated to tangible and intangible assets acquired, including goodwill (which will not be deductible for tax purposes), and liabilities assumed based on their estimated fair market values as of October 1, 2008, as follows (in thousands):

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GENERAL FINANCE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	October 1, 2008
Fair value of the net tangible assets acquired and liabilities assumed:	
Cash and cash equivalents	$ 1,517
Trade and other receivables	15,035
Inventories	10,145
Prepaid expenses	398
Property, plant and equipment	3,473
Lease fleet	108,134
Other assets	
Trade payables and accrued liabilities	(12,880)
Unearned revenue and advance payments	(7,414)
Long-term debt	(107,600)
Deferred income taxes	(17,405)
Total net tangible assets acquired and liabilities assumed	(6,597)
Fair value of intangible assets acquired:	
Customer base	4,850
Trade name	2,200
Deferred financing costs	191
Goodwill	46,794
Total intangible assets acquired	54,035
Total purchase consideration	$ 47,438

The accompanying consolidated statements of operations reflect the operating results of the Company following the date of acquisition of Pac-Van and do not reflect the operating results of Pac-Van prior to the acquisition date. The following unaudited pro forma information for the nine months ended March 31, 2009 assumes the acquisition of Pac-Van occurred at the beginning of the period (in thousands, except per share data):

	Nine Months Ended March 31, 2009
Revenues	$ 131,351
Net loss attributable to stockholders	(4,438)
Pro forma net loss per common share:	
Basic	$ (0.25)
Diluted	(0.25)

The pro forma results are not necessarily indicative of the results that may have actually occurred had the acquisition taken place on the date noted, or the future financial position or operating results of the Company. The pro forma adjustments are based upon available information and assumptions that the Company believes are reasonable. The pro forma adjustments include adjustments for increased interest expense, as well as increased depreciation and amortization expense as a result of the application of the purchase method of accounting.

GENERAL FINANCE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with United States generally accepted accounting principles (U.S. GAAP) applicable to interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (which include all significant normal and recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for all periods presented have been made. The accompanying results of operations are not necessarily indicative of the operating results that may be expected for the entire year ending June 30, 2010. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes thereto of the Company, which are included in the Company s Annual Report on Form 10-K for the year ended June 30, 2009 filed with the Securities and Exchange Commission (SEC).

Certain reclassifications have been made to conform to the current period presentation.

Unless otherwise indicated, references to FY 2009 and FY 2010 are to the nine months ended March 31, 2009 and 2010, respectively.

Principles of Consolidation

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

Foreign Currency Translation

The Company s functional currency for its operations in the Asia-Pacific area is the local currency, which is primarily the Australian (AUS) dollar. All adjustments resulting from the translation of the accompanying consolidated financial statements from the functional currency into reporting currency are recorded as a component of stockholders equity in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 830, *Foreign Currency Matters*. All assets and liabilities are translated at the rates in effect at the balance sheet dates; and revenues, expenses, gains and losses are translated using the average exchange rates during the periods. Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognized in the statement of operations. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates prevailing at the dates the fair value was determined.

Segment Information

FASB ASC Topic 280, *Segment Reporting*, establishes standards for the way companies report information about operating segments in annual financial statements. It also establishes standards for related disclosures about products and services, geographic areas and major customers. Based on the provisions of FASB ASC Topic 280 and the manner in which the chief operating decision maker analyzes the business, the Company has determined it has two separately reportable geographic and operating segments, North America (Pac-Van, including corporate headquarters) and the Asia-Pacific area (Royal Wolf).

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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GENERAL FINANCE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Inventories

Inventories are stated at the lower of cost or market (net realizable value). Inventories consist primarily of containers, modular buildings and mobile offices held for sale or lease and are comprised of the following (in thousands):

	June 30, 2009	March 31, 2010
Finished goods	$ 21,170	$ 19,200
Work in progress	1,341	316
	$ 22,511	$ 19,516

Derivative Financial Instruments

The Company may use derivative financial instruments to hedge its exposure to foreign currency and interest rate risks arising from operating, financing and investing activities. The Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognized immediately in the statement of operations.

Property, Plant and Equipment

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

	Estimated Useful Life	June 30, 2009	March 31, 2010
Land		$ 1,486	$ 1,632
Building	40 years	230	253
Transportation and plant equipment (including capital lease assets)	3 10 years	9,010	11,280
Furniture, fixtures and office equipment	3 10 years	3,017	2,903
		13,743	16,068
Less accumulated depreciation and amortization		(3,283)	(5,536)
		$ 10,460	$ 10,532

Lease Fleet

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

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

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recorded for temporary differences between the financial reporting basis and income tax basis of assets and liabilities at the balance sheet date multiplied by the applicable tax rates. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is recorded for the amount of income tax payable or refundable for the period increased or decreased by the change in deferred tax assets and liabilities during the period.

The Company files U.S. Federal tax returns, multiple U.S. state (and state franchise) tax returns and Australian tax returns. For U.S. Federal tax purposes, all periods subsequent to June 30, 2007 are subject to examination by the U.S. Internal Revenue Service (IRS). The Company believes that its income tax filing positions and deductions would be sustained on audit and does not anticipate any adjustments that would result in a material change. Therefore, no reserves for uncertain income tax positions have been recorded. In addition, the Company does not anticipate that the total amount of unrecognized tax benefit related to any particular tax position will change significantly within the next 12 months.

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

GENERAL FINANCE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Net Income per Common Share

Basic net income per common share is computed by dividing net income attributable to stockholders, less dividends declared (or accumulated) on cumulative preferred stock (Note 3), by the weighted-average number of shares of common stock outstanding during the periods. Diluted net income per common share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. The potential dilutive securities the Company has outstanding are warrants and stock options. The following is a reconciliation of weighted average shares outstanding used in calculating earnings per common share:

	Quarter Ended March 31,		Nine Months Ended March 31,	
	2009	2010	2009	2010
Basic	17,826,052	17,826,052	16,482,986	17,826,052
Assumed exercise of warrants				
Assumed exercise of stock options				
Diluted	17,826,052	17,826,052	16,482,986	17,826,052

Potential common stock equivalents (consisting of units, warrants and stock options) totaling 8,444,380 and 6,444,380, respectively, for the quarter and nine months ended March 31, 2009 and 8,350,040 for the quarter and nine months ended March 31, 2010 have been excluded from the computation of diluted earnings per share because the effect is anti-dilutive.

Recently Issued Accounting Pronouncements

Effective July 1, 2009, the FASB ASC became the single official source of authoritative, nongovernmental U.S. GAAP. The historical U.S. GAAP hierarchy was eliminated and the ASC became the only level of authoritative U.S. GAAP, other than guidance issued by the SEC. The Company s accounting policies were not affected by the conversion to ASC. However, references to specific accounting standards in the notes to our consolidated financial statements have been changed to refer to the appropriate section of the ASC.

In April 2009, the FASB issued a pronouncement on what is now codified as FASB ASC Topic 825, *Financial Instruments*. This pronouncement amends previous topic guidance to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies, as well as in annual financial statements. The pronouncement was effective for interim reporting periods ending after June 15, 2009 and its adoption resulted in additional disclosures in the Company s interim consolidated financial statements (see Note 5).

In April 2009, the FASB issued a pronouncement on what is now codified as FASB ASC Topic 805*, Business Combinations*. This pronouncement provides new guidance that changes the accounting treatment of contingent assets and liabilities in business combinations under previous topic guidance and is effective for contingent assets or liabilities acquired in business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after December 15, 2008. The adoption of this pronouncement did not have a material effect on the Company s consolidated financial statements currently, but its effects will depend on the nature of future acquisitions completed by the Company.

Effective July 1, 2009, the Company adopted the provisions of a pronouncement issued in December 2007 on what is now codified as FASB ASC Topics 805, *Business Combinations,* and 810, *Consolidation*. Certain provisions of this pronouncement are required to be adopted retrospectively for all periods presented. In accordance with these provisions, minority interest is now referred to as noncontrolling interest and consolidated net income or loss has been recast to include net income or loss attributable to the noncontrolling interest

GENERAL FINANCE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 3. Cumulative Preferred Stock

The Company is conducting private placements of Series A 12.5% Cumulative Preferred Stock, par value $0.0001 per share and liquidation preference of $50 per share (Series A Preferred Stock); and Series B 8% Cumulative Preferred Stock par value of $0.0001 per share and liquidation value of $1,000 per share (Series B Preferred Stock). The Series B Preferred Stock is offered primarily in connection with business combinations.

The Series A Preferred Stock and the Series B Preferred Stock are referred to collectively as the Cumulative Preferred Stock.

Upon issuance of the Cumulative Preferred Stock, the Company records the liquidation value as the preferred equity in the consolidated balance sheet, with any issuance or offering costs as a reduction in additional paid-in capital. As of March 31, 2010, the Company had issued 25,900 shares and 100 shares of Series A Preferred Stock and Series B Preferred Stock for total proceeds of $1,295,000 and $100,000, respectively.

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

As of March 31, 2010, since issuance, dividends paid or payable totaled $177,000 and $10,000 for the Series A Preferred Stock and Series B Preferred Stock, respectively. The unaudited characterization of dividends for Federal income tax purposes is made based upon the earnings and profits of the Company, as defined by the Internal Revenue Code.

Note 4. Long-Term Debt and Obligations

The following is a discussion of the Company s significant long-term debt facilities and notes.

Royal Wolf Senior Credit Facility and Subordinated Notes

Royal Wolf has a senior credit facility, as amended, with Australia and New Zealand Banking Group Limited (ANZ). The facility is subject to annual reviews by ANZ and is secured by assets of the Company s Australian and New Zealand subsidiaries. The aggregate ANZ facility is comprised of various sub-facilities, most of which do not provide additional borrowing availability. In addition, the $5,149,000 (AUS$5,600,000) multi-option facility for the lease financing of accommodation units, which was unused at June 30, 2009, has been eliminated. As of March 31, 2010, based upon the exchange rate of one Australian dollar to $0.9195 U.S. dollar and one New Zealand dollar to $0.7736 Australian dollar, borrowings and availability under the ANZ credit facility totaled $79,045,000 (AUS$85,965,000) and $2,617,000 (AUS$2,846,000), respectively. Principal payments for the fiscal year ending June 30, 2010 are required to total at least 80% of Free Cash Flow, as defined; payable at a minimum of $1,150,000 (AUS$1,250,000) per quarter during the interim, with the balance to be paid within 60 days from June 30, 2010. Principal payments vary through the scheduled maturity of the facility on September 14, 2012, but approximately $16,631,000 (AUS$18,087,000) is currently due over the subsequent twelve months ended March 31, 2011. Approximately $12,159,000 (AUS$13,224,000) of the borrowings under the ANZ credit facility at March 31, 2010 bears interest at ANZ s prime rate, plus 4.15% per annum and is due on July 1, 2010; with substantially the balance of the borrowings bearing interest at ANZ s prime rate, plus 3.15% per annum. As of March 31, 2010, the weighted-average interest rate was 8.3%; which includes the effect of interest rate swap contracts and options (caps).

