MOBILE MINI INC
Form 10-Q
July 30, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2014

or

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

For the transition period from __________ to __________

Commission File Number: 1-12804

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of** **incorporation or organization)**	**86-0748362** **(I.R.S. Employer** **Identification No.)**
7420 S. Kyrene Road, Suite 101 **Tempe, Arizona** **(Address of principal executive offices)**	**85283** **(Zip Code)**

(480) 894-6311

(Registrant s telephone number, including area code)

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

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

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

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

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

At July 21, 2014, there were outstanding 46,684,561 shares of the registrant s common stock, par value $.01.

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MOBILE MINI, INC.

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FOR THE QUARTER ENDED JUNE 30, 2014

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MOBILE MINI, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands except par value data)

	December 31, 2013 (See Note A)	June 30, 2014 (Unaudited)
ASSETS		
Cash	$ 1,256	$ 568
Receivables, net of allowance for doubtful accounts of $2,093 and $2,403 at December 31, 2013 and June 30, 2014, respectively	53,104	55,291
Inventories	18,744	18,760
Lease fleet, net	979,276	980,356
Property, plant and equipment, net	85,153	90,155
Assets held for sale	980	
Deposits and prepaid expenses	6,116	8,025
Other assets and intangibles, net	13,523	12,659
Goodwill	519,222	527,660
Total assets	$ 1,677,374	$ 1,693,474
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Accounts payable	$ 18,862	$ 21,688
Accrued liabilities	65,308	56,783
Lines of credit	319,314	300,125
Obligations under capital leases	8,781	15,302
Senior Notes	200,000	200,000
Deferred income taxes	209,565	219,267
Total liabilities	821,830	813,165
Commitments and contingencies		
Stockholders equity:		
Preferred stock: $.01 par value, 20,000 shares authorized, none issued		
Common stock: $.01 par value, 95,000 shares authorized, 48,810 issued and 46,626 outstanding at December 31, 2013 and 48,881 issued and 46,685 outstanding at June 30, 2014	488	489
Additional paid-in capital	550,387	559,590
Retained earnings	359,778	368,536

Accumulated other comprehensive loss	(15,440)	(8,174)
Treasury stock, at cost, 2,184 and 2,196 shares at December 31, 2013 and June 30, 2014, respectively	(39,669)	(40,132)
Total stockholders equity	855,544	880,309
Total liabilities and stockholders equity	$ 1,677,374	$ 1,693,474

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

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MOBILE MINI, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands except per share data)

(Unaudited)

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2014
Revenues:		
Leasing	$ 88,032	$ 98,041
Sales	8,660	7,982
Other	443	510
Total revenues	97,135	106,533
Costs and expenses:		
Cost of sales	5,518	5,379
Leasing, selling and general expenses	57,259	68,149
Restructuring expenses	343	1,731
Asset impairment charge, net	40,237	274
Depreciation and amortization	8,784	9,305
Total costs and expenses	112,141	84,838
(Loss) income from operations	(15,006)	21,695
Other expense:		
Interest expense	(7,439)	(7,097)
(Loss) income from continuing operations before income tax (benefit) provision	(22,445)	14,598
Income tax (benefit) provision	(8,126)	5,335
(Loss) income from continuing operations	(14,319)	9,263
Loss from discontinued operation, net of tax	(62)	
Net (loss) income	$ (14,381)	$ 9,263
Earnings per share:		
Basic:		
(Loss) income from continuing operations	$ (0.32)	$ 0.20
Loss from discontinued operation		
Net (loss) income	$ (0.32)	$ 0.20

Diluted:				
(Loss) income from continuing operations	$	(0.32)	$	0.20
Loss from discontinued operation				
Net (loss) income	$	(0.32)	$	0.20
Weighted average number of common and common share equivalents outstanding:				
Basic		45,420		46,235
Diluted		45,420		47,027
Cash dividends declared per common share	$		$	0.17

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

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MOBILE MINI, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(In thousands)

(Unaudited)

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2014
Net (loss) income	$ (14,381)	$ 9,263
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustment	(587)	6,086
Other comprehensive (loss) income	(587)	6,086
Comprehensive (loss) income	$ (14,968)	$ 15,349

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

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MOBILE MINI, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands except per share data)

(Unaudited)

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2014
Revenues:		
Leasing	$ 172,907	$ 192,121
Sales	20,892	15,848
Other	848	968
Total revenues	194,647	208,937
Costs and expenses:		
Cost of sales	14,005	10,932
Leasing, selling and general expenses	110,137	136,505
Restructuring expenses	718	2,316
Asset impairment charge, net	40,237	557
Depreciation and amortization	17,544	18,450
Total costs and expenses	182,641	168,760
Income from operations	12,006	40,177
Other expense:		
Interest expense	(14,974)	(14,084)
Foreign currency exchange loss	(1)	(1)
(Loss) income from continuing operations before income tax (benefit) provision	(2,969)	26,092
Income tax (benefit) provision	(769)	9,389
(Loss) income from continuing operations	(2,200)	16,703
Loss from discontinued operation, net of tax	(139)	
Net (loss) income	$ (2,339)	$ 16,703
Earnings per share:		
Basic:		
(Loss) income from continuing operations	$ (0.05)	$ 0.36
Loss from discontinued operation		
Net (loss) income	$ (0.05)	$ 0.36

Diluted:		
(Loss) income from continuing operations	$ (0.05)	$ 0.36
Loss from discontinued operation		
Net (loss) income	$ (0.05)	$ 0.36
Weighted average number of common and common share equivalents outstanding:		
Basic	45,334	46,192
Diluted	45,334	46,932
Cash dividends declared per common share	$	$ 0.34

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

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MOBILE MINI, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(In thousands)

(Unaudited)

	Six Months Ended June 30,	
	2013	**2014**
Net (loss) income	$ (2,339)	$ 16,703
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustment	(12,772)	7,266
Other comprehensive (loss) income	(12,772)	7,266
Comprehensive (loss) income	$ (15,111)	$ 23,969

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

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MOBILE MINI, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2014
Cash Flows From Operating Activities:		
Net (loss) income	$ (2,339)	$ 16,703
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Asset impairment charge, net	39,704	557
Provision for doubtful accounts	715	1,349
Amortization of deferred financing costs	1,405	1,405
Amortization of long-term liabilities	86	83
Share-based compensation expense	5,379	7,141
Depreciation and amortization	17,644	18,450
Gain on sale of lease fleet units	(5,448)	(2,495)
Loss on disposal of property, plant and equipment	62	359
Deferred income taxes	(980)	9,189
Foreign currency transaction loss	1	1
Changes in certain assets and liabilities, net of businesses acquired:		
Receivables	(1,537)	(2,609)
Inventories	(1,602)	55
Deposits and prepaid expenses	(417)	(1,856)
Other assets and intangibles	(7)	(11)
Accounts payable	1,433	2,431
Accrued liabilities	(2,085)	(1,467)
Net cash provided by operating activities	52,014	49,285
Cash Flows From Investing Activities:		
Cash paid for businesses acquired		(16,260)
Additions to lease fleet, excluding acquisitions	(14,297)	(8,150)
Proceeds from sale of lease fleet units	15,929	12,019
Additions to property, plant and equipment	(9,654)	(4,741)
Proceeds from sale of property, plant and equipment	458	1,451
Net cash used in investing activities	(7,564)	(15,681)
Cash Flows From Financing Activities:		
Net repayments under lines of credit	(53,128)	(19,189)
Principal payments on notes payable	(265)	

Principal payments on capital lease obligations		(191)		(766)
Issuance of common stock		6,395		2,062
Dividend payments				(15,719)
Purchase of treasury stock				(463)
Net cash used in financing activities		(47,189)		(34,075)
Effect of exchange rate changes on cash		1,436		(217)
Net decrease in cash		(1,303)		(688)
Cash at beginning of period		1,937		1,256
Cash at end of period	$	634	$	568
Supplemental Disclosure of Cash Flow Information:				
Equipment acquired through capital lease and financing obligations	$		$	7,286

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

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

NOTE A Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) applicable to interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management of Mobile Mini, Inc. (referred to herein as Mobile Mini, us, we, our or the Company), all adjustments (which include normal recurring adjustmen necessary to present fairly the financial position, results of operations, and cash flows for all periods presented have been made. All significant inter-company balances and transactions have been eliminated.

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

The Condensed Consolidated Balance Sheet at December 31, 2013 was derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements.

The results of operations for the six-month period ended June 30, 2014 are not necessarily indicative of the operating results that may be expected for the full fiscal year ending December 31, 2014 or any future period. Demand from certain of the Company s customers is somewhat seasonal. Demand for leases of the Company s portable storage units by large retailers is stronger from September through December because these retailers need to store additional inventory for the holiday season. These retailers usually return these leased units to the Company in December or early in the following year. This seasonality has historically caused lower utilization rates for the Company s lease fleet during the first quarter of each year.

Certain prior period amounts in the accompanying condensed consolidated financial statements have been reclassified to conform to the current financial presentation requirements. The reclassification is the result of the Company selling the subsidiary comprising its Netherlands operation in December 2013 and reflecting such transaction as a discontinued operation.

These condensed consolidated financial statements should be read in conjunction with the Company s December 31, 2013 audited consolidated financial statements and accompanying notes thereto, which are included in the Company s Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on February 14, 2014.

NOTE B Recent Accounting Pronouncements

Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. In July 2013, the Financial Accounting Standards Board (FASB) issued accounting guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The guidance is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013, with an option for early adoption. The Company adopted this guidance in January 2014. The adoption of this amendment did not have a material impact on its consolidated financial statements and related disclosures.

Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. In April 2014, the FASB issued the accounting guidance on reporting discontinued operations and disclosures of disposals of components of an entity. The new guidance raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. The guidance is effective for fiscal years beginning after December 15, 2014. Early adoption is permitted, but only for disposals that have not been reported to financial statements previously issued. The Company does not expect the adoption of the guidance will have a material impact on its consolidated financial statements and related disclosures.

Revenue from Contracts with Customers. In May 2014, FASB issued the accounting standard on revenue from contracts with customers. The standard provides a single model for revenue arising from contracts with customers and supersedes current revenue recognition guidance. The standard requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of goods or services. The standard is effective for annual and interim periods beginning after December 15, 2016. Early adoption is not permitted. The revenue recognition standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the impact, if any, of the adoption of the standard to its financial statements and related disclosures. The Company has not yet selected a transition method nor determined the effect of the standard on its ongoing financial reporting.

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

NOTE C Fair Value Measurements

The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Company adopted the suggested accounting guidance for the three levels of inputs that may be used to measure fair value:

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

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

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

At December 31, 2013 and June 30, 2014, the Company did not have any financial instruments required to be recorded at fair value on a recurring basis.

The following table summarizes our non-financial assets measured at fair value on a non-recurring basis:

Assets Held for Sale (1)	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Valuation Technique**
		(In thousands)			
December 31, 2013	$ 980	$	$	$ 980	(1)
June 30, 2014	$	$	$	$	n/a

(1) Assets held for sale primarily represent portable storage and office units and some transportation equipment. The carrying value of these assets was written down to fair value in the second quarter of 2013. The estimate of the fair value of the assets held for sale is based on the Company s understanding of market prices to be paid by third parties (See Note R).

NOTE D Fair Value of Financial Instruments

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

The carrying amounts of cash, receivables, accounts payable and accrued liabilities approximate fair values based on the liquidity of these financial instruments or based on their short-term nature. The carrying amounts of the Company s borrowings under its revolving credit facility and capital leases approximate fair value. The fair values of the Company s revolving credit facility and capital leases are estimated using discounted cash flow analyses, based on the Company s current incremental borrowing rates for similar types of borrowing arrangements. Based on the borrowing rates currently available to the Company for bank loans with similar terms and average maturities, the fair value of the Company s revolving credit facility debt and capital leases at December 31, 2013 and June 30, 2014 approximated their respective book values and are considered Level 2 in the fair value hierarchy described in Note C.

The fair value of the Company s $200.0 million aggregate principal amount of 7.875% senior notes due 2020 (the Senior Notes) is $217.3 million and $220.0 million as of December 31, 2013 and June 30, 2014, respectively. The fair value is based on the latest sales price of such notes at the end of each period obtained from a third-party institution and is considered Level 2 in the fair value hierarchy described in Note C, as there is not an active market for such notes.

NOTE E Earnings Per Share

Basic earnings per share (EPS) are calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated under the treasury stock method. Potential common shares include restricted common stock, which is subject to risk of forfeiture, incremental shares of common stock issuable upon the exercise of stock options and vesting of nonvested stock awards.

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

The following is a reconciliation of weighted-average shares of common stock outstanding for purposes of calculating basic and diluted EPS for the three- and six-month periods ended June 30, 2013 and 2014:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2014	2013	2014
	(In thousands except per share data)		(In thousands except per share data)	
Numerator:				
(Loss) income from continuing operations	$ (14,319)	$ 9,263	$ (2,200)	$ 16,703
Loss on discontinued operation, net of tax	(62)		(139)	
Net (loss) income	$ (14,381)	$ 9,263	$ (2,339)	$ 16,703
Basic EPS denominator:				
Common shares outstanding beginning of period	45,351	46,229	45,194	46,084
Effect of weighting shares:				
Weighted shares issued during the period ended June 30	69	6	140	108
Denominator for basic earnings per share	45,420	46,235	45,334	46,192
Diluted EPS denominator:				
Common shares outstanding beginning of period	45,351	46,229	45,194	46,084
Effect of weighting shares:				
Weighted shares issued during the period ended June 30	69	6	140	108
Dilutive effect of stock options and nonvested share-awards during the period ended June 30		792		740
Denominator for diluted earnings per share	45,420	47,027	45,334	46,932
Earnings per share:				
Basic:				
(Loss) income from continuing operations	$ (0.32)	$ 0.20	$ (0.05)	$ 0.36
Loss from discontinued operation				
Net (loss) income	$ (0.32)	$ 0.20	$ (0.05)	$ 0.36
Diluted:				

(Loss) income from continuing operations	$	(0.32)	$	0.20	$	(0.05)	$	0.36
Loss from discontinued operation								
Net (loss) income	$	(0.32)	$	0.20	$	(0.05)	$	0.36

Basic weighted-average number of common shares outstanding does not include nonvested share-awards that had not vested of 0.8 million and 0.4 million for the three- and six-month periods ended June 30, 2013 and 2014, respectively.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2014	2013	2014
	(In thousands)		(In thousands)	
Stock option awards	2,407	277	1,598	210
Nonvested share-awards	388		355	1
Total anti-dilutive shares	2,795	277	1,953	211

NOTE F Share-Based Compensation

At June 30, 2014, the Company had one active share-based employee compensation plan. There are two expired compensation plans, one of which still has outstanding options subject to exercise or termination. No additional options can be granted under the expired plans.

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

Stock option awards under these plans were historically granted with an exercise price per share equal to the fair market value of the Company s common stock on the date of grant. In 2014, the stock options issued by the Company were issued at a price equal to 115% of the fair market value of the Company s common stock on the date of the grant. Each outstanding option must expire no later than ten years from the date it was granted, unless exercised or forfeited before the expiration date, and are granted with vesting periods ranging from three to four and one half years. The total value of the Company s stock option awards is expensed over the related employee s service period on a straight-line basis, or if subject to performance conditions, the expense is recognized using the accelerated attribution method. The service period is the time during which the employees receiving the awards must remain employed for the shares granted to fully vest.

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

The Company has also granted certain executive officers stock options and nonvested share-awards with vesting subject to performance conditions. Vesting of these grants is dependent upon the respective officers fulfilling the service period requirements as well as the Company achieving certain yearly adjusted EBITDA (as defined below) targets in each of the performance periods (three to four years) after the grant is awarded. EBITDA is defined as net income before discontinued operation, net of tax (if applicable), interest expense, income taxes, depreciation and amortization, and debt restructuring or extinguishment expense (if applicable), including any write-off of deferred financing costs, and further adjusted to exclude non-cash share-based compensation expense and other specific transactions, to arrive at adjusted EBITDA. For performance-based grants, the Company is required to assess the probability that such performance conditions will be met. If the likelihood of the performance conditions being met is deemed probable, the Company will recognize the expense using the accelerated attribution method. The accelerated attribution method could result in as much as 60% of the total value of the shares being recognized in the first year of the service period if the future performance-based targets are assessed as probable of being met.

The following table sets forth unrecognized compensation costs related to the Company s share-based compensation plan as of June 30, 2014:

	June 30, 2014 (In thousands)	Weighted Average Recognition Period (Years)
Stock option awards	$ 13,457	1.58
Nonvested share-awards	$ 8,732	2.53

The following table summarizes the share-based compensation expense and capitalized amounts for the three- and six-month periods ended June 30, 2014:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2014	2013	2014
	(In thousands)		(In thousands)	
Share-based compensation expense	$ 3,743	$ 2,977	$ 5,379	$ 7,141
Capitalized share-based compensation	97		149	
Total share-based compensation	$ 3,840	$ 2,977	$ 5,528	$ 7,141

A summary of stock option activity within the Company s share-based compensation plans and changes for the six months ended June 30, 2014 is as follows:

	Number of Shares (In thousands)	Weighted Average Exercise Price
Balance at December 31, 2013	2,519	$ 29.80
Granted	269	$ 47.95
Exercised	(88)	$ 23.36
Canceled/Expired	(57)	$ 39.89
Balance at June 30, 2014	2,643	$ 31.64

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

The intrinsic value of options exercised during the six months ended June 30, 2014 was approximately $1.6 million.

A summary of nonvested share-awards activity within the Company s share-based compensation plans and changes for the six months ended June 30, 2014 is as follows:

	Number of Shares (In thousands)	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2013	542	$ 20.65
Awarded	70	$ 41.69
Released	(80)	$ 18.50
Forfeited	(88)	$ 22.13
Nonvested at June 30, 2014	444	$ 24.08

A summary of fully vested stock options and stock options expected to vest, as of June 30, 2014, is as follows:

	Number of Shares (In thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Values (In thousands)
Outstanding	2,643	$ 31.64	8.50	$ 42,992
Vested and expected to vest	2,553	$ 31.54	8.48	$ 41,794
Exercisable	833	$ 29.52	7.94	$ 15,311

The fair value of each stock option award is estimated on the date of the option grant using the Black-Scholes option pricing model.