GENERAL FINANCE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The ANZ senior credit facility is subject to certain covenants, including compliance with specified consolidated senior and total interest coverage and senior and total debt ratios, as defined, for each financial quarter based on earnings before interest, income taxes, depreciation and amortization and other non-operating costs (EBITDA), as defined, on a year-to-date or trailing twelve-month (TTM) basis; and restrictions on the payment of dividends, loans and payments to affiliates and granting of new security interests on the assets of any of the secured entities. A change of control in any of GFN Holdings or its direct and indirect subsidiaries without the prior written consent of ANZ constitutes an event of default under the facility. The ANZ senior credit facility further provides, among other things, that the $5,500,000 due Bison Capital on July 1, 2010 (see below) must be paid by a capital infusion from GFN, that at least 50% of the amounts owed under the Bison Notes be hedged by Royal Wolf for foreign currency exchange risks and that capital expenditures of property, plant and equipment over $1,839,000 (AUS$2,000,000) in the year ending June 30, 2010 be approved by ANZ.

On September 13, 2007, in conjunction with the closing of the acquisition of Royal Wolf, the Company entered into a securities purchase agreement with Bison Capital, pursuant to which the Company issued and sold to Bison Capital, at par, a secured senior subordinated promissory note in the principal amount of $16,816,000 (the Bison Note). Pursuant to the securities purchase agreement, the Company issued to Bison Capital warrants to purchase 500,000 shares of common stock of GFN. The warrants issued to Bison Capital represent the right to purchase 500,000 shares of GFN s common stock at an initial exercise price of $8.00 per share, subject to adjustment for stock splits and stock dividends. Unexercised warrants will expire September 13, 2014. The Bison Note bears interest at the annual rate of 13.5%, payable quarterly in arrears, and matures on March 13, 2013. The Company may extend the maturity date by one year, provided that it is not then in default. The Company may prepay the Bison Note at a declining price of 102% of par prior to September 13, 2010; 101% of par prior to September 13, 2011 and 100% of par thereafter. The maturity of the Bison Note may be accelerated upon an event of default or upon a change of control of GFN Finance or any of its subsidiaries. Payment under the Bison Note is secured by a lien on all or substantially all of the assets of GFN Finance and its subsidiaries, subordinated and subject to the inter-creditor agreement with ANZ. If, during the 66-month period ending on the scheduled maturity date, GFN s common stock has not traded above $10 per share for any 20 consecutive trading days on which the average daily trading volume was at least 30,000 shares (ignoring any daily trading volume above 100,000 shares), upon demand by Bison Capital, the Company will pay Bison Capital on the scheduled maturity date a premium of $1.0 million in cash, less any gains realized by Bison Capital from any prior sale of the warrants and warrant shares. This premium is also payable upon any acceleration of the Bison Note due to an event of default or change of control of GFN Finance or any of its subsidiaries. As a condition to receiving this premium, Bison Capital must surrender for cancellation any remaining warrants and warrant shares.

On May 1, 2008, the Company issued and sold to Bison Capital a second secured senior subordinated promissory note in the principal amount of $5,500,000 on terms comparable to the original Bison Note, except that the maturity of this second note is July 1, 2010 and must be paid by a capital infusion from GFN (see above). Collectively, these two notes are referred to as the Bison Notes. At March 31, 2010, the principal balance of the Bison Notes was $21,616,000. The Bison Notes have covenants that require the maintenance of minimum EBITDA levels, as defined, and a total debt ratio based on a TTM EBITDA basis; as well as restrictions on capital expenditures.

Pac-Van Senior Credit Facility and Subordinated Note

Pac-Van has a senior credit facility, as amended, with a syndicate of four financial institutions led by Bank of America, N.A. (BOA), as administrative and collateral agent. The BOA credit facility is secured by substantially all the business assets of Pac-Van and GFNNA, including the assignment of its rights under leasing contracts with customers, and is available for purchases of rental equipment and general operating purposes. At March 31, 2010, borrowings and availability under the BOA credit facility totaled $61,750,000 and $31,769,000, respectively. Borrowings under the BOA credit facility are due on August 23, 2012 and accrue interest at the lead lender s prime lending rate or its prime lending rate plus 0.25%, or the LIBOR plus a stated margin ranging from 1.5% to 2.25% based on Pac-Van s leverage. In addition, the Company is required to pay an unused commitment fee equal to 0.25%

of the average unused line calculated on a quarterly basis. As of March 31, 2010, the weighted-average interest rate was 2.5%. The BOA senior credit facility is subject to certain covenants, including compliance with minimum EBITDA levels, as defined, specified interest coverage, senior and total debt ratios based on a TTM EBITDA basis, a minimum utilization rate, as defined; and, among other things, restrictions on the payment of dividends, loans and payments to affiliates.

Pac-Van also has a senior subordinated secured note payable to SPV Capital Funding, L.L.C. (SPV) with a principal balance of $25,000,000. This subordinated note matures on February 2, 2013, requires quarterly interest only payments computed at 13.0% per annum and is also subject to the maintenance of certain financial covenants.

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Other

The Company has a credit agreement, as amended, with Union Bank (UB) for a $1,000,000 credit facility. Borrowings or advances under the facility bear interest at UB s Reference Rate (which approximates the U.S. prime rate) and are due and payable by March 31, 2011. The facility is guaranteed by GFN U.S. and requires the maintenance of certain quarterly and year-end financial reporting covenants. As of March 31, 2010, borrowings under the UB credit facility totaled $900,000.

Other long-term debt and obligations totaled $2,000,000 at March 31, 2010, which includes the subordinated promissory note of $1,500,000 issued in connection with the acquisition of Pac-Van (see Note 1).

Loan Covenant Compliance

The Company was in compliance with the financial covenants under its senior credit facilities and senior subordinated notes discussed above as of March 31, 2010. However, the economy in the U.S., as well as the global economy in general, and credit crises have had an adverse impact on the Company s operating results. If the results of operations of the Company continue to be weak or worsen, the Company may be unable to comply with the covenants of its credit agreements which may require waivers of covenant compliance, amendments to such agreements or alternative borrowing arrangements. The Company intends to refinance its senior credit facility and subordinated note at Pac-Van and, additionally, amend its senior credit facility at Royal Wolf to, among other things, extend required principal payments due to ANZ during the subsequent twelve months ending March 31, 2011. A refinancing at Pac-Van would require additional capital to be raised and, considering current market conditions, the raising of additional capital may not be available on favorable terms, if at all. There can be no assurance that the Company would be able to complete the intended refinancing and/or amend its senior credit facilities and, in the event of noncompliance with covenants, there is no assurance that the senior lenders would consent to such an amendment or waiver in the event of noncompliance; or that such consent would not be conditioned upon the receipt of a cash payment, revised principal payout terms, increased interest rates, or restrictions in the expansion of the credit facilities, or that our senior lenders would not exercise rights that would be available to them, including, among other things, demanding payment of outstanding borrowings.

Note 5. Financial Instruments

Fair Value Measurements

The Company adopted what is now codified as FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, effective July 1, 2008. FASB ASC Topic 820 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, FASB ASC Topic 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value, as follows:

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

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

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

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Exposure to credit, interest rate and currency risks arises in the normal course of the Company s business. The Company may use derivative financial instruments to hedge exposure to fluctuations in foreign exchange rates and interest rates. The Company believes it has no material market or credit risks to its operations, financial position or liquidity as a result of its commodities and other derivatives activities, including forward-exchange contracts. Derivative instruments measured at fair value and their classification on the consolidated balances sheets and consolidated statements of operations are as follows (in thousands):

Type of Derivative Contract	Balance Sheet Classification	Liability Derivative (Level 2) June 30, 2009	Fair Value March 31, 2010
Swap Contracts and Options (Caps)	Trade payables and accrued liabilities	$ 1,587	$ 1,218
Forward-Exchange Contracts	Trade payables and accrued liabilities	656	22

The Company s swap contracts and options (caps) and forward-exchange contracts are not traded on a market exchange; therefore, the fair values are determined using valuation models that include assumptions about yield curve at the reporting dates as well as counter-party credit risk. The Company has consistently applied these calculation techniques to all periods presented. At June 30, 2009 and March 31, 2010, the fair value of swap contracts and options (caps) and forward-exchange contracts are recorded in trade payables and accrued liabilities in the Company s condensed consolidated balance sheet.

Type of Derivative Contract	Statement of Operations Classification	Nine Months Ended March 31, 2009	Nine Months Ended March 31, 2010
Swap Contracts and Options (Caps)	Unrealized gain (loss) included in interest expense	$ (2,826)	$ 313
Forward Contracts	Foreign currency exchange gain (loss) and other	1,486	687

Fair Value of Financial Instruments

Under the provisions of FASB ASC Topic 825, *Financial Instruments,* the carrying value of the Company s financial instruments, which include cash and cash equivalents, net receivables, trade payables and accrued liabilities, borrowings under the senior credit facilities, the subordinated notes, interest rate swap and forward exchange contracts and commercial bills; approximate fair value due to current market conditions, maturity dates and other factors.

Interest Rate Swap Contracts

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

To manage this mix in a cost-efficient manner, the Company enters into interest rate swaps and interest rate options, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps and options are designated to hedge changes in the interest rate of a portion of the ANZ outstanding borrowings. The Company believes that financial instruments designated as interest rate hedges are highly effective. However, documentation of such, as

required by FASB ASC Topic 815, *Derivatives and Hedging,* does not exist. Therefore, all movements in the fair values of these hedges are reported in the statement of operations in the period in which fair values change.