NOTE G Inventories

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

	December 31, 2013	June 30, 2014
	(In thousands)	
Raw material and supplies	$ 16,586	$ 16,010
Work-in-process	197	215
Finished portable storage units	1,961	2,535
Inventories	$ 18,744	$ 18,760

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

NOTE H Lease Fleet

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

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

Lease fleet consisted of the following at the dates indicated:

	December 31, 2013	June 30, 2014
	(In thousands)	
Steel storage containers	$ 600,475	$ 604,792
Offices	538,906	544,888
Van trailers	2,119	2,029
Other	3,809	3,911
	1,145,309	1,155,620
Accumulated depreciation	(166,033)	(175,264)
Lease fleet, net	$ 979,276	$ 980,356

NOTE I Property, Plant and Equipment

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

	December 31, 2013	**June 30, 2014**
	(In thousands)	
Land	$ 11,124	$ 11,182
Vehicles and equipment	88,686	95,678
Buildings and improvements (1)	18,477	18,949
Office fixtures and equipment	33,017	35,082
	151,304	160,891
Accumulated depreciation and amortization	(66,151)	(70,736)
Property, plant and equipment, net	$ 85,153	$ 90,155

(1) Improvements made to leased properties are amortized over the lesser of the estimated remaining life or the remaining term of the respective lease.

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

NOTE J Goodwill

Purchase prices of acquired businesses have been allocated to the assets and liabilities acquired based on the estimated fair values on the respective acquisition dates. Based on these values, the excess purchase prices over the fair value of the net assets acquired were allocated to goodwill. Acquisitions of businesses under asset purchase agreements result in the goodwill relating to the business acquisition being deductible for income tax purposes even though goodwill is not amortized for financial reporting purposes. The Company performs an annual impairment test on goodwill and will perform impairment tests during any reporting period in which events or changes in circumstances indicate that an impairment may have incurred.

The following table shows the activity and balances relating to goodwill from December 31, 2013 to June 30, 2014:

	Goodwill (in thousands)	
Balance at December 31, 2013	$	519,222
Acquisitions		6,110
Foreign currency translation adjustments		2,328
Balance at June 30, 2014	$	527,660

NOTE K Lines of Credit

The Company has a $900.0 million ABL Credit Agreement with Deutsche Bank AG New York Branch (Administrative Agent) and other lenders party thereto (the Credit Agreement). The Credit Agreement provides for a five-year revolving credit facility and matures on February 22, 2017. The obligations of Mobile Mini and its subsidiary guarantors under the Credit Agreement are secured by a blanket lien on substantially all of our assets.

Amounts borrowed under the Credit Agreement and repaid or prepaid during the term may be reborrowed. Outstanding amounts under the Credit Agreement bear interest at the Company s option at either: (i) LIBOR plus a defined margin, or (ii) the Administrative Agent bank s prime rate plus a margin. The applicable margin for each type of loan is based on an availability-based pricing grid and ranges from 1.75% to 2.25% for LIBOR loans and 0.75% to 1.25% for base rate loans at each measurement date. As of June 30, 2014, the applicable margins are 2.00% for LIBOR loans and 1.00% for base rate loans and will be remeasured at the end of the next measurement date, which is within ten days following the end of each fiscal quarter.

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

The Credit Agreement provides for U.K. borrowings, which are, at the Company s option, denominated in either Pounds Sterling or Euros, by its U.K. subsidiary based upon a U.K. borrowing base; Canadian borrowings, which are denominated in Canadian dollars, by its Canadian subsidiary based upon a Canadian borrowing base; and U.S. borrowings, which are denominated in U.S. dollars, by the Company based upon a U.S. borrowing base.

The Credit Agreement also contains customary negative covenants, including covenants that restrict the Company s ability to, among other things: (i) allow certain liens to attach to the Company or its subsidiary assets; (ii) repurchase or pay dividends or make certain other restricted payments on capital stock and certain other securities, prepay certain indebtedness or make acquisitions or other investments subject to Payment Conditions (as defined in the Credit Agreement); and (iii) incur additional indebtedness or engage in certain other types of financing transactions. Payment Conditions allow restricted payments and acquisitions to occur without financial covenants as long as the Company has $225.0 million of pro forma excess borrowing availability under the Credit Agreement. The Company must also comply with specified financial maintenance covenants and affirmative covenants only if the Company falls below $90.0 million of borrowing availability levels with set permitted values for the Debt Ratio and Fixed Charge Coverage Ratio (each as defined in the Credit Agreement). The Company was in compliance with the terms of the Credit Agreement as of June 30, 2014 and was above the minimum borrowing availability threshold and therefore not subject to any financial maintenance covenants or restricted from paying dividends or making stock repurchases.

MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

At June 30, 2014, the Company had approximately $300.1 million of borrowings outstanding and $593.2 million additional borrowing availability under the Credit Agreement, based upon borrowing base calculations as of such date.

NOTE L   Income Taxes

The Company files U.S. Federal tax returns, U.S. state tax returns and foreign tax returns. The Company has identified its U.S. Federal tax return as its   major   tax jurisdiction. For the U.S. Federal return, its tax years for 2010, 2011 and 2012 are subject to tax examination by the U.S. Internal Revenue Service through September 15, 2014, 2015 and 2016, respectively. The Company does not anticipate that the total amount of unrecognized tax benefit related to any particular tax position will change significantly within the next 12 months.

The Company uses a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement.

In July 2013, the U.K.   s government authorized a reduction in the corporate income tax rate to 20% from the statutory rate of 23% authorized in 2012. This rate reduction only affected the Company   s U.K. operations and reduced the Company   s deferred tax liability in the U.K. by approximately $1.9 million in 2013. The tax reduction is reflected at the enacted rate in effect at the estimated date such amounts will be payable. Despite the rate reduction, the Company   s effective tax rate increased from 25.9% to 36.0% for the six-month periods ended June 30, 2013 and 2014, respectively, due to the mix shift in North America   s and U.K.   s contribution to pre-tax profit.

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

NOTE M   Accumulated Other Comprehensive Loss

At December 31, 2013 and June 30, 2014, the Company did not have any transactions that required reclassification adjustments out of accumulated other comprehensive loss.

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

	December 31, 2013	June 30, 2014
	(In thousands)	
Foreign currency translation adjustment	$ 15,440	$ 8,174

Total accumulated other comprehensive loss	$ 15,440	$ 8,174

NOTE N Commitments and Contingencies

The Company is a party to routine claims incidental to its business. Most of these routine claims involve alleged damage to customers property while stored in units leased from Mobile Mini and damage alleged to have occurred during delivery and pick-up of containers. The Company carries insurance to protect it against loss from these types of claims, subject to deductibles under the policy. The Company does not believe that any of these incidental claims, individually or in the aggregate, is likely to have a material adverse effect on its business or results of operations.

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

NOTE O Stockholders Equity

In November 2013, the Company s Board of Directors (the Board) approved a share repurchase program authorizing up to $125.0 million of the Company s outstanding shares of common stock to be repurchased. The shares may be repurchased from time to time in the open market or in privately negotiated transactions. The share repurchases are subject to prevailing market conditions and other considerations. The share repurchase program does not have an expiration date and may be suspended or terminated at any time by the Board. As of June 30, 2014, no shares were repurchased under this program.

During 2014, the Company withheld 11,081 shares of restricted stock awards, for a total value of approximately $0.5 million, to certain officers upon vesting of restricted stock to satisfy minimum tax withholding obligations.

NOTE P Segment Reporting

The Company has operations in North America and the U.K. The Company s operating segments are similarly defined geographically. Discrete financial data on each of the Company s products is not available and it would be impractical to collect and maintain financial data in such a manner. Financial results are aggregated into two reportable segments, North America and the U.K., based on quantitative thresholds. All of the Company s locations operate in their local currency and, although the Company is exposed to foreign exchange rate fluctuation in other foreign markets where the Company leases and sells its products, the Company does not believe such exposure will have a significant impact on its results of operations.

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

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

The following tables set forth certain information regarding each of the Company s segments for the three- and six-month periods ended June 30, 2013 and 2014:

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2014
	(In thousands)	
Revenues:		
North America:		
Leasing	$ 72,224	$ 78,013
Sales	7,672	6,910
Other	347	405
Total North America (1)	80,243	85,328
U.K.:		
Leasing	15,808	20,028
Sales	988	1,072
Other	96	105
Total U.K.	16,892	21,205
Total revenues	$ 97,135	$ 106,533
Depreciation and amortization:		
North America	$ 7,093	$ 7,582
U.K.	1,691	1,723
Total depreciation and amortization	$ 8,784	$ 9,305
(Loss) income from operations:		
North America	$ (11,436)	$ 18,571
U.K.	(3,570)	3,124
Total (loss) income from operations	$ (15,006)	$ 21,695
Interest expense:		
North America	$ 7,171	$ 6,870
U.K.	268	227

Total interest expense	$ 7,439	$ 7,097
Income tax (benefit) provision:		
North America	$ (7,346)	$ 4,609
U.K.	(780)	726
Total income tax (benefit) provision	$ (8,126)	$ 5,335

(1) Includes revenues in the United States of $78.7 million and $83.8 million for the three-month periods ended June 30, 2013 and 2014, respectively.