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The Company s interest rate swap and option (cap) contracts are not traded on a market exchange; therefore, the fair values are determined using valuation models which include assumptions about the interest rate yield curve at the reporting dates (Level 2 fair value measurement). As of March 31, 2010, there were four open interest rate swap contracts and three open interest rate option (cap) contracts, as follows (dollars in thousands):

	Notional Amount	Fair Value as of March 31, 2010
Swap	$ 15,172	$ (617)
Swap	1,839	(118)
Swap	4,637	(275)
Swap	3,155	(229)
Option (Cap)	1,987	2
Option (Cap)	1,352	1
Option (Cap)	11,034	18
Total	$ 39,176	$ (1,218)

Foreign Currency Risk

The Company has transactional currency exposures. Such exposure arises from sales or purchases in currencies other than the functional currency. The currency giving rise to this risk is primarily U.S. dollars. Royal Wolf has a bank account denominated in U.S. dollars into which a small number of customers pay their debts. This is a natural hedge against fluctuations in the exchange rate. The funds are then used to pay suppliers, avoiding the need to convert to Australian dollars. Royal Wolf uses forward currency contracts and options to eliminate the currency exposures on the majority of its transactions denominated in foreign currencies, either by transaction if the amount is significant, or on a general cash flow hedge basis. The forward currency contracts and options are always in the same currency as the hedged item. The Company believes that financial instruments designated as foreign currency hedges are highly effective. However documentation of such as required by ASC Topic 815 does not exist. Therefore, all movements in the fair values of these hedges are reported in the statement of operations in the period in which fair values change. The Company also has certain U.S. dollar-denominated debt at Royal Wolf, including intercompany borrowings, which are remeasured at each financial reporting date with the impact of the remeasurement being recorded in our consolidated statements of operations. Unrealized gains and losses resulting from such remeasurement due to changes in the Australian exchange rate to the U.S. dollar could have significant impact in the Company s reported results of operations, as well as any realized gains and losses from the payments on such U.S. dollar-denominated debt and intercompany borrowings. In FY 2009, net unrealized and realized foreign exchange (losses) totaled ($10,657,000) and ($3,401,000), respectively. In FY 2010, net unrealized and realized foreign exchange gains totaled $2,637,000 and $423,000, respectively.

Note 6. Related Party Transactions

The Company has utilized certain accounting, administrative and secretarial services from affiliates of officers; as well as office space provided by an affiliate of Mr. Valenta. Until the consummation of a business combination by the Company, the affiliates had agreed to make such services available to the Company free of charge, as may have been required by the Company from time to time; with the exception of the reimbursement of certain out-of-pocket costs incurred on behalf of the Company. Effective September 14, 2007, the Company entered into a month-to-month arrangement that lasted until January 31, 2008 with an affiliate of Mr. Valenta for the rental of the office space at $1,148 per month. In addition, effective September 14, 2007, the Company commenced recording a charge to

operating results (with an offsetting contribution to additional paid-in capital) for the estimated cost of contributed services rendered to the Company by non-employee officers and administrative personnel of affiliates. These contributed services ceased in February 2009.

Effective January 31, 2008, the Company entered into a lease with an affiliate of Mr. Valenta for its new corporate headquarters in Pasadena, California. The rent is $7,393 per month, effective March 1, 2009, plus allocated charges for common area maintenance, real property taxes and insurance, for approximately 3,000 square feet of office space. The term of the lease is five years, with two five-year renewal options, and the rent is adjusted yearly based on the consumer price index. Rental payments were $86,000 and $83,000 in FY 2009 and FY 2010, respectively.

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Effective October 1, 2008, the Company entered into a services agreement through June 30, 2009 (the Termination Date) with an affiliate of Mr. Valenta for certain accounting, administrative and secretarial services to be provided at the corporate offices and for certain operational, technical, sales and marketing services to be provided directly to the Company s operating subsidiaries. Charges for services rendered at the corporate offices will be, until further notice, at $7,000 per month and charges for services rendered to the Company s subsidiaries will vary depending on the scope of services provided. The services agreement provides for, among other things, mutual modifications to the scope of services and rates charged and automatically renews for successive one-year terms, unless terminated in writing by either party not less than 30 days prior to the Termination Date. Total charges to the Company for services rendered under this agreement totaled $86,000 ($63,000 at the corporate office and $23,000 at the operating subsidiaries) in FY 2010, and $178,000, plus out-of-pocket expenses, in FY 2009.

Note 7. Stock Option Plans

On August 29, 2006, the Board of Directors of the Company adopted the General Finance Corporation 2006 Stock Option Plan (2006 Plan), which was approved and amended by stockholders on June 14, 2007 and December 11, 2008, respectively. Under the 2006 Plan, the Company may issue to directors, employees, consultants and advisers up to 2,500,000 shares of its common stock. The options may be incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended, or so-called non-qualified options that are not intended to meet incentive stock option requirements. The options may not have a term in excess of ten years, and the exercise price of any option may not be less than the fair market value of the Company s common stock on the date of grant of the option. Unless terminated earlier, the 2006 Plan will automatically terminate June 30, 2016.

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

On each of September 11, 2006 (2006 Grant) and December 14, 2007 (2007 Grant), the Company granted options to an officer of GFN to purchase 225,000 shares of common stock at an exercise price equal to the closing market price of the Company s common stock as of that date, or $7.30 per share and $9.05 per share, respectively, with a vesting period of five years.

On January 22, 2008 (2008 Grant), the Company granted options to certain key employees of Royal Wolf to purchase 489,000 shares of common stock at an exercise price equal to the closing market price of the Company s common stock as of that date, or $8.80 per share. The 2008 Grant consisted of 243,000 options with a vesting period of five years and 246,000 options that vest subject to a performance condition based on Royal Wolf achieving a certain EBITDA target for 2008. The Company initially commenced recognizing compensation expense over the vesting period of 20 months.

In June 2008, the Compensation Committee of the Company s Board of Directors determined that the full EBITDA target for the 2008 Grant would not be achieved. As a result, the 2008 Grant was modified whereby one-half of the outstanding options subject to the EBITDA performance criteria were deemed to have achieved the performance condition. The remaining one-half of these performance-based options (PB 2008 Grant) were modified on July 23, 2008 (see below) for EBITDA targets at Royal Wolf pertaining to the years ending June 30, 2009 (2009) and 2010 (2010). At that time, the Company reassessed and revalued these options and commenced recognizing the changes in stock-based compensation on a prospective basis.

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On July 23, 2008 (July 2008 Grant), the Company granted options to certain key employees of Royal Wolf to purchase 198,500 shares of common stock at an exercise price equal to the closing market price of the Company s common stock as of that date, or $5.35 per share. The July 2008 Grant consisted of the PB 2008 Grant (see above) totaling 118,500 options, 40,000 options with a vesting period of five years and 40,000 options that vest subject to a performance condition based on Royal Wolf achieving certain EBITDA targets for 2009 and 2010. The Company initially commenced recognizing compensation expense over the vesting periods of 2.17 years and 3.17 years for EBITDA targets in 2009 and 2010, respectively, pertaining to 79,250 options in each of those vesting periods. However, the EBITDA target for 2009 was not achieved and those performance-based options were forfeited during the quarter ended September 30, 2009.

On September 18, 2008 (September 2008 Grant), the Company granted options to the non-employee members of its Board of Directors to purchase 36,000 shares of common stock at an exercise price equal to the closing market price of the Company s common stock as of that date, or $6.50 per share, with a vesting period of three years.

On October 1, 2008 (October 2008 Grant), the Company granted options to certain key employees of Pac-Van and to a former stockholder of MOAC, who became a non-employee member of Company s Board of Directors effective on that date, to purchase 356,000 shares of common stock at an exercise price equal to the closing market price of the Company s common stock as of that date; or $6.40 per share. The October 2008 Grant consisted of 154,550 options with a vesting period of five years, 9,000 options with a vesting period of three years and 192,450 options that vest subject to performance conditions based on Pac-Van achieving EBITDA and return on asset targets for 2009 and to-be-determined targets for the subsequent four fiscal years. The Company commenced recognizing compensation expense over the vesting periods ranging from 1.92 years to 5.92 years pertaining to 38,490 options in each of those vesting periods. However, the targets for 2009 were not achieved and those performance-based options were forfeited during the quarter ended September 30, 2009.

On December 11, 2008 (December 2008 Grant), the Company granted options to a non-employee member of its Board of Directors to purchase 9,000 shares of common stock at an exercise price equal to the closing market price of the Company s common stock as of that date, or $1.78 per share, with a vesting period of three years.

On January 27, 2009 (January 2009 Grant), the Company granted options to certain key employees of Royal Wolf and Pac-Van to purchase 4,000 shares of common stock at an exercise price equal to the closing market price of the Company s common stock as of that date, or $1.94 per share, with a vesting period of five years.

The fair value of the stock options granted under the 2006 Plan was determined by using the Black-Scholes option-pricing model. The range of the fair value of the stock options granted and the assumptions used are as follows:

Fair value of stock option	$1.06	$3.94
Assumptions used:		
Risk-free interest rate	1.99%	4.8%
Expected life (in years)	7.5	
Expected volatility	26.5%	59.9%
Expected dividends		

Under the 2009 Plan, on January 26, 2010 (January 2010 Grant) the Company granted options to two officers of GFN, certain key employees of Pac-Van and a non-employee to purchase 170,000 shares of common stock at an exercise price equal to the closing market value of the Company s common stock as of that date; or $1.28 per share. The January 2010 Grant consisted of 4,750 options with a vesting period of five years, 20,000 options (granted to the non-employee) with a vesting period of three years and 145,250 options that vest subject to performance conditions based the achievement of certain EBITDA and other targets for 2010.

The Company commenced recognizing compensation expense on these performance-based options over an estimated vesting period of just over 20 months. The weighted-average fair value of the stock options granted to the officers and key employees was $0.99, determined using the Black-Scholes option-pricing model under the following assumptions: A risk-free interest rate of 3.0% (average of five and ten-year Treasury bill); an expected life of 7.5 years; an expected volatility of 83.0%; and no expected dividend. At March 31, 2010, the weighted-average fair value of the stock options granted to the non-employee was $1.05, determined using the Black-Scholes option-pricing model using the following assumptions: A risk-free interest rate of 3.8% (average of five and ten-year Treasury bill); an expected life of 9.8 years; an expected volatility of 83.0%; and no expected dividend.

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A summary of the Company s stock option activity and related information as of and for FY 2010 follows:

	Number of Options (Shares)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)
Outstanding at June 30, 2009	1,358,000	$ 7.39	
Granted	170,000	1.28	
Exercised			
Forfeited or expired	(250,340)	6.89	
Outstanding at March 31, 2010	1,277,660	$ 6.67	8.1
Exercisable at March 31, 2010	414,660	$ 8.00	7.5

At March 31, 2010, the Company s market price for its common stock was at $1.25 per share, which is at or below the exercise prices of all of the outstanding stock options. Also at March 31, 2010, stock-based compensation of $2,137,000 related to stock options has been recognized in the statement of operations, with a corresponding benefit to additional paid-in capital, and there remains $1,698,000 of unrecognized compensation expense to be recorded on a straight-line basis over the remaining weighted-average vesting period of 2.4 years.