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

	Six Months Ended June 30, 2013	2014
	(In thousands)	
Revenues:		
North America:		
Leasing	$ 141,985	$ 153,496
Sales	14,713	13,488
Other	684	759
Total North America (1)	157,382	167,743
U.K.:		
Leasing	30,922	38,625
Sales	6,179	2,360
Other	164	209
Total U.K.	37,265	41,194
Total revenues	$ 194,647	$ 208,937
Depreciation and amortization:		
North America	$ 14,163	$ 15,000
U.K.	3,381	3,450
Total depreciation and amortization	$ 17,544	$ 18,450
Income (loss) from operations:		
North America	$ 12,191	$ 33,715
U.K.	(185)	6,462
Total income from operations	$ 12,006	$ 40,177
Interest expense:		
North America	$ 14,390	$ 13,617
U.K.	584	467
Total interest expense	$ 14,974	$ 14,084
Income tax (benefit) provision:		
North America	$ (756)	$ 7,908

U.K.	(13)	1,481
Total income tax (benefit) provision	$ (769)	$ 9,389

(1) Includes revenues in the United States of $154.4 million and $165.0 million for the six-month periods ended June 30, 2013 and 2014, respectively.

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

	December 31, 2013	**June 30, 2014**
	(In thousands)	
North America (1)	$ 902,183	$ 903,960
U.K.	162,246	166,551
Total long-lived assets	$ 1,064,429	$ 1,070,511

(1) Includes long-lived assets of $884.3 million and $887.8 million in the United States at December 31, 2013 and June 30, 2014, respectively.

MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

NOTE Q Restructuring Expenses

The Company has undergone restructuring actions to align its business operations, including the termination of its consumer initiative program and the transition of leadership for the Company s President and Chief Executive Officer position in 2012 and the Chief Accounting Officer position in 2013. The Company s U.K. operations restructured one of their locations at the end of 2013 and additionally sold the Belfast, Northern Ireland location in the second quarter of 2014. In addition, the Company s field management structure in North America was realigned in 2014 along with other organizational changes.

The majority of accrued restructuring obligations are related to the Company s operations in North America. The following table details these accrued obligations (included in accrued liabilities in the accompanying Condensed Consolidated Balance Sheets) and related activity for the year ended December 31, 2013 and the six-month period ended June 30, 2014:

	Severance and Benefits	Lease Abandonment Costs	Other Costs	Total
		(In thousands)		
Accrued obligations as of January 1, 2013	$ 2,543	$ 1,570	$	$ 4,113
Restructuring expenses	1,787	475	140	2,402
Settlement of obligations	(3,717)	(982)	(140)	(4,839)
Accrued obligations as of December 31, 2013	613	1,063		1,676
Restructuring expenses	639	318	1,359	2,316
Settlement of obligations	(708)	(576)	(1,336)	(2,620)
Accrued obligations as of June 30, 2014	$ 544	$ 805	$ 23	$ 1,372

The majority of the accrued obligations are expected to be paid out through the year 2014, with the exception of a lease that will continue into the first quarter of 2019.

The following amounts are included in restructuring expenses for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2014	2013	2014
	(In thousands)		(In thousands)	
Severance and benefits	$ 167	$ 299	$ 409	$ 639

Lease abandonment costs	141	179	239	318
Other costs (1)	35	1,253	70	1,359
Restructuring expenses	$ 343	$ 1,731	$ 718	$ 2,316

(1) Other costs in 2014 include the sale of the Company s Belfast, Northern Ireland location.

NOTE R Assets Held for Sale

In the second quarter of 2013, the Company conducted field inspections of lease fleet units and other assets. In connection with this action, the Company recorded an asset impairment charge of $40.2 million in the second quarter of 2013, of which $39.6 million was non-cash. Realized gains and losses resulting from the subsequent sale of these assets are recorded as a decrease or an increase to the original impairment charge in the statements of income and the proceeds associated with the disposal of these assets, excluding inventories, is recorded as investing activities in statements of cash flows. All of the assets were sold as of June 30, 2014.

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

The following table sets forth the information on the assets classified as held for sale at December 31, 2013 and the subsequent changes to the assets fair value for the six-month period ended June 30, 2014 (in thousands):

	North America	U.K.	Total
Balance at December 31, 2013	$ 904	$ 76	$ 980
Sale proceeds	(310)	(183)	(493)
Additional net loss upon sale	(433)	(124)	(557)
Other changes, net	(161)	230	69
Effect of exchange rate changes		1	1
Balance at June 30, 2014	$	$	$

NOTE S Acquisitions

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

On March 31, 2014, Mobile Mini acquired the portable storage assets and assumed certain liabilities of two businesses, one based in North Dakota and one in North Carolina. These acquisitions were effected pursuant to asset purchase agreements. Each of these acquisitions was integrated into the Company s existing operations at each location.

On June 30, 2014, the Company acquired two portable storage businesses, one through a stock purchase agreement and the other through an asset purchase agreement. One acquisition expanded the Company s existing operations in the Texas and Tennessee markets and the other created a new location in the Connecticut market.

The accompanying condensed consolidated financial statements include the operations of the acquired businesses from the date of acquisition. The Company has not disclosed the pro-forma impact of the fiscal 2014 acquisitions as they were immaterial to the Company s financial position and operations in the aggregate. The acquisitions were accounted for as a purchase of the business, with the purchased assets and assumed liabilities recorded at their estimated fair values at the date of acquisition.

The fair value of the assets acquired and liabilities assumed have been estimated in the aggregate as follows at June 30, 2014:

		Preliminary Acquisitions Fair Values (In thousands)
Tangible assets:		
Receivables	$	350
Lease fleet		8,973
Property, plant and equipment		215
Other assets		14
Intangible assets:		
Customer lists		990
Non-compete agreements		125
Goodwill		6,110
Liabilities		(517)
Total purchase price	$	16,260

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

MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

NOTE T Subsequent Event

On July 29, 2014, the Company s Board authorized and declared the third quarterly cash dividend to all the Company s common stockholders of $0.17 per share of common stock, payable on September 3, 2014 to stockholders of record as of the close of business on August 20, 2014. Each future quarterly dividend payment is subject to review and approval by the Board.

NOTE U Condensed Consolidating Financial Information

The following tables reflect the condensed consolidating financial information of the Company s subsidiary guarantors of the Senior Notes and its non-guarantor subsidiaries. Separate financial statements of the subsidiary guarantors are not presented because the guarantee by each 100% owned subsidiary guarantor is full and unconditional, joint and several, subject to customary exceptions, and management has determined that such information is not material to investors.

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING BALANCE SHEETS

As of December 31, 2013

(In thousands)

	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS				
Cash	$ (190)	$ 1,446	$	$ 1,256
Receivables, net	35,378	17,726		53,104
Inventories	16,855	1,889		18,744
Lease fleet, net	817,945	161,331		979,276
Property, plant and equipment, net	66,376	18,777		85,153
Assets held for sale	800	180		980
Deposits and prepaid expenses	4,711	1,405		6,116
Other assets and intangibles, net	12,236	1,287		13,523
Goodwill	445,131	74,091		519,222
Intercompany	153,885	32,560	(186,445)	
Total assets	$ 1,553,127	$ 310,692	$ (186,445)	$ 1,677,374
LIABILITIES AND STOCKHOLDERS EQUITY				
Liabilities:				
Accounts payable	$ 10,334	$ 8,528	$	$ 18,862
Accrued liabilities	58,595	6,713		65,308
Lines of credit	307,008	12,306		319,314
Obligations under capital leases	8,781			8,781
Senior Notes	200,000			200,000
Deferred income taxes	196,164	14,390	(989)	209,565
Intercompany		134	(134)	
Total liabilities	780,882	42,071	(1,123)	821,830
Commitments and contingencies				
Stockholders equity:				
Common stock	488	18,436	(18,436)	488
Additional paid-in capital	550,387	167,730	(167,730)	550,387

Retained earnings	261,039	97,895	844	359,778
Accumulated other comprehensive loss		(15,440)		(15,440)
Treasury stock, at cost	(39,669)			(39,669)
Total stockholders equity	772,245	268,621	(185,322)	855,544
Total liabilities and stockholders equity	$ 1,553,127	$ 310,692	$ (186,445)	$ 1,677,374

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING BALANCE SHEETS

As of June 30, 2014

(In thousands)

	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS				
Cash	$ 434	$ 134	$	$ 568
Receivables, net	35,739	19,552		55,291
Inventories	16,635	2,125		18,760
Lease fleet, net	815,741	164,615		980,356
Property, plant and equipment, net	72,012	18,143		90,155
Deposits and prepaid expenses	6,334	1,691		8,025
Other assets and intangibles, net	11,614	1,045		12,659
Goodwill	451,242	76,418		527,660
Intercompany	151,926	31,916	(183,842)	
Total assets	$ 1,561,677	$ 315,639	$ (183,842)	$ 1,693,474
LIABILITIES AND STOCKHOLDERS EQUITY				
Liabilities:				
Accounts payable	$ 11,308	$ 10,380	$	$ 21,688
Accrued liabilities	49,726	7,057		56,783
Lines of credit	296,192	3,933		300,125
Obligations under capital leases	15,302			15,302
Senior Notes	200,000			200,000
Deferred income taxes	203,886	16,379	(998)	219,267
Intercompany		171	(171)	
Total liabilities	776,414	37,920	(1,169)	813,165
Commitments and contingencies				
Stockholders equity:				
Common stock	489	18,388	(18,388)	489
Additional paid-in capital	559,590	165,139	(165,139)	559,590
Retained earnings	265,316	102,366	854	368,536

Accumulated other comprehensive loss		(8,174)		(8,174)
Treasury stock, at cost	(40,132)			(40,132)
Total stockholders equity	785,263	277,719	(182,673)	880,309
Total liabilities and stockholders equity	$ 1,561,677	$ 315,639	$ (183,842)	$ 1,693,474

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

Three Months Ended June 30, 2013

(In thousands)

	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues:				
Leasing	$ 70,820	$ 17,212	$	$ 88,032
Sales	7,506	1,154		8,660
Other	339	104		443
Total revenues	78,665	18,470		97,135
Costs and expenses:				
Cost of sales	4,724	794		5,518
Leasing, selling and general expenses	43,834	13,425		57,259
Restructuring expenses	343			343
Asset impairment charge	33,551	6,686		40,237
Depreciation and amortization	6,958	1,826		8,784
Total costs and expenses	89,410	22,731		112,141
Loss from operations	(10,745)	(4,261)		(15,006)
Other income (expense):				
Interest income	61		(61)	
Interest expense	(7,014)	(486)	61	(7,439)
Loss from continuing operations before income tax benefit	(17,698)	(4,747)		(22,445)
Income tax benefit	(7,323)	(793)	(10)	(8,126)
Loss from continuing operations	(10,375)	(3,954)	10	(14,319)
Loss from discontinued operation, net of tax		(62)		(62)
Net loss	$ (10,375)	$ (4,016)	$ 10	$ (14,381)

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE LOSS

Three Months Ended June 30, 2013

(In thousands)

	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net loss	$ (10,375)	$ (4,016)	$ 10	$ (14,381)
Other comprehensive loss, net of tax:				
Foreign currency translation adjustment		(587)		(587)
Other comprehensive loss		(587)		(587)
Comprehensive loss	$ (10,375)	$ (4,603)	$ 10	$ (14,968)

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF INCOME

Three Months Ended June 30, 2014

(In thousands)

	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues:				
Leasing	$ 76,613	$ 21,428	$	$ 98,041
Sales	6,807	1,175		7,982
Other	403	107		510
Total revenues	83,823	22,710		106,533
Costs and expenses:				
Cost of sales	4,548	831		5,379
Leasing, selling and general expenses	52,904	15,245		68,149
Restructuring expenses	305	1,426		1,731
Asset impairment charge, net	280	(6)		274
Depreciation and amortization	7,443	1,862		9,305
Total costs and expenses	65,480	19,358		84,838
Income from operations	18,343	3,352		21,695
Other income (expense):				
Interest income	21		(21)	
Interest expense	(6,719)	(399)	21	(7,097)
Income before income tax provision	11,645	2,953		14,598
Income tax provision	4,609	726		5,335
Net income	$ 7,036	$ 2,227	$	$ 9,263

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

Three Months Ended June 30, 2014

(In thousands)

	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net income	$ 7,036	$ 2,227	$	$ 9,263
Other comprehensive income, net of tax:				
Foreign currency translation adjustment		6,086		6,086
Other comprehensive income		6,086		6,086
Comprehensive income	$ 7,036	$ 8,313	$	$ 15,349

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

Six Months Ended June 30, 2013

(In thousands)

	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues:				
Leasing	$ 139,218	$ 33,689	$	$ 172,907
Sales	14,504	6,388		20,892
Other	673	175		848
Total revenues	154,395	40,252		194,647
Costs and expenses:				
Cost of sales	9,029	4,976		14,005
Leasing, selling and general expenses	84,591	25,546		110,137
Restructuring expenses	718			718
Asset impairment charge	33,551	6,686		40,237
Depreciation and amortization	13,890	3,654		17,544
Total costs and expenses	141,779	40,862		182,641
Income (loss) from operations	12,616	(610)		12,006
Other income (expense):				
Interest income	130		(130)	
Interest expense	(14,075)	(1,029)	130	(14,974)
Dividend income	274		(274)	
Foreign currency exchange		(1)		(1)
Loss from continuing operations before income tax benefit	(1,055)	(1,640)	(274)	(2,969)
Income tax benefit	(707)	(41)	(21)	(769)
Loss from continuing operations	(348)	(1,599)	(253)	(2.200)
Loss from discontinued operation, net of tax		(139)		(139)

Net loss	$	(348)	$	(1,738)	$	(253)	$	(2.339)

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE LOSS

Six Months Ended June 30, 2013

(In thousands)

	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net loss	$ (348)	$ (1,738)	$ (253)	$ (2,339)
Other comprehensive loss, net of tax:				
Foreign currency translation adjustment		(12,772)		(12,772)
Other comprehensive loss		(12,772)		(12,772)
Comprehensive loss	$ (348)	$ (14,510)	$ (253)	$ (15,111)

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF INCOME

Six Months Ended June 30, 2014

(In thousands)

	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues:				
Leasing	$ 150,881	$ 41,240	$	$ 192,121
Sales	13,334	2,514		15,848
Other	754	214		968
Total revenues	164,969	43,968		208,937
Costs and expenses:				
Cost of sales	9,100	1,832		10,932
Leasing, selling and general expenses	106,612	29,893		136,505
Restructuring expenses	702	1,614		2,316
Asset impairment charge, net	416	141		557
Depreciation and amortization	14,720	3,730		18,450
Total costs and expenses	131,550	37,210		168,760
Income from operations	33,419	6,758		40,177
Other income (expense):				
Interest income	51		(51)	
Interest expense	(13,318)	(817)	51	(14,084)
Foreign currency exchange		(1)		(1)
Income before income tax provision	20,152	5,940		26,092
Income tax provision	7,908	1,481		9,389
Net income	$ 12,244	$ 4,459	$	$ 16,703

MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

Six Months Ended June 30, 2014

(In thousands)

	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net income	$ 12,244	$ 4,459	$	$ 16,703
Other comprehensive income, net of tax:				
Foreign currency translation adjustment		7,266		7,266
Other comprehensive income		7,266		7,266
Comprehensive income	$ 12,244	$ 11,725	$	$ 23,969

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

Six Months Ended June 30, 2013

(In thousands)

	Guarantors	Non-Guarantors	Eliminations	Consolidated
Cash Flows From Operating Activities:				
Net loss	$ (348)	$ (1,738)	$ (253)	$ (2,339)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Asset impairment charge	33,021	6,683		39,704
Provision for doubtful accounts	340	375		715
Amortization of deferred financing costs	1,374	31		1,405
Amortization of long-term liabilities	81	5		86
Share-based compensation expense	5,039	340		5,379
Depreciation and amortization	13,890	3,754		17,644
Gain on sale of lease fleet units	(4,228)	(1,220)		(5,448)
Loss on disposal of property, plant and equipment	60	2		62
Deferred income taxes	(888)	(76)	(16)	(980)
Foreign currency exchange loss		1		1
Changes in certain assets and liabilities:				
Receivable	(260)	(1,277)		(1,537)
Inventories	(793)	(809)		(1,602)
Deposits and prepaid expenses	(174)	(243)		(417)
Other assets and intangibles	(311)	304		(7)
Accounts payable	(945)	2,378		1,433
Accrued liabilities	(1,872)	(213)		(2,085)
Intercompany	(22,846)	22,680	166	
Net cash provided by operating activities	21,140	30,977	(103)	52,014
Cash Flows From Investing Activities:				
Additions to lease fleet	(7,225)	(7,072)		(14,297)
Proceeds from sale of lease fleet units	10,346	5,583		15,929
Additions to property, plant and equipment	(7,718)	(1,936)		(9,654)
	434	24		458

Proceeds from sale of property, plant and equipment				
Net cash used in investing activities	(4,163)	(3,401)		(7,564)
Cash Flows From Financing Activities:				
Net repayments under lines of credit	(23,660)	(29,468)		(53,128)
Principal payments on notes payable	(265)			(265)
Principal payments on capital lease obligations	(191)			(191)
Issuance of common stock	6,395			6,395
Intercompany		(279)	279	
Net cash used in financing activities	(17,721)	(29,747)	279	(47,189)
Effect of exchange rate changes on cash		1,612	(176)	1,436
Net decrease in cash	(744)	(559)		(1,303)
Cash at beginning of period	1,009	928		1,937
Cash at end of period	$ 265	$ 369	$	$ 634

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MOBILE MINI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - Continued

MOBILE MINI, INC.

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

Six Months Ended June 30, 2014

(In thousands)

	Guarantors	Non-Guarantors	Eliminations	Consolidated
Cash Flows From Operating Activities:				
Net income	$ 12,244	$ 4,459	$	$ 16,703
Adjustments to reconcile net income to net cash provided by operating activities:				
Asset impairment charge, net	416	141		557
Provision for doubtful accounts	1,102	247		1,349
Amortization of deferred financing costs	1,375	30		1,405
Amortization of long-term liabilities	81	2		83
Share-based compensation expense	6,767	374		7,141
Depreciation and amortization	14,720	3,730		18,450
Gain on sale of lease fleet units	(3,237)	742		(2,495)
Loss on disposal of property, plant and equipment	199	160		359
Deferred income taxes	7,728	1,461		9,189
Foreign currency exchange loss		1		1
Changes in certain assets and liabilities, net of businesses acquired:				
Receivable	(1,114)	(1,495)		(2,609)
Inventories	232	(177)		55
Deposits and prepaid expenses	(1,609)	(247)		(1,856)
Other assets and intangibles	19	(30)		(11)
Accounts payable	879	1,552		2,431
Accrued liabilities	(1,601)	134		(1,467)
Intercompany	2,290	(2,290)		
Net cash provided by operating activities	40,491	8,794		49,285
Cash Flows From Investing Activities:				
Cash paid for businesses acquired	(16,260)			(16,260)
Additions to lease fleet, excluding acquisitions	(4,871)	(3,279)		(8,150)
Proceeds from sale of lease fleet units	9,717	2,302		12,019

Additions to property, plant and equipment	(3,891)	(850)		(4,741)
Proceeds from sale of property, plant and equipment	1,145	306		1,451
Net cash used in investing activities	(14,160)	(1,521)		(15,681)
Cash Flows From Financing Activities:				
Net repayments under lines of credit	(10,821)	(8,368)		(19,189)
Principal payments on capital lease obligations	(766)			(766)
Issuance of common stock	2,062			2,062
Dividend payments	(15,719)			(15,719)
Purchase of treasury stock	(463)			(463)
Net cash used in financing activities	(25,707)	(8,368)		(34,075)
Effect of exchange rate changes on cash		(217)		(217)
Net increase (decrease) in cash	624	(1,312)		(688)
Cash at beginning of period	(190)	1,446		1,256
Cash at end of period	$ 434	$ 134	$	$ 568

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

The following discussion of our financial condition and results of operations should be read together with our December 31, 2013 consolidated financial statements and the accompanying notes thereto which are included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on February 14, 2014. This discussion contains forward-looking statements. Forward-looking statements are based on current expectations and assumptions that involve risks and uncertainties. Our actual results may differ materially from those anticipated in our forward-looking statements.