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

Note 8. Commitments and Contingencies

Put and Call Options

In conjunction with the closing of the acquisition of Royal Wolf, the Company entered into a shareholders agreement with Bison Capital. The shareholders agreement was amended on September 21, 2009 and provides that, at any time after July 1, 2011, Bison Capital may require the Company to purchase from Bison Capital all of its 13.8% outstanding capital stock of GFN U.S. The purchase for the capital stock price (which is payable in cash or, if mutually agreeable to both the Company and Bison Capital, paid in GFN common stock or some combination thereof) is, in essence, the greater of the following:

(i) the amount equal to Bison Capital s ownership percentage in GFN U.S., or 13.8%, multiplied by the result of 8.25 multiplied by the sum of Royal Wolf s EBITDA for a twelve-month determination period, as defined, plus all administrative expense payments or reimbursements made by Royal Wolf to the Company during such period; minus the net debt of Royal Wolf, as defined; or

(ii) the amount equal to the Bison Capital s ownership percentage in GFN U.S. multiplied by the result of the GFN trading multiple, as defined, multiplied by Royal s Wolf s EBITDA for the determination period; minus the net debt of Royal Wolf; or

(iii) the greater of (1) $12,850,000 or (2) Bison Capital s ownership percentage in GFN U.S., or 13.8%, multiplied by the result of 8.25 multiplied by the sum of Royal Wolf s TTM EBITDA measured at the end of each fiscal quarter through June 30, 2011, as defined.

Also under the shareholders agreement, the Company has the option, at anytime prior to September 13, 2010, to cause Bison Capital to sell and transfer its 13.8% outstanding capital stock of GFN U.S. to the Company for a purchase price equal to the product of 2.75 multiplied by Bison Capital s cost in the GFN U.S. capital stock. Subsequent to July 1, 2012, the Company s call option purchase price is similar to (i) and (ii) of the Bison Capital put option, except the EBITDA multiple is 8.75.

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The Company accounts for Bison Capital s put option as a non-freestanding financial instrument classified in temporary equity, pursuant to the requirements of SEC Accounting Series Release (ASR) No. 268, *Presentation in Financial Statements of Redeemable Preferred Stock.* In accordance with the guidelines of ASR No. 268, the redemption value of the put option was reflected in minority interest, with the corresponding adjustment to additional paid-in capital determined after the attribution of the net income or loss of Royal Wolf to minority interest. As discussed in Note 2, effective July 1, 2009, the Company adopted the provisions of a pronouncement issued in December 2007 on what is now codified as FASB ASC Topics 805, *Business Combinations,* and 810, *Consolidation*. In connection with the adoption of the provisions in these Topics, the Company will accrete the redemption value of the put option over the period from July 1, 2009 through June 30, 2011 with the corresponding adjustment to net income or loss attributable to noncontrolling interest.

Other Matters

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

Note 9. Cash Flows from Operating Activities and Other Financial Information

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

	Nine Months Ended March 31,	
	2009	**2010**
Cash flows from operating activities		
Net income (loss)	$ (8,779)	$ (116)
Adjustments to reconcile net income (loss) to cash flows from operating activities:		
Loss on sales and disposals of property, plant and equipment	6	7
Unrealized foreign exchange loss (gain)	10,657	(2,637)
Unrealized gain on forward exchange contracts	(1,486)	(687)
Unrealized loss (gain) on interest rate swaps and options	2,826	(313)
Depreciation and amortization	11,161	14,929
Amortization of deferred financing costs	175	293
Accretion of interest	180	180
Share-based compensation expense	656	615
Contributed services	130	
Deferred income taxes	(4,739)	(249)
Changes in operating assets and liabilities:		
Trade and other receivables, net	3,549	10,421
Inventories	(855)	5,084
Prepaid expenses and other	549	497
Trade payables, accrued liabilities and other deferred credits	(4,142)	(3,685)

Income taxes payable	(252)	133
Net cash provided by operating activities	$ 9,636	$ 24,472

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The following table provides a detail of comprehensive income (loss) (in thousands):

	Quarter Ended March 31,	
	2009	2010
Net income (loss) attributable to stockholders	$ 270	$ (779)
Other comprehensive income (loss) cumulative translation adjustment	(442)	1,421
Comprehensive income (loss)	$ (172)	$ 642

	Nine Months Ended March 31,	
	2009	2010
Net loss attributable to stockholders	$ (5,762)	$ (1,838)
Other comprehensive income (loss) cumulative translation adjustment	(19,164)	6,680
Comprehensive income (loss)	$ (24,926)	$ 4,842

Note 10. Segment Reporting

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

	Quarter Ended March 31,		Nine Months Ended March 31,	
	2009	2010	2009	2010
Revenues from external customers				
North America:				
Sales	$ 4,442	$ 5,831	$ 13,427	$ 15,037
Leasing	11,415	8,653	23,843	27,704
	15,857	14,484	37,270	42,741
Asia-Pacific:				
Sales	10,327	13,403	43,666	40,098
Leasing	8,271	10,598	27,773	30,011
	18,598	24,001	71,439	70,109
Total	$ 34,455	$ 38,485	$ 108,709	$ 112,850
Operating income				
North America	$ 2,164	$ 811	$ 5,158	$ 3,350
Asia-Pacific	3,089	2,168	7,097	4,345

Total	$	5,253	$	2,979	$	12,255	$	7,695
Interest income								
North America	$		$		$	7	$	
Asia-Pacific		58		56		237		178
Total	$	58	$	56	$	244	$	178
Interest expense								
North America	$	1,282	$	1,306	$	3,146	$	3,977
Asia-Pacific		2,026		2,626		10,242		7,794
Total	$	3,308	$	3,932	$	13,388	$	11,771
Share-based compensation								
North America	$	111	$	154	$	326	$	429
Asia-Pacific		69		45		330		186
Total	$	180	$	199	$	656	$	615
Depreciation and amortization								
North America	$	1,358	$	1,499	$	2,791	$	4,485
Asia-Pacific		2,524		3,079		8,370		10,444
Total	$	3,882	$	4,578	$	11,161	$	14,929
Additions to long-lived assets								
North America					$	2,443	$	163
Asia-Pacific						14,126		4,526
Total					$	16,569	$	4,689

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GENERAL FINANCE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	At	
	June 30, 2009	March 31, 2010
Long-lived assets		
North America	$ 112,419	$ 108,795
Asia-Pacific	86,956	97,777
Total	$ 199,375	$ 206,572

Intersegment net revenues totaled $432,000 during the quarter and nine months ended March 31, 2009 and $2,280,000 and $2,584,000 during the quarter and nine months ended March 31, 2010, respectively.

Note 11. Subsequent Events

On April 2, 2010, the Company s Board of Directors voted to extend the expiration on its publicly-traded and privately-placed warrants to 5:00 p.m. Pacific Daylight Time on June 30, 2010. The previous expiration date was April 5, 2010. The warrants were issued in connection with the Company s initial public offering in April 2006 and each warrant entitles the holder to purchase one share of GFN common stock at an exercise price of $6.00. The warrants are redeemable by the Company under certain conditions. As of March 31, 2010, there were 5,072,380 of these warrants outstanding.

On May 10, 2010, the Company announced that its registration statement for a rights offering was declared effective by the SEC on May 7, 2010. The rights offering will distribute to holders of its common stock, transferable rights to purchase up to a total of 8,920,000 units at $1.50 each. Each unit consists of one share of GFN common stock and a three-year warrant to purchase 0.5 additional shares of GFN common stock at an exercise price of $4.00 per share. The record date for the rights offering is May 14, 2010 and the offering period will expire, unless extended by the Company at its sole discretion, on June 15, 2010. Among other things, as disclosed in the prospectus, holders of the rights who fully exercise their rights will be entitled to subscribe, subject to certain limitations and subject to allotment, for additional units that remain unsubscribed as a result of any unexercised rights. The Company intends to use the net proceeds of the rights offering primarily to reduce indebtedness.

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

The following discussion of our financial condition and results of operations should be read together with the consolidated financial statements and the accompanying notes thereto, which are included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2009 filed with the Securities and Exchange Commission (SEC); as well as the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q. This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as may, should, could, would, expect, plan, ar believe, estimate, continue, or the negative of such terms or other similar expressions. Risk factors that might cause or contribute to such a discrepancy include, but are not limited to, those described in our Annual Report on Form 10-K for the year ended June 30, 2009 and other SEC filings. We maintain a web site at *www.generalfinance.com* that makes available, through a link to the SEC s EDGAR system website, our filings that we have made with the SEC. References in this Item. 2 to we , us , or the Company are to General Finance Corporation (GFN) and its consolidate subsidiaries. These subsidiaries include GFN U.S. Australasia Holdings, Inc., a Delaware corporation (GFN U.S.); GFN North America Corp., a Delaware corporation (GFNNA); GFN Mobile Storage Inc., a Delaware corporation (GFNMS); GFN Australasia Holdings Pty Ltd., an Australian corporation (GFN Holdings); GFN Australasia Finance Pty Ltd, an Australian corporation (GFN Finance); RWA Holdings Pty Limited (RWA), an Australian corporation, and its subsidiaries (collectively, Royal Wolf); and Pac-Van, Inc., an Indiana corporation (combined with GFNMS, Pac-Van).

Background and Significant Acquisitions

We were incorporated in Delaware on October 14, 2005 in order to serve as a vehicle to effect a business combination with one or more operating businesses in the rental services and specialty finance sectors. From inception through September 13, 2007, we did not have any business or operations and our activities were limited to raising capital in our initial public offering (the IPO) in April 2006, identifying an operating business to acquire, and negotiating and entering into an agreement to acquire Royal Wolf.

On September 13, 2007 (September 14 in Australia), we completed the acquisition of Royal Wolf through the acquisition of all of the outstanding shares of RWA. Royal Wolf is the leading provider in Australia and New Zealand of storage containers, portable container buildings and freight containers, which we refer to collectively as storage container products. Based upon the actual exchange rate of one Australian dollar to $0.8407 U.S. dollar realized in connection with payments made upon completion of the acquisition, the purchase price paid to the sellers for the RWA shares was $64.3 million, including deposits of $1,005,000 previously paid by us in connection with the acquisition. We paid the purchase price, less the deposits, by a combination of cash in the amount of $44.7 million plus the issuance to Bison Capital Australia, L.P. (Bison Capital), one of the sellers, of shares of common stock of GFN U.S.; and the issuance of a note to Bison Capital. As a result of this structure, we own 86.2% of the outstanding capital stock of GFN U.S. and Bison Capital owns 13.8% of the outstanding capital stock of GFN U.S.

On October 1, 2008, we completed our acquisition of Pac-Van through a merger with Mobile Office Acquisition Corp. (MOAC), the parent of Pac-Van, and our wholly-owned subsidiary formed in July 2008, GFNNA. Pac-Van leases and sells modular buildings, mobile offices and storage container products in the United States. In addition to assuming Pac-Van s long-term debt, we paid the purchase price to the stockholders of MOAC by a combination of $19.4 million in cash, 4,000,000 shares of GFN restricted common stock and a 20-month subordinated promissory note in the aggregate principal amount of $1.5 million bearing interest at 8% per annum. The note and 1,133,333 shares of our restricted common stock will secure the indemnification obligations for 20 months and 36 months, respectively.