Overview

General

We are the world s leading provider of portable storage solutions with a total portable storage and office fleet of over 213,000 units at June 30, 2014. As of June 30, 2014, we operated in 135 locations throughout North America and the U.K., maintaining a strong leadership position in virtually all markets served. We offer a wide range of portable storage products in varying lengths and widths with an assortment of differentiated features such as our patented locking systems, premium doors, electrical wiring and shelving. Our portable storage units provide secure, accessible temporary storage for a diversified client base of over 84,000 customers across various industries, including construction, consumer services and retail, industrial, commercial and governmental. Our customers use our products for a wide variety of storage applications, including retail and manufacturing supplies, inventory and maintenance supplies, temporary offices, construction materials and equipment, documents and records and household goods.

We derive most of our revenues from the leasing of portable storage containers, security office units and mobile office units. In addition to our leasing business, we also sell new and used portable storage containers, security office units and mobile office units and provide delivery, installation and other ancillary products and services. Our sales revenues represented 10.7% and 7.6% of total revenues for the six months ended June 30, 2013 and 2014, respectively.

At June 30, 2014, we operated 115 locations in the U.S., four in Canada and 16 in the U.K. Traditionally, we have entered new markets through the acquisition of smaller local competitors and then implement our business model, which is typically more focused on customer service and marketing than the acquired business or other market competitors. We also enter new markets by migrating idle fleet to new locations. In line with our growth strategy for 2014, we completed four business acquisitions thus far in 2014. In the first quarter of 2014, we expanded our operations through acquisitions in the North Dakota and North Carolina markets. Both of these acquisitions increased our market exposure and were integrated into our existing locations in those areas. In the second quarter of 2014, we expanded our existing operations by integrating an acquisition with operations in Tennessee and Texas with our existing operations in those markets while the other acquisition was in the Danbury, Connecticut metropolitan area which will serve as a new market for us.

In the second quarter of 2014, we sold our Belfast, Northern Ireland location, and with utilization rates improving, we closed one location in the U.S. that will be serviced by another nearby location.

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

With a new location, we must first fund and absorb the start-up costs for setting up the new location, hiring and developing the management and our marketing and sales strategies. A new location will typically have lower adjusted EBITDA margins in its early years until the location increases the number of units it has on rent. Because this operating leverage creates higher operating margins on incremental lease revenue, which we realize on a location-by-location basis when the location achieves leasing revenues sufficient to cover the location s fixed costs, leasing revenues in excess of the break-even amount produce large increases in profitability. Conversely, absent growth in leasing revenues, the adjusted EBITDA margin at a location would be expected to remain relatively flat on a period-by-period comparative basis if expenses remained the same or would decrease if fixed costs increased.

We approach the market through a hybrid sales model consisting of a dedicated sales staff at our field locations as well as at our National Sales Center (NSC). The NSC handles inbound calls and digital leads from new customers and leads outbound sales campaigns to new and existing customers. Our sales staff at the NSC work with our local field managers, dispatchers and sales personnel to ensure customers receive integrated first class service from initial call to delivery. Our field location sales staff, NSC and sales management teams conduct sales and marketing on a full-time basis. We believe that balancing local salesperson presence, national account sales teams and the efficiencies of a centralized sales operation at the NSC will continue to allow us to provide high levels of customer service and serve all of our customers in a dedicated efficient manner.

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The level of non-residential construction activity is an important external factor that we examine to assess market trends and determine the direction of our business. Because of the degree of operating leverage, increases or decreases in non-residential construction activity can have a significant effect on our operating margins and net income. Customers in the construction industry represented approximately 41.0% of our leased units at June 30, 2014, compared to 38.9% for the same period in 2013.

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

We are a capital-intensive business. Therefore, in addition to focusing on earnings per share (EPS), we focus on adjusted EBITDA (as defined below) to measure our operating results and our return on capital employed (ROCE). We define ROCE as adjusted EBITDA less depreciation and amortization expense divided by the sum of total assets less non-interest bearing liabilities. We use this measurement to evaluate the profitability we realize from the capital we invest. We calculate adjusted EBITDA by first calculating EBITDA, which we define as net income before discontinued operation, net of tax (if applicable), interest expense, income taxes, depreciation and amortization and debt restructuring or extinguishment expense (if applicable), including any write-off of deferred financing costs. This measure eliminates the effect of financing transactions that we enter into and it provides us with a means to track internally generated cash from which we can fund our interest expense and our lease fleet growth. In comparing EBITDA from year to year, we further adjust EBITDA to exclude non-cash share-based compensation expense and the effect of what we consider transactions or events not related to our core business operations to arrive at what we define as adjusted EBITDA. The U.S. generally accepted accounting principles (GAAP) financial measure that is most directly comparable to EBITDA is net cash provided by operating activities.

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

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

- Discontinued operation, net of tax to present a comparable basis for continuing operations.

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

Income taxes because we operate in jurisdictions subject to income taxation, income tax expense is a necessary element of our costs to operate.

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

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

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

increasing or decreasing trends in EBITDA;

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

whether EBITDA historically has remained at positive levels.

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2014	2013	2014
	(In thousands)		(In thousands)	
EBITDA	$ (6,222)	$ 31,000	$ 29,549	$ 58,626
Discontinued operation	(22)		(44)	
Interest paid	(10,829)	(10,131)	(13,221)	(12,291)
Income and franchise taxes paid	(698)	(689)	(785)	(778)
Share-based compensation expense	3,743	2,977	5,379	7,141
Asset impairment charge, net	39,704	274	39,704	557
Gain on sale of lease fleet units	(2,381)	(784)	(5,448)	(2,495)
Loss on disposal of property, plant and equipment	90	287	62	359
Changes in certain assets and liabilities, net of effect of businesses acquired:				
Receivables	(1,712)	(2,585)	(822)	(1,260)
Inventories	(848)	(173)	(1,602)	55
Deposits and prepaid expenses	254	(580)	(417)	(1,856)
Other assets and intangibles	(103)	(6)	(7)	(11)
Accounts payable and accrued liabilities	4,441	2,883	(334)	1,238
Net cash provided by operating activities	$ 25,417	$ 22,473	$ 52,014	$ 49,285

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2014	2013	2014
	(In thousands except percentages)		(In thousands except percentages)	
Net (loss) income	$ (14,381)	$ 9,263	$ (2,339)	$ 16,703
Loss from discontinued operation, net of tax	62		139	
Interest expense	7,439	7,097	14,974	14,084
Income tax (benefit) provision	(8,126)	5,335	(769)	9,389
Depreciation and amortization	8,784	9,305	17,544	18,450
EBITDA	(6,222)	31,000	29,549	58,626
Share-based compensation expense (1)	3,743	2,977	5,379	7,141

Restructuring expenses (2)	343	1,731	718	2,316
Acquisition expenses (3)		33		39
Asset impairment charge, net (4)	40,237	274	40,237	557
Adjusted EBITDA	$ 38,101	$ 36,015	$ 75,883	$ 68,679
EBITDA margin (5)	(6.4)%	29.1%	15.2%	28.1%
Adjusted EBITDA margin (5)	39.2%	33.8%	39.0%	32.9%

(1) Represents non-cash share-based compensation expense associated with the granting of equity instruments.

(2) Restructuring expenses primarily represent expenses incurred in conjunction with the restructuring of our operations.

(3) Acquisition expenses represent acquisition activity costs.

(4) In 2013, primarily represents the non-cash impairment charges for the write-down on certain assets classified as held for sale. In 2014, represents the additional loss upon completion of sale (offset by gains upon completion of sale) of assets that were written down to fair value in the second quarter of 2013.

(5) EBITDA margin and adjusted EBITDA margin are calculated as EBITDA and adjusted EBITDA, respectively, divided by total revenues, expressed as a percentage.

In managing our business, we measure our adjusted EBITDA margins from year to year based on the size of the location. We define this margin as adjusted EBITDA divided by our total revenues, expressed as a percentage. We use this comparison, for example, to study internally the effect that increased costs have on our margins. As capital is invested in our established locations, we achieve higher adjusted EBITDA margins on that capital than we achieve on capital invested to establish a new location, because our fixed costs are already in place in connection with the established locations. The fixed costs are those associated with yard and delivery equipment, as well as advertising, sales, marketing and office expenses.