Business Overview

The global economic recession and credit crisis, particularly the downturn experienced in the construction-related sector in the United States and the mining and defense and transportation (road and rail) sectors in the Asia-Pacific area, have had a negative impact upon our business. We have responded by making a determined effort to reduce personnel costs, capital expenditures, discretionary spending, curtail acquisition activity and reduce our long-term debt. We continuously monitor our performance and customer demand levels by identifying and applying best practices to find more efficiency in all aspects of our business. Accordingly, we may continue to reduce headcount or employee compensation in the areas in which we believe we can achieve greater efficiencies without affecting customer service or our sales efforts. While this is our approach for the foreseeable future, our long-term strategy and business plan is to acquire and operate rental services and specialty finance businesses in North America, Europe and the Asia-Pacific area.

We currently have two operating subsidiaries, Royal Wolf and Pac-Van, that lease and sell storage container products, modular buildings and mobile offices through eighteen customer service centers (CSCs) in Australia, six CSCs in New Zealand and twenty-six branch locations across eighteen states in the United States. As of March 31, 2010, we had 225 and 188 employees and 27,206 and 10,947 lease fleet units in the Asia-Pacific area and United States, respectively. We do business in two distinct, but related industries; modular space and mobile storage, which we collectively refer to as the portable services industry. Currently, only Pac-Van leases and sells modular space products. Prior to our acquisition of Pac-Van, our revenue mix was approximately 70% sales and 30% leasing. However, during the nine months ended March 31, 2010 the mix was 49% sales and 51% leasing.

Our products include the following:

Modular Space

Modular Buildings. Also known as manufactured buildings, modular buildings provide customers with additional space and are often tailored specifically to satisfy the unique needs of the customer. Depending on the customer s desired application, modular buildings can range in size from 1,000 to more than 30,000 square feet and may be highly customized.

Mobile Offices and Portable Container Buildings. Also known as trailers or construction trailers, mobile offices are re-locatable units with aluminum or wood exteriors on wood (or steel) frames on a steel carriage fitted with axles, allowing for an assortment of add-ons to provide comfortable and convenient temporary space solutions. We also offer portable container buildings, ground level offices (GLO), or office containers, which are either modified or specifically-manufactured shipping containers that are used as mobile offices; and in-plant units, which are manufactured structures that provide self-contained office space with maximum design flexibility.

Mobile Storage

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

Freight Containers. Freight containers are specifically designed for transport of products by road and rail. Our freight container products include curtain-side, refrigerated and bulk cargo containers, together with a range of standard and industry-specific dry freight containers.

Quarter Ended March 31, 2010 (QE FY 2010) Compared to Quarter March 31, 2009 (QE FY 2009)

The following compares our QE FY 2010 results of operations with our QE FY 2009 results of operations.

Revenues. Total revenues were $38.5 million in QE FY 2010, as compared with revenues of $34.5 million in QE FY 2009, representing an increase of 12%. Total revenues at Royal Wolf increased by $5.4 million, or 29%, to $24.0 million, but total revenues at Pac-Van declined by $1.4 million, or 9%, to $14.5 million. The strengthening in the average Australian dollar to the U.S. dollar in QE FY 2010 versus QE FY 2009 discussed below was the reason for the increase at Royal Wolf, which otherwise would have shown a reduction of approximately 7% in total revenues. The economic downturn in the construction-related sector in the United States and the mining and defense and transportation sectors in the Asia-Pacific area during QE FY 2010 resulted in a reduction in our overall business. These sectors experienced aggregate declines in revenues of approximately $0.8 million and $1.3 million, respectively, in QE FY 2010 from QE FY 2009. Sales and leasing revenues represented 50% each of total revenues in QE FY 2010 and 43% and 57%, respectively, of total revenues in QE FY 2009.

Sales revenues increased approximately 30% in QE FY 2010 when compared to QE FY 2009, with Royal Wolf sales increasing by $3.1 million and Pac-Van sales by $1.4 million. Pac-Van showed increased sales activity in several branches in QE FY 2010 from QE FY 2010, most notably in Las Vegas which increased its sales revenues by $1.1 million between the periods, but there was no one particular project or customer sector that was the primary reason for the increase. Without the benefit of the translation effect as a result of the stronger Australian dollar, Royal Wolf s sales revenues would have decreased by 9%. In QE FY 2010, sales in the Asia-Pacific area declined $0.8 million in our national accounts group (or non-retail operations) primarily because of the reduced activity in the

mining and defense sector and increased $3.4 million in our CSC retail operations from QE FY 2009.

The $0.8 million decrease in our national accounts group consisted of a $0.8 million reduction due to lower prices and a $0.4 million decrease due to lower unit sales; offset somewhat by a favorable foreign exchange rate effect of $0.4 million. The decrease in our sales prices was primarily due to sales of certain mining container units that remain in inventory as a result of a cancelled leasing order in FY 2009. There are 130 of these units available for sale at March 31, 2010, at a cost of approximately $18,000 each, which we anticipate selling in the range of $21,000 per unit. The $3.4 million increase in our retail operations consisted of a $1.6 million increase in unit sales and a favorable foreign exchange rate effect of $3.1 million; offset somewhat by a $1.3 million reduction due to lower prices, reflecting our efforts to reduce fleet inventories in the current economic environment. Despite the fact that net sales actually decreased, there were increases from demand in our CSCs in Western Australia and the Northern Territory because of increased oil exploration activities in those regions.

Leasing revenues declined slightly to $19.3 million in QE FY 2010 from $19.7 million in QE FY 2009, primarily due to lower utilization and lease rates at Pac-Van; which resulted in a reduction of $2.7 million. Leasing revenues at Royal Wolf increased $2.3 million, or 28%, driven by a favorable foreign exchange rate effect of $2.7 million; offset somewhat by a decrease of $0.2 million in the average total number of units on lease per month and $0.2 million in the average pricing on lease per month in the national accounts group. Without the translation benefit of the stronger Australian dollar, leasing revenues at Royal Wolf resulted in a net reduction of 5% in QE FY 2010 from QE FY 2009.

At Royal Wolf, average utilization in the retail operations was 82% during QE FY 2010, as compared to 78% during QE FY 2009; and average utilization in the national accounts group operations was 82% during QE FY 2010, as compared to 77% during QE FY 2009. Overall average utilization at Royal Wolf was 81% in QE FY 2010, as compared to 75% in QE FY 2009. The average monthly lease rate of containers in QE FY 2010 for Royal Wolf was AUS$154, as compared to AUS$156 in QE FY 2009. Though leasing revenues at Royal Wolf decreased between the periods primarily because the unit size of our lease fleet has decreased by 8% since March 31, 2009 as a result of our efforts to curtail expenditures, our average utilization has increased and our monthly lease rate has only slightly decreased. We believe this is reflective of our position as the only national company in the mobile storage industry in Australia and New Zealand. Royal Wolf continually reviews each local market in which it does business to determine if local factors justify increases or decreases in lease rates and the effect these changes would have on utilization and revenues.

At Pac-Van, average utilization rates were 81%, 67% and 78% and average monthly lease rates were $85, $227 and $887 for containers, mobile offices and modular units, respectively, during QE FY 2010; as compared to 83%, 71% and 81% and $98, $268 and $1,076 for containers, mobile offices and modular units, respectively, during QE FY 2009. The lower monthly rates reflect the competitive pressures in the current U.S. economy to maintain lease revenues and utilization rates; particularly in the construction industry in which Pac-Van has historically had over 40% of its business. Maintaining utilization rates are of particular importance as under its senior secured credit facility led by Bank of America, N.A. (BOA), Pac-Van is required to maintain a minimum composite utilization rate, as defined, of over 70% at each quarterend. The impact of this is that Pac-Van would be more apt to reduce its monthly lease rate to maintain its utilization than Royal Wolf. At March 31, 2010, the composite utilization rate was 72%.

The average value of the Australian dollar against the U.S. dollar strengthened during QE FY 2010 as compared to QE FY 2009. The average currency exchange rate of one Australian dollar during QE FY 2009 was $0.66566 U.S. dollar compared to $0.90363 U.S. dollar during QE FY 2010. This fluctuation in foreign currency exchange rates resulted in an increase to our total revenues at Royal Wolf of $6.2 million in QE FY 2010 when compared to QE FY 2009.

Cost of Sales. Cost of sales (which is the cost related to our sales revenues only and exclusive of the line items discussed below) increased by a net $4.2 million to $15.3 million during QE FY 2010 from $11.1 million during QE FY 2009, though not proportionately with the increase in sales of $4.5 million. Our gross profit percentage from sales revenues deteriorated during QE FY 2010 to approximately 20%, as compared to 25% during QE FY 2009, reflecting the downward pressures on our margins in the current economic environment.

Direct Leasing Costs, Selling and General Expenses. Direct leasing costs (which include the direct costs associated with leasing operations, excluding depreciation and amortization), selling and general expenses increased on an absolute basis by $1.4 million during QE FY 2010 to $15.6 million from $14.2 million during QE FY 2009. As a percentage of revenues, these operating expenses were 41% in both QE FY 2010 and QE FY 2009; reflecting the

effect of the stronger Australian dollar in QE FY 2010 versus QE FY 2009, which increased the absolute costs, and the offset effect of our cost-cutting measures implemented during QE FY 2009. This cost-cutting involved: (1) salaries and related payroll costs as a result of staff reductions and lower bonuses, (2) less discretionary spending and (3) better control of our professional costs.

In general, Pac-Van s operating expenses as a percentage of revenues are higher than Royal Wolf s percentage as: (1) Royal Wolf s mix of QE FY 2010 sales to leasing revenue at 56% is higher than the 40% at Pac-Van, (2) Pac-Van has invested in an office modular fleet which is a lower margin product line; and (3) Pac-Van has less density in its retail markets.

Depreciation and Amortization. Depreciation and amortization increased by $0.7 million to $4.6 million during QE FY 2010 from $3.9 million during QE FY 2009. The increase was primarily due to the translation effect of the stronger Australian dollar in QE FY 2010 versus QE FY 2009.

Interest Expense. Interest expense of $3.9 million in QE FY 2010 was $0.6 million higher than the $3.3 million in QE FY 2009. Royal Wolf s weighted-average interest rate (without the effect of the interest rate swap and option contracts) was 10.1% in QE FY 2010, as compared to 10.4% in QE FY 2009; and Pac-Van s weighted-average interest rate in QE FY 2010 was 5.7%, as compared to 4.8% in QE FY 2009. Pac-Van had interest expense of $1.3 million in both QE FY 2010 and QE FY 2009.

Foreign Currency Exchange. We have certain U.S. dollar-denominated debt at Royal Wolf, including intercompany borrowings, which are remeasured at each financial reporting date with the impact of the remeasurement being recorded in our consolidated statements of operations. Unrealized gains and losses resulting from such remeasurement due to changes in the Australian exchange rate to the U.S. dollar could have a significant impact in our reported results of operations, as well as any realized gains and losses from the payments on such U.S. dollar-denominated debt and intercompany borrowings. As noted above, the average value of the U.S. dollar weakened against the Australian dollar during QE FY 2010 as compared to QE FY 2009 and from December 31, 2009 to March 31, 2010. The currency exchange rate of one Australian dollar at December 31, 2009 was $0.8931 U.S. dollar compared to $0.9195 U.S. dollar at March 31, 2010. In QE FY 2010, net unrealized gains on foreign exchange and forward currency exchange contracts totaled $0.6 million. In QE FY 2009, net unrealized losses on foreign exchange and forward currency exchange contracts totaled $1.9 million.

Income Taxes. Our effective income tax benefit rate increased to 36.4% during QE FY 2010 from the QE FY 2009 effective rate of 35.0% rate, primarily because we are now required to file tax returns in multiple U.S. states as a result of the Pac-Van acquisition.

Noncontrolling Interest. Noncontrolling interest, which represents Bison Capital s 13.8% interest in Royal Wolf, was a charge of $0.6 million in QE FY 2010, as compared to a benefit of $0.2 million in QE FY 2009. As discussed in Note 8 of Notes to Condensed Consolidated Financial Statements, we commenced accreting the redemption value of the Bison Capital put option over the period from July 1, 2009 through June 30, 2011, which resulted in a charge to noncontrolling interest in QE FY 2010. In QE FY 2009, the benefit was due to the net loss incurred at Royal Wolf in QE FY 2009; primarily as a result of the unrealized losses on foreign exchange and forward currency exchange contracts discussed above.

Net Loss Attributable to Stockholders. We had a net loss attributable to stockholders of $0.8 million during QE FY 2010, as compared to net income of $0.3 million during QE FY 2009, primarily as a result of lower profitability at both of our operating units and by the charge for the accretion of the Bison put option; offset somewhat by the favorable impact of the foreign exchange and forward currency exchange contract gains in QE FY 2010 versus QE FY 2009.

Nine Months Ended March 31, 2010 (YTD FY 2010) Compared to Nine Months Ended March 31, 2009 (YTD FY 2009)

The following compares our YTD FY 2010 results of operations with our YTD FY 2009 results of operations.

Revenues. Revenues totaled $112.9 million in YTD FY 2010 versus $108.7 in YTD FY 2009, representing an increase of 4%. The increase of a net $5.5 million in revenues at Pac-Van, which we acquired on October 1, 2008, was offset somewhat by a $1.3 million decrease in revenues in YTD FY 2010 from YTD FY 2009 at Royal Wolf. The strengthening in the average Australian dollar to the U.S. dollar in YTD FY 2010 versus YTD FY 2009 discussed below mitigated the decrease at Royal Wolf, which otherwise would have shown a reduction of approximately 18% in total revenues. The economic downturn in both our geographic segments during YTD FY 2010 resulted in a significant reduction in our overall business, but particularly in the construction-related sector in the United States and in the mining and defense and transportation sectors in the Asia-Pacific area. These sectors had an aggregate decline

in revenues of approximately $7.8 million and $9.3 million from YTD FY 2009, respectively. Sales and leasing revenues represented 49% and 51% of total revenues in YTD FY 2010 and 53% and 47% of total revenues in YTD FY 2009, respectively; the more favorable leasing revenue mix in YTD FY 2010 resulting primarily from our acquisition of Pac-Van.

Sales during YTD FY 2010 amounted to $55.1 million, compared to $57.1 million during YTD FY 2009; representing a decrease of $2.0 million, or 4%. The decrease was primarily because sales at Royal Wolf were $3.6 million lower in YTD FY 2010 from YTD FY 2009, even with the strengthening of the Australian dollar between periods; but this reduction was offset somewhat by a net sales increase in YTD FY 2010 from YTD FY 2009 of $1.6 million as a result of the acquisition of Pac-Van. Without the benefit of the translation effect as a result of the stronger Australian dollar in YTD FY 2010 from YTD FY 2009, Royal Wolf s sales revenues would have decreased by 24%. In YTD FY 2010, sales in the Asia-Pacific area declined $6.9 million in our national accounts group (or non-retail operations), primarily because of the reduced activity in the mining and defense and transportation sectors; and increased $3.3 million in our CSC retail operations from YTD FY 2009.

The $6.9 million decrease in our national accounts group consisted of a $7.8 million reduction due to lower prices, which was offset somewhat by a $0.4 million increase due to higher unit sales and a favorable foreign exchange rate effect of $0.5 million. The decrease in our sales prices was primarily due to sales of certain mining container units that remain in inventory as a result of a cancelled leasing order in FY 2009. There are 130 of these units available for sale at March 31, 2010, at a cost of approximately $18,000 each, which we anticipate selling in the range of $21,000 per unit.

The $3.3 million increase in our retail operations consisted of a favorable foreign exchange rate effect of $5.1 million; offset somewhat by a $0.1 million reduction from lower unit sales and a $1.7 million reduction due to lower prices, reflecting our efforts to reduce fleet inventories in the current economic environment. Despite the overall decrease in net sales, there were increased from demand in our CSCs in Western Australia and the Northern Territory because of increased oil exploration activities in those regions.

Leasing revenues during YTD FY 2010 amounted to $57.7 million compared to $51.6 million during YTD FY 2009, representing an increase of $6.1 million, or 12%. The increase was primarily due to net leasing revenue increases in YTD FY 2010 from YTD FY 2009 of $3.9 million as result of the acquisition of Pac-Van and $2.2 million at Royal Wolf; which was the result of a favorable foreign exchange rate effect of $4.8 million, offset somewhat by a decrease of $2.6 million in the average total number of units on lease per month ($1.3 million at each of our retail business and national accounts group). Without the benefit of the translation effect as a result of the stronger Australian dollar in YTD FY 2010 from YTD FY 2009, Royal Wolf s leasing revenues would have decreased by 9%.

At Royal Wolf, average utilization in the retail operations was 79% during YTD FY 2010, as compared to 76% during YTD FY 2009; and average utilization in the national accounts group operations was 74% during YTD FY 2010, as compared to 79% during YTD FY 2009. Overall average utilization at Royal Wolf was 77% in both YTD FY 2010 and YTD FY 2009. The average monthly lease rate of containers in YTD FY 2010 for Royal Wolf was AUS$155, as compared to AUS$151 in QE FY 2009. Though leasing revenues at Royal Wolf decreased between the periods primarily because the unit size of our lease fleet has decreased by 8% since March 31, 2009 as a result of our efforts to curtail expenditures, our overall average utilization remained steady and our monthly lease rate increased. We believe this is reflective of our position as the only national company in the mobile storage industry in Australia and New Zealand. Royal Wolf continually reviews each local market in which it does business to determine if local factors justify increases or decreases in lease rates and the effect these changes would have on utilization and revenues.

At Pac-Van, average utilization rates were 78%, 66% and 78% and monthly lease rates were $87, $239 and $926 for containers, mobile offices and modular units, respectively, during YTD FY 2010; as compared to 83%, 75% and 85% and $101, $274 and $1,095 for containers, mobile offices and modular units, respectively. The lower monthly lease rates reflect the competitive pressures in the current U.S. economy to maintain lease revenues and utilization rates; particularly in the construction industry in which Pac-Van has over 40% of its business. Maintaining utilization rates are of particular importance as under its senior secured credit facility led by BOA, Pac-Van is required to maintain a minimum composite utilization rate, as defined, of over 70% at each quarterend. The impact of this is that Pac-Van would be more apt to reduce its monthly lease rate to maintain its utilization than Royal Wolf. At March 31, 2010, the composite utilization rate was 72%.

The average value of the Australian dollar against the U.S. dollar strengthened during YTD FY 2010 as compared to YTD FY 2009. The average currency exchange rate of one Australian dollar during YTD FY 2009 was $0.74406 U.S. dollar compared to $0.88132 U.S. dollar during YTD FY 2010. This fluctuation in foreign currency exchange rates

resulted in an increase to our total revenues at Royal Wolf of $10.4 million in YTD FY 2010 when compared to YTD FY 2009.

Cost of Sales. Cost of sales (which is the cost related to our sales revenues only and exclusive of the line items discussed below) increased by a net $1.1 million to $42.9 million during YTD FY 2010 from $44.0 million during YTD FY 2009, which was not proportionate with the reduction in sales of $2.0 million. Our gross profit percentage from sales revenues was 22% during YTD FY 2010, which deteriorated slightly from 23% in YTD FY 2009 as a result of the downward pressures on our margins in the current economic environment.

Direct Leasing Costs, Selling and General Expenses. Direct leasing costs (which include the direct costs associated with leasing operations, excluding depreciation and amortization), selling and general expenses increased by $6.1 million during YTD FY 2010 to $47.4 million from $41.3 million during YTD FY 2009. This increase included $7.4 million incurred at Pac-Van during the quarter ended September 30, 2009, to which there was no comparable cost in the quarter ended September 30, 2008 of the prior year since Pac-Van was not acquired until October 1, 2008. As a percentage of revenues, these operating expenses increased to 42% in YTD FY 2010 from 38% in YTD FY 2009, reflecting the lower revenues between the periods. On an absolute basis, excluding the $7.4 million incurred at Pac-Van during the quarter ended September 30, 2009, the net decrease of $1.3 million was primarily due to our cost-cutting measures implemented during YTD FY 2009. This cost cutting involved: (1) salaries and related payroll costs as a result of staff reductions and lower bonuses, (2) less discretionary spending and (3) better control of our professional costs.

In general, Pac-Van s operating expenses as a percentage of revenues are higher than Royal Wolf s percentage as: (1) Royal Wolf s mix of YTD FY 2010 sales to leasing revenue at 57% is higher than the 35% at Pac-Van, (2) Pac-Van has invested in an office modular fleet which is a lower margin product line; and (3) Pac-Van has less density in its retail markets.

Depreciation and Amortization. Depreciation and amortization increased by $3.7 million to $14.9 million during YTD FY 2010 from $11.2 million during YTD FY 2009. The increase was primarily due to adjustments to fixed assets and identifiable intangible assets as a result of the Pac-Van acquisition, the effect of net capital expenditures since March 31, 2009 and the translation effect of the stronger Australian dollar in YTD FY 2010 versus YTD FY 2009. Depreciation and amortization at Pac-Van during the quarter ended September 30, 2009 totaled $1.4 million.