Accounting and Operating Overview

Our leasing revenues include all rent and ancillary revenues we receive for our portable storage containers and combination storage/office and mobile office units. Our sales revenues include sales of these units to customers. Our other revenues consist principally of charges for the delivery of the units we sell. Our principal operating expenses are (1) cost of sales, (2) leasing, selling and general expenses and (3) depreciation and amortization, primarily depreciation of the portable storage containers and mobile office units in our lease fleet. Cost of sales is the cost of the units that we sold during the reported period and includes both our cost to buy, transport, remanufacture and modify used ocean-going containers and our cost to manufacture portable storage units and other structures.

Leasing, selling and general expenses include, among other expenses, payroll and related payroll costs, advertising and other marketing expenses, real property lease expenses, commissions, repair and maintenance costs of our lease fleet and transportation equipment, stock-based compensation expense and corporate expenses for both our leasing and sales activities. Annual repair and maintenance expenses on our leased units have averaged approximately 4.1% of lease revenues over the last three fiscal years and are included in leasing, selling and general expenses. These expenses tend to increase during periods when utilization is increasing. We expense our normal repair and maintenance costs as incurred (including the cost of periodically repainting units).

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

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The table below summarizes those transactions that effectively changed the net book value of our lease fleet from $979.3 million at December 31, 2013 to $980.4 million at June 30, 2014:

	Dollars (In thousands)	Units
Lease fleet at December 31, 2013, net	$ 979,276	212,898
Purchases and units acquired through acquisitions, including freight:		
Containers	8,934	3,257
Steel offices	3,669	260
Non-core units	121	133
Manufactured units:		
Steel security offices	79	19
Remanufacturing and customization of units purchased or obtained in prior years	4,574(1)	256(2)
Other (3)	251	(122)
Cost of sales from lease fleet	(9,664)	(3,604)
Effect of exchange rate changes	3,812	
Change in accumulated depreciation, excluding sales	(10,696)	
Lease fleet at June 30, 2014, net	$ 980,356	213,097

(1) Does not include any routine maintenance, which is expensed as incurred.
(2) These units include the net additional units that were the result of splitting steel containers into two or more shorter units, such as splitting a 40-foot container into two 20-foot units or one 25-foot unit and one 15-foot unit, and include units moved from finished goods to the lease fleet.
(3) Includes net transfers to and from property, plant and equipment and net non-sale disposals and recoveries of the lease fleet.

The table below outlines the composition of our lease fleet (by book value and unit count) at June 30, 2014:

	Book Value (In thousands)	Number of Units	Percentage of Units
Steel storage containers	$ 604,792	173,242	81%
Offices	544,888	37,603	18%
Van trailers	2,029	2,252	1%
Other	3,911		
	1,155,620		
Accumulated depreciation	(175,264)		

Lease fleet, net	$	980,356	213,097	100%

Appraisals on our fleet are conducted on a regular basis by an independent appraiser selected by our lenders. The appraiser does not differentiate in value based upon the age of the container or the length of time it has been in our fleet. The latest orderly liquidation value appraisal in September 2013 was conducted by AccuVal Associates, Incorporated. Based on the values assigned in this appraisal, on which our borrowings under our Credit Agreement are based, our lease fleet net liquidation appraisal value as of June 30, 2014 was approximately $1.1 billion.

Our average utilization rate for the second quarter of 2014 was 66.6%, compared to 62.0% in the second quarter of 2013. At June 30, 2014, our utilization rate was 67.3%. Historically, our utilization is somewhat seasonal, with the low normally being realized in the first quarter and the high realized in the fourth quarter of each year.

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RESULTS OF OPERATIONS

Three Months Ended June 30, 2014, Compared to

Three Months Ended June 30, 2013

Total revenues for the quarter ended June 30, 2014 increased $9.4 million, or 9.7%, to $106.5 million, compared to $97.1 million for the same period in 2013. Leasing revenues for the quarter ended June 30, 2014 increased $10.0 million, or 11.4%, to $98.0 million, compared to $88.0 million for the same period in 2013. This increase in leasing revenues was driven by increased rates and ancillary revenues. Yield (leasing revenues divided by average units on rent) increased 11.5% and includes a rental rate increase of 7.6% over the prior year. Revenue from the sales of portable storage and office units for the quarter ended June 30, 2014 decreased $0.7 million, or 7.8%, to $8.0 million, compared to the same period in 2013. Leasing revenues, as a percentage of total revenues for the quarters ended June 30, 2014 and 2013 were 92.0% and 90.6%, respectively. Our leasing business continues to be our primary focus and leasing revenues have and continue to be the predominant part of our revenue mix.

Cost of sales is the cost related to our sales revenues only. Cost of sales was 67.4% and 63.7% of sales revenues for the quarters ended June 30, 2014 and 2013, respectively.

Leasing, selling and general expenses for the quarter ended June 30, 2014 increased by $10.8 million, or 19.0%, to $68.1 million, compared to $57.3 million for the same period in 2013. The increase in leasing, selling and general expenses was primarily related to: (i) investments in repair and maintenance of our lease fleet and delivery equipment and fleet repositioning to high utilization markets increased $4.0 million, (ii) transportation costs increased $1.8 million, (iii) payroll related costs increased $1.6 million due to a companywide incentive compensation change and investments in sales and marketing and (iv) cost of exiting manufacturing in the U.K. and streamlining North America s manufacturing operations increased expenses by approximately $1.0 million.

Restructuring expenses for the quarter ended June 30, 2014 was $1.7 million, compared to $0.3 million for the same period in 2013. The 2014 increase primarily relates to the sale of our Belfast, Northern Ireland location that management determined was nonstrategic in addition to other organizational changes made in North America.

Asset impairment charge, net for the quarter ended June 30, 2014 was $0.3 million and relates to the additional loss upon completion of sale of certain assets that were written down to fair value in the second quarter of 2013, less recovery of assets sold in excess of the fair value. For the quarter ended June 30, 2013 the asset impairment charge was $40.2 million and primarily relates to the write-down of certain assets we identified to be sold.

Net income from continuing operations for the quarter ended June 30, 2014 was $9.3 million, compared to a net loss of $14.3 million for the same period in 2013.

Adjusted EBITDA for the quarter ended June 30, 2014 decreased $2.1 million, or 5.5%, to $36.0 million, compared to $38.1 million for the same period in 2013. Adjusted EBITDA margins were 33.8% and 39.2% of total revenues for the three months ended June 30, 2014 and 2013, respectively.

Depreciation and amortization expense for the quarter ended June 30, 2014 was $9.3 million, compared to $8.8 million for the same period in 2013.

Interest expense for the quarter ended June 30, 2014 decreased $0.3 million, or 4.6%, to $7.1 million, compared to $7.4 million for the same period in 2013. This decrease is primarily attributable to a lower average amount of debt outstanding during the quarter, principally due to the use of operating cash flow to reduce our debt over the last year. As we continue to reduce outstanding debt, the shift between our floating variable interest rate debt and our higher fixed interest rate debt has caused a slight increase in our weighted average interest rates compared to the same period in 2013. The weighted average interest rate on our debt for the three months ended June 30, 2014 was 5.0%, compared to 4.5% for the same period in 2013, excluding amortization of debt issuance and other costs. Including the amortization of debt issuance and other costs, the weighted average interest rate for the three months ended June 30, 2014 was 5.6%, compared to 5.0% for the same period in 2013.

Provision (benefit) for income taxes on continuing operations was based on our annual estimated effective tax rate. The tax rate for the quarters ended June 30, 2014 and 2013 was 36.5% and (36.2%), respectively. Our consolidated tax provision includes the expected tax rates for our operations in the U.S., Canada and the U.K. See Note L to the accompanying condensed consolidated financial statements for a further discussion on income taxes.

Loss from discontinued operation, net of tax, for the quarter ended June 30, 2013 was $0.1 million and represents our Netherlands operation that was sold in December 2013 and reflected as a discontinued operation.

Six Months Ended June 30, 2014, Compared to

Six Months Ended June 30, 2013

Total revenues for the six months ended June 30, 2014 increased $14.3 million, or 7.3%, to $208.9 million, compared to $194.6 million for the same period in 2013. Leasing revenues for the six months ended June 30, 2014 increased $19.2 million, or 11.1%, to $192.1 million, compared to $172.9 million for the same period in 2013. This increase in leasing revenues was driven by an increase in the number of units on rent, increased rates and ancillary revenues. Yield (leasing revenues divided by average units on rent) increased 10.1% and includes a rental rate increase of 6.8% over the prior year. Revenue from the sales of portable storage and office units for the six months ended June 30, 2014 decreased $5.0 million, or 24.1%, to $15.8 million, compared to the same period in 2013, primarily due to a sale to the U.K. military in 2013. Leasing revenues, as a percentage of total revenues for the six months ended June 30, 2014 and 2013 were 92.0% and 88.8%, respectively. Our leasing business continues to be our primary focus and leasing revenues have and continue to be the predominant part of our revenue mix.

Cost of sales is the cost related to our sales revenues only. Cost of sales was 69.0% and 67.0% of sales revenues for the six months ended June 30, 2014 and 2013, respectively.