Interest Expense. Interest expense of $11.8 million in YTD FY 2010 was $1.6 million lower than the $13.4 million in YTD FY 2009. This was due primarily to an overall $2.4 million interest reduction (including foreign translation effect) at Royal Wolf, caused by a lower effective interest rate and an unrealized gain on interest rate swap and option contracts totaling $0.3 million in YTD FY 2010 versus an unrealized loss of $2.8 million in YTD FY 2009. Royal Wolf s weighted-average interest rate (without the effect of the interest rate swap and option contracts) was 10.1% in YTD FY 2010, as compared to 11.7% in YTD FY 2009. Two small acquisitions and capital expenditure requirements in the Asia-Pacific area were funded primarily by borrowings under the senior credit facility with Australia and New Zealand Banking Group Limited (ANZ). The Pac-Van acquisition, another small acquisition and capital requirements in the U.S. were funded principally with the assumption of and borrowings under the BOA senior credit facility and the senior subordinated secured note payable to SPV Capital Funding, L.L.C. (SPV). Interest expense at Pac-Van, with a weighted-average rate of 5.5%, totaled $4.0 million in YTD FY 2010 (of which $1.3 million was incurred in the quarter ended September 30, 2009); as compared to 7.5% in YTD FY 2009, including the quarter prior to our acquisition of Pac-Van.

Foreign Currency Exchange. We have certain U.S. dollar-denominated debt at Royal Wolf, including intercompany borrowings, which are remeasured at each financial reporting date with the impact of the remeasurement being recorded in our consolidated statements of operations. Unrealized gains and losses resulting from such remeasurement due to changes in the Australian exchange rate to the U.S. dollar could have a significant impact in our reported results of operations, as well as any realized gains and losses from the payments on such U.S. dollar-denominated debt and intercompany borrowings. As noted above, the average value of the U.S. dollar against the Australian dollar weakened during YTD FY 2010 as compared to YTD FY 2009 and from June 30, 2009 to March 31, 2010. The currency exchange rate of one Australian dollar at June 30, 2009 was $0.8048 U.S. dollar compared to $0.9195 U.S. dollar at March 31, 2010. In YTD FY 2010, net unrealized and realized foreign exchange gains totaled $2.6 million and $0.4 million, respectively, and net unrealized gains on forward currency exchange contracts totaled $0.7 million. In YTD FY 2009, net unrealized foreign exchange losses totaled $10.7 million and realized exchange losses totaled

$3.4 million; primarily because of a realized exchange loss of $2.8 million as a result of Royal Wolf s repayment of intercompany advances totaling $21.5 million in September 2008. We had advanced $20.0 million of the proceeds received from our warrant exercise program in May 2008 to Royal Wolf for the temporary reduction of long-term borrowings prior to the ultimate use of these proceeds in the acquisition of Pac-Van on October 1, 2008. Net unrealized gains on forward currency exchange contracts totaled $1.5 million in YTD FY 2009.

Income Taxes. Our effective income tax benefit rate increased to 36.3% during YTD FY 2010 from the YTD FY 2009 effective rate of 34.8% rate, primarily because we are now required to file tax returns in multiple U.S. states as a result of the Pac-Van acquisition.

Noncontrolling Interest. Noncontrolling interest, which represents Bison Capital s 13.8% interest in Royal Wolf, was a charge of $1.7 million in YTD FY 2010, as compared to a benefit of $3.0 million in YTD FY 2009. As discussed in Note 8 of Notes to Condensed Consolidated Financial Statements, we commenced accreting the redemption value of the Bison Capital put option over the period from July 1, 2009 through June 30, 2011, which resulted in a charge to noncontrolling interest in YTD FY 2010. In YTD FY 2009, the benefit was due to the substantial net loss incurred at Royal Wolf in YTD FY 2009; primarily as a result of the unrealized losses on foreign exchange and interest rate swap an option contracts discussed above.

Net Income Attributable to Stockholders. We had a net loss attributable to stockholders of $1.8 million during YTD FY 2010, as compared to a net loss of $5.8 million during YTD FY 2009, primarily as a result of the operating profit from Pac-Van in the quarter ended September 30, 2009, the favorable impact of the foreign exchange and forward currency exchange contract gains and reduced interest expense in QE FY 2010 versus QE FY 2009, somewhat offset by the lower profitability at both of our operating units and by the charge for the accretion of the Bison put option.

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

Earnings before interest, income taxes, depreciation and amortization and other non-operating costs and income (EBITDA and adjusted EBITDA) are supplemental measures of our performance that are not required by, or presented in accordance with U.S. GAAP. These measures are not measurements of our financial performance under U.S. GAAP and should not be considered as alternatives to net income, income from operations or any other performance measures derived in accordance with U.S. GAAP or as an alternative to cash flow from operating, investing or financing activities as a measure of liquidity.

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

	Quarter Ended March 31,		**Nine Months Ended March 31,**	
	2009	**2010**	**2009**	**2010**
Net income (loss)	$ 93	$ (203)	$ (8,779)	$ (116)
Add				
Provision (benefit) for income taxes	50	(116)	(4,685)	(66)
Foreign currency exchange (gain) loss and other	1,860	(578)	12,575	(3,716)
Interest expense	3,308	3,932	13,388	11,771
Interest income	(58)	(56)	(244)	(178)
Depreciation and amortization	3,882	4,578	11,161	14,929
Share-based compensation expense	180	199	656	615
Adjusted EBITDA	$ 9,315	$ 7,756	$ 24,072	$ 23,239

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

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Liquidity and Financial Condition

Each of our two operating units, Royal Wolf and Pac Van, fund their operations substantially through secured bank credit facilities that require compliance with various covenants. These covenants require them to, among other things; maintain certain levels of interest coverage, EBITDA (as defined), unit utilization rate and overall leverage. In addition, we have a $1.0 million credit facility with Union Bank at GFN and have certain obligations and subordinated notes to Bison Capital and SPV in connection with our purchase of Royal Wolf and Pac Van, respectively.

The global economic downturn (particularly in the construction-related sector in the United States and the mining and defense and transportation sectors in the Asia-Pacific area) and credit crises have had and continue to have an adverse impact on our business operations, making compliance with the various loan covenants very challenging. In addition, our leverage can be considered high, due primarily to declining adjusted EBITDA, and we have limited access to additional capital; except on terms that may be viewed as onerous and expensive. While we have and continue to proactively manage compliance with the covenants of our various loan agreements and believe we have satisfactory relationships with each lender, continued declines in our operating results could lead to a breach in one or more covenants and the lenders accelerating loan maturities.

During the fiscal year ended June 30, 2009 (FY 2009), we negotiated with certain of our lenders to modify various covenants and extend maturities. These included amending our senior credit facility with ANZ (see Note 4 of Notes to Condensed Consolidated Financial Statements) and our shareholders agreement with Bison Capital in GFN U.S. (see Note 8 of Notes to Condensed Consolidated Financial Statements). These amendments, among other things, established financial covenants for the ANZ facility at less restrictive levels, revised principal payment requirements, and deferred Bison Capital s put option on their noncontrolling interest in GFN U.S. (through which we indirectly own Royal Wolf) to July 2011. In addition, the amendment of the ANZ credit facility requires that we pay the U.S.-denominated principal payment of $5.5 million due Bison Capital in July 2010 by a capital infusion from GFN.

Our required principal and other obligations payments (including Bison Capital s put option) for the twelve months ending March 31, 2011 and the subsequent three twelve-month periods are as follows (in thousands):

	Twelve Months Ending March 31,			
	2011	**2012**	**2013**	**2014**
ANZ senior credit facility (a)	$ 16,700	$ 9,100	$ 51,800	$ 100
Bison Capital subordinated notes	5,500		16,100	
Bison Capital put option		12,900		
Holdback note (issued in connection with Pac-Van acquisition)	1,500			
BOA senior credit facility			61,800	
SPV subordinated note			25,000	
Union Bank credit facility	900			
Other	200	100	100	100
	$ 24,800	$ 22,100	$ 154,800	$ 200

(a) Reflects the invoice financing and overdraft facilities totaling $4.9 million as a current maturity. These

should continually roll over and would be fully repaid at the maturity of the ANZ facility.

As reflected in the table above, unless conditions significantly change, a company-wide capital restructuring will be required some time before or during the calendar year 2012, as the majority of the outstanding borrowings under our secured senior and subordinated loans mature during this period. In the foreseeable future, however, we have three principal objectives with respect to our liquidity:

1. Reduce overall leverage in each operating entity by minimizing capital expenditures and using operating cash flow to pay interest and reduce debt.
2. Operate the businesses to meet all loan covenant requirements.
3. Generate sufficient capital, either through operations or external sources, including debt or equity, to meet loan maturities and the potential payment of the Bison Capital put option.

As a part of achieving these objectives, we intend to refinance our senior credit facility and subordinated note at Pac-Van and, additionally, amend our senior credit facility at Royal Wolf to, among other things, extend required principal payments due to ANZ during the subsequent twelve months ending March 31, 2011. A refinancing at Pac-Van would require additional debt or equity capital to be raised and, considering current market conditions, the raising of additional capital may not be available on favorable terms, if at all. Depending on our operating performance, we believe we require net proceeds of approximately $27.0 million from external financing in the foreseeable future to, among other things, pay the $5.5 million due Bison Capital and complete a refinancing at Pac-Van. We estimate that $7.0 to $10.0 million of the required external capital will be obtained from our rights offering to our stockholders (see Note 11 of Notes to Condensed Consolidated Financial Statements), with the remainder derived from other sources; such as private individual or institutional investors. However, there can be no assurance that we will be successful in raising the required capital, completing any refinancing and/or attaining amendments on our existing facilities, maintaining compliance with our loan covenants or obtaining waivers if we were noncompliant.

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

Cash Flow for YTD FY 2010 Compared to YTD FY 2009

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

As we discussed above, our principal source of capital for operations consists of funds available from the senior secured credit facility with ANZ and the senior secured credit facility led by BOA. We also finance a smaller portion of capital requirements through finance leases and lease-purchase contracts, have a $1.0 million line of credit with Union Bank and have outstanding senior subordinated notes with Bison Capital and SPV. Supplemental information pertaining to our combined sources and uses of cash is presented in the table below (in thousands):

	Nine Months Ended March 31,	
	2009	**2010**
Net cash provided by operating activities	$ 9,636	$ 24,472
Net cash used by investing activities	$ (37,482)	$ (4,652)
Net cash provided (used) by financing activities	$ 25,647	$ (21,951)

Operating activities. Our operations provided net cash flow of $24.5 million during YTD FY 2010, as compared to $9.6 million during YTD FY 2009. The significant increase in operating cash flows of $14.9 million in YTD FY 2010 from YTD FY 2009 was primarily due to (1) a smaller net loss of $0.1 million versus $8.8 million, (2) effective management of cash flows from operating assets and liabilities of $12.5 million versus a reduction of $1.2 million and (3) non-cash adjustments of (i) unrealized gains on forward exchange contracts of $0.7 million versus $1.5 million, (ii) depreciation and amortization of $14.9 million versus $11.2 million and (iii) the additional benefit in deferred income taxes of $4.5 million in YTD FY 2010 versus YTD FY 2009. Cash provided by operating activities is enhanced by the deferral of most income taxes due to the rapid tax depreciation rate of our assets and our federal and state net operating loss carryforwards. Operating cash flow was offset somewhat by non-cash adjustments in YTD FY 2010 when compared to YTD FY 2009 for unrealized foreign exchange gains of $2.6 million versus an unrealized loss of $10.7 million and unrealized gains on interest rate swaps and options of $0.3 million versus an unrealized loss of

$2.8 million. The non-cash adjustments in YTD FY 2009 more than offset the other adjustments and uses of cash, including the realized foreign exchange losses of $2.8 million incurred primarily as a result of Royal Wolf repaying intercompany advances totaling $21.5 million.

Investing Activities. Net cash used by investing activities was $4.7 million for YTD FY 2010, as compared to $37.5 million for YTD FY 2009. In YTD FY 2009, we used $21.0 million to acquire Pac-Van and three other small acquisitions. Purchases of property, plant and equipment, or rolling stock, were reduced to approximately $1.4 million in YTD FY 2010 from $2.5 million in YTD FY 2009, and purchases of lease fleet declined significantly from $14.1 million in YTD FY 2009 to $3.3 million in YTD FY 2010; despite the acquisition of Pac-Van in QE FY 2009 and its capital requirements. In the current economic environment, we are minimizing our capital expenditures to reduce our overall leverage and anticipate our near term investing activities will be primarily focused on acquiring (a) specific types of units that are not in our fleet and are placed on-rent, (b) technology and communication improvements for our telephone and computer systems and (c) delivery equipment whereby we would derive improved customer service levels and cost savings. The amount of cash that we use during any period in investing activities is almost entirely within management s discretion. Other than a preferred supply agreement, which requires us to purchase up to 5,000 containers if offered to us, and the put and call options pertaining to Bison Capital s minority interest of 13.8% in GFN U.S., we have no significant long-term contracts or other arrangements pursuant to which we may be required to purchase at a certain price or a minimum amount of goods or services. Reference is made to Note 8 of Notes to Condensed Consolidated Financial Statements for a further discussion of our commitments and contingencies.

Financing Activities. Net cash used by financing activities was $22.0 million for YTD FY 2010, as compared to $25.6 million provided in YTD FY 2009. During the second half of FY 2009, we made reducing our long-term debt a principal objective. In YTD FY 2010, we reduced our long-term borrowings by $21.7 million, as compared to borrowing $23.9 million in YTD FY 2009. These proceeds from our capital issuances and net borrowings were used together with cash flow generated from operations to primarily fund the acquisition of Pac-Van, as well as three smaller acquisitions and the expansion of our lease fleet during YTD FY 2009.

Asset Management

Receivables and inventories decreased (including foreign translation effect) from $26.4 million and $22.5 million at June 30, 2009 to $20.1 million and $19.5 million at March 31, 2010, respectively. Effective asset management is always a significant focus for us, particularly in this current economic environment, as we strive to continue to apply appropriate credit and collection controls and reduce inventory levels to maintain and enhance cash flow and profitability. At March 31, 2010, days sales outstanding (DSO) in trade receivables were 43 days and 41 days for Royal Wolf and Pac-Van, as compared to 49 days and 59 days at June 30, 2009, respectively.

The net book value of our total lease fleet increased (including foreign translation effect) from $188.9 million at June 30, 2009 to $196.0 million at March 31, 2010. At March 31, 2010, we had 38,153 units (15,678 units in retail operations in Australia, 6,950 units in national account group operations in Australia, 4,578 units in New Zealand, which are considered retail; and 10,947 units in the United States) in our lease fleet, as compared 39,574 units (15,534 units in retail operations in Australia, 8,190 units in national account group operations in Australia, 4,503 units in New Zealand, which are considered retail; and 11,347 units in the United States) at June 30, 2009. At those dates, 29,177 units (12,537 units in retail operations in Australia, 5,161 units in national account group operations in Australia, 3,835 units in New Zealand, which are considered retail; and 7,644 units in the United States) and 27,825 units (11,106 units in retail operations in Australia, 5,145 units in national account group operations in Australia, 3,494 units in New Zealand, which are considered retail; and 8,080 units in the United States) were on lease, respectively.

In the United States, the lease fleet totaled 10,947 units and 11,347 units at March 31, 2010 and June 30, 2009, respectively, and was comprised of 3,810 containers, 6,143 mobile offices and 994 modular units at March 31, 2010; and 4,007 containers, 6,327 mobile offices and 1,013 modular units at June 30, 2009. At those dates, in the United States, the total of 7,644 units and 8,080 units on lease, respectively, were comprised of 3,002 containers, 3,881 mobile offices and 761 modular units; and 3,255 containers, 4,061 mobile offices and 764 modular units, respectively.

Off-Balance Sheet Arrangements

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

Seasonality

Although demand from certain customer segments can be seasonal, our operations as a whole are not seasonal to any significant extent. We experience a reduction in sales volumes at Royal Wolf during Australia s summer holiday break from mid-December to the end of January, followed by February being a short working day month. However, this reduction in sales typically is counterbalanced by the increased lease revenues derived from the removals or moving and storage industry, which experiences its seasonal peak of personnel relocations during this same summer holiday break. Demand from some of Pac-Van s customers can be seasonal, such as in the construction industry, which tends to increase leasing activity in the first and fourth quarters; while customers in the retail industry tend to lease more units in the second quarter.

Impact of Inflation

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

Critical Accounting Estimates

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

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

We lease and sell storage container products, modular buildings and mobile offices to our customers. Leases to customers generally qualify as operating leases unless there is a bargain purchase option at the end of the lease term. Revenue is recognized as earned in accordance with the lease terms established by the lease agreements and when collectability is reasonably assured. Revenue is recognized as earned in accordance with the lease terms established by the lease agreements and when collectability is reasonably assured. Revenue from sales of equipment is recognized upon delivery and when collectability is reasonably assured.

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

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

We account for goodwill in accordance with FASB ASC Topic 350, *Intangibles Goodwill and Other.* FASB ASC Topic 350 prohibits the amortization of goodwill and intangible assets with indefinite lives and requires these assets be reviewed for impairment at least annually. We operate two reportable and operating segments (Pac-Van and Royal Wolf). All of our goodwill was allocated between these two reporting units. We perform an annual impairment test on

goodwill at June 30 using the two-step process required under FASB ASC Topic 350. The first step is a screen for potential impairment, while the second step measures the amount of the impairment, if any.

At June 30, 2009, we performed the first step of the two-step impairment test and compared the fair value of each reporting unit to its carrying value. In assessing the fair value of the reporting units, we considered both the market approach and the income approach. Under the market approach, the fair value of the reporting unit was determined on a weighted-average range of multiples to adjusted EBITDA. Under the income approach, the fair value of the reporting unit was based on the present value of estimated cash flows. The income approach was dependent on a number of significant management assumptions, including estimated future revenue growth rates, gross margins on sales, operating margins, capital expenditures and discount rates. Each approach was given equal weight in arriving at the fair value of the reporting unit and we determined that the fair values of the Pac-Van and Royal Wolf reporting units exceeded the carrying values of the net assets of these reporting units. If the carrying value of the net assets of any reporting unit would have exceeded its fair value, a step two impairment test would have been performed. In a step-two test, we would be required to determine the implied fair value of the goodwill and compare it to the carrying value of the goodwill. Generally, this would involve allocating the fair value of the reporting units to the respective assets and liabilities of each reporting unit as if the reporting units had been acquired in separate and individual business combinations and the fair value of the reporting units was the price paid to acquire the reporting units. The excess of the fair value of the reporting units over the amounts assigned to their respective assets and liabilities is the implied fair value of goodwill.

We would also consider performing impairment tests during an interim reporting period in which significant events or changes in circumstances indicate that a permanent impairment may have occurred. Some factors we consider important which could trigger such an impairment review include (1) significant underperformance relative to historical, expected or projected future operating results; (2) significant changes in the manner of our use of the acquired assets or the strategy for our overall business; (3) significant changes during the period in our market capitalization relative to net book value; and (4) significant negative industry or general economic trends. At March 31, 2010, there were no significant changes in events or circumstances that were not existing or considered since the last annual test at Royal Wolf or Pac-Van. However, if the underperformance of Pac-Van s operating results continues or worsens for the remainder of the current fiscal year, a potential step-one impairment would most likely exist at yearend. The range of the potential impairment would vary depending on the range of valuation assumptions used and could be significant. At June 30, 2009, our step-one impairment test determined that the fair value of Pac-Van exceeded its carrying value by approximately ten percent.

Intangible assets include those with indefinite (trademark and trade name), and finite (primarily customer base and lists, non-compete agreements and deferred financing costs) useful lives. Customer base and lists and non-compete agreements are amortized on the straight-line basis over the expected period of benefit which range from one to ten years. Costs to obtaining long-term financing are deferred and amortized over the term of the related debt using the straight-line method. Amortizing the deferred financing costs using the straight-line method does not produce significantly different results than that of the effective interest method. We review intangibles (those assets resulting from acquisitions) at least annually for impairment or 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 its estimates of future cash flows. This process requires the use of estimates and assumptions, which are subject to a high degree of judgment. A step-one impairment of goodwill, as discussed above, may lead to a revaluation and impairment of intangible assets at yearend.

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

assets, we would increase our valuation allowance with a charge to income tax expense or offset goodwill if the deferred tax asset was acquired in a business combination. Conversely, if we determine that we will ultimately be able to realize all or a portion of the related benefits for which a valuation allowance has been provided, all or a portion of the related valuation allowance would be reduced with a credit to income tax expense except if the valuation allowance was created in conjunction with a tax asset in a business combination.

Impact of Recently Issued Accounting Pronouncements

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

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the sensitivity of income to changes in interest rates, foreign exchanges and other market-driven rates or prices. Reference is made to Note 5 of Notes to Condensed Consolidated Financial Statements for a discussion of market risk related to interest rates and foreign exchanges.

Item 4. Controls and Procedures

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

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures, as required by Exchange Act Rule 13a-15(b), as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level. There were no changes in our internal control over financial reporting during the quarter ended March 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

In evaluating our forward-looking statements, readers should specifically consider risk factors that may cause actual results to vary from those contained in the forward-looking statements. Risk factors associated with our business are included, but not limited to, our Annual Report on Form 10-K for the year ended June 30, 2009, as filed with the SEC on September 28, 2009 (Annual Report). There have been no material changes to the risk factors disclosed in our Annual Report and other subsequent filings with the SEC.

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

None that have not been previously reported.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits

See Exhibit Index Attached.

SIGNATURES

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

Date: May 14, 2010

GENERAL FINANCE CORPORATION

By: /s/ Ronald F. Valenta
Ronald F. Valenta
Chief Executive Officer

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

EXHIBIT INDEX

Exhibit Number	Exhibit Description
31.1	Certification of Chief Executive Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a)
31.2	Certification of Chief Financial Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a)
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. §1350
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. §1350