Leasing, selling and general expenses for the six months ended June 30, 2014 increased by $26.4 million, or 23.9%, to $136.5 million, compared to $110.1 million for the same period in 2013. The increase in leasing, selling and general expenses was primarily related to: (i) investments in repair and maintenance of our lease fleet and delivery equipment and fleet repositioning to high utilization markets increased $9.7 million, (ii) payroll related costs increased $8.2 million, due to higher stock compensation, a one-time vacation accrual adjustment, and a companywide incentive compensation change, (iii) transportation costs increased $3.4 million and (iv) cost of exiting manufacturing in the U.K. and streamlining North America s manufacturing operations increased expenses by approximately $2.1 million.

Restructuring expenses for the six months ended June 30, 2014 was $2.3 million, compared to $0.7 million for the same period in 2013. The 2014 increase primarily relates to the sale of our Belfast, Northern Ireland location that management determined was nonstrategic in addition to other organizational changes made in North America.

Asset impairment charge, net for the six months ended June 30, 2014 was $0.6 million and relates to the additional loss upon completion of sale of certain assets that were written down to fair value in the second quarter of 2013, less recovery of assets sold in excess of the fair value. For the six months ended June 30, 2013, the asset impairment charge was $40.2 million and primarily relates to the write-down of certain assets we identified to be sold.

Net income from continuing operations for the six months ended June 30, 2014 was $16.7 million, compared to net loss of $2.2 million for the same period in 2013.

Adjusted EBITDA for the six months ended June 30, 2014 decreased $7.2 million, or 9.5%, to $68.7 million, compared to $75.9 million for the same period in 2013. Adjusted EBITDA margins were 32.9% and 39.0% of total revenues for the six months ended June 30, 2014 and 2013, respectively.

Depreciation and amortization expense for the six months ended June 30, 2014 was $18.4 million, compared to $17.5 million for the same period in 2013.

Interest expense for the six months ended June 30, 2014 decreased $0.9 million, or 5.9%, to $14.1 million, compared to $15.0 million for the same period in 2013. This decrease is primarily attributable to a lower average amount of debt outstanding during the six month period, principally due to the use of operating cash flow to reduce our debt over the last year. As we continue to reduce outstanding debt, the shift between our floating variable interest rate debt and our higher fixed interest rate debt has caused a slight increase in our weighted average interest rates compared to the same period in 2013. The weighted average interest rate on our debt for the six months ended June 30, 2014 was 4.9%, compared to 4.4% for the same period in 2013, excluding amortization of debt issuance and other costs. Including the amortization of debt issuance and other costs, the weighted average interest rate for the six months ended June 30, 2014 was 5.5%, compared to 4.9% for the same period in 2013.

Provision (benefit) for income taxes on continuing operations was based on our annual estimated effective tax rate. The tax rate for the six months ended June 30, 2014 and 2013 was 36.0% and (25.9%), respectively. The increase in the estimated effective tax rate is primarily due to the mix shift in North America s and U.K. s contribution to pre-tax profit, despite a U.K. income tax rate reduction in July 2013. Our consolidated tax provision includes the expected tax rates for our operations in the U.S., Canada and the U.K. See Note L to the accompanying condensed consolidated financial statements for a further discussion on income taxes.

Loss from discontinued operation, net of tax, for the six months ended June 30, 2013 was $0.1 million and represents our Netherlands operation that was sold in December 2013 and reflected as a discontinued operation.

LIQUIDITY AND CAPITAL RESOURCES

Leasing is a capital-intensive business that requires us to acquire assets before they generate revenues, cash flow and earnings. The assets that we lease have very long useful lives and require relatively little maintenance expenditures. Most of the capital we have deployed in our leasing business historically has been used to expand our operations geographically, to increase the number of units available for lease at our existing locations, and to add to the mix of products we offer. During recent years, our operations have generated annual cash flow that exceeds our pre-tax earnings, particularly due to cash flow from operations and the deferral of income taxes caused by accelerated depreciation of our fixed assets in our tax return filings. Our cash flow from operations has been positive, even after capital net expenditures for the past five years. This positive cash flow trend has continued for the six-month period ended June 30, 2014.

During the past five years, our capital expenditures and acquisitions have been funded by our cash flow from operation. For the six months ended June 30, 2014, we generated free cash flow of $49.9 million. In addition to free cash flow, our principal current source of liquidity is our Credit Agreement described below.

We define free cash flow as net cash provided by operating activities, minus or plus, net cash used in or provided by investing activities, excluding acquisitions and certain transactions. Free cash flow is a non-GAAP financial measure and is not intended to replace net cash provided by operating activities, the most directly comparable financial measure prepared in accordance with GAAP. We present free cash flow because we believe it provides useful information regarding our liquidity and ability to meet our short-term obligations. In particular, free cash flow indicates the amount of cash available after capital expenditures for, among other things, investments in our existing business, debt service obligations, pay authorized quarterly dividends and strategic acquisitions.

The table below is a reconciliation of net cash provided by operating activities to free cash flow:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2014	2013	2014
	(In thousands)		(In thousands)	
Net cash provided by operating activities:	$ 25,417	$ 22,473	$ 52,014	$ 49,285
Additions to lease fleet, excluding acquisitions	(7,970)	(4,072)	(14,297)	(8,150)
Proceeds from sale of lease fleet units	6,049	6,392	15,929	12,019
Additions to property, plant and equipment	(5,374)	(2,113)	(9,654)	(4,741)
Proceeds from sale of property, plant and equipment	237	543	458	1,451
Net capital expenditures	(7,058)	750	(7,564)	579
Free cash flow	$ 18,359	$ 23,223	$ 44,450	$ 49,864

Revolving Credit Facility. We have a $900.0 million ABL Credit Agreement with Deutsche Bank AG New York Branch (Administrative Agent) and other lenders party thereto (the Credit Agreement). The Credit Agreement provides for a five-year revolving credit facility and matures on February 22, 2017. The obligations of us and our subsidiary guarantors under the Credit Agreement are secured by a blanket lien on substantially all of our assets. At June 30, 2014, we had $300.1 million of borrowings outstanding and $593.2 million of additional borrowing availability under the Credit Agreement, based upon borrowing base calculations as of such date. We were in compliance with the terms of the Credit Agreement as of June 30, 2014 and were above the minimum borrowing availability threshold and therefore not subject to any financial maintenance covenants.

Amounts borrowed under the Credit Agreement and repaid or prepaid during the term may be reborrowed. Outstanding amounts under the Credit Agreement bear interest at our option at either: (i) LIBOR plus a defined margin, or (ii) the Administrative Agent bank s prime rate plus a margin. The applicable margin for each type of loan is based on an availability-based pricing grid and ranges from 1.75% to 2.25% for LIBOR loans and 0.75% to 1.25% for base rate loans at each measurement date. As of June 30, 2014, the applicable margins were 2.00% for LIBOR loans and 1.00% for base rate loans.

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

The Credit Agreement provides for U.K. borrowings, which are, at our option, denominated in either Pounds Sterling or Euros, by our U.K. subsidiary based upon a U.K. borrowing base; Canadian borrowings, which are denominated in Canadian dollars, by our Canadian subsidiary based upon a Canadian borrowing base; and U.S. borrowings, which are denominated in U.S. dollars, based upon a U.S. borrowing base.

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

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

Senior Notes. At June 30, 2014, we had outstanding $200.0 million aggregate principal amount of 7.875% senior notes due 2020 (the Senior Notes). Interest on the Senior Notes is payable semi-annually in arrears or June 1 and December 1 of each year.

Operating Activities. Our operations provided net cash flow of $49.3 million for the six months ended June 30, 2014, compared to $52.0 million during the same period in 2013. The $2.7 million decrease in cash provided by operations is primarily attributable to a change in net income after giving effect to non-cash items partially offset by the change in working capital. We used this net cash flow to fund operations, reduce debt and pay dividends.

Investing Activities. Net cash used in investing activities was $15.7 million for the six months ended June 30, 2014, compared to $7.6 million for the same period in 2013. Capital expenditures for our lease fleet were $8.1 million and proceeds from sale of lease fleet units were $12.0 million for the six months ended June 30, 2014, compared to capital expenditures of $14.3 million and proceeds of $15.9 million for the same period in 2013. Capital expenditures for property, plant and equipment, net of proceeds from sales of property, plant and equipment, for the six months ended June 30, 2014 were $3.3 million, compared to $9.2 million for the same period in 2013. The expenditures for property, plant and equipment in 2014 were primarily for upgrades to technology equipment. In 2014, cash used in investing activities also includes $16.3 million for acquisitions. In addition, we financed equipment through capital lease obligations of $7.3 million in 2014. We anticipate our near term investing activities will be primarily focused on investments in transportation and technology equipment as well as some remanufacturing of lease fleet units and adding lease fleet in higher utilization markets. The amount of cash that we use during any period in investing activities is almost entirely within management s discretion. We have no contracts or other arrangements pursuant to which we are required to purchase a fixed or minimum amount of capital goods in connection with any portion of our business.

Financing Activities. Net cash used in financing activities during the six months ended June 30, 2014 was $34.1 million, compared to $47.2 million for the same period in 2013. In 2014, reductions to our net borrowings under our Credit Agreement were $19.2 million, compared to $53.1 million for the same period in 2013. In 2014, we paid cash dividends of $15.7 million to our stockholders and we received $2.1 million and $6.4 million from the exercise of employee stock options for the six-month periods ended June 30, 2014 and 2013, respectively.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Our contractual obligations primarily consist of our outstanding balance under the Credit Agreement, $200.0 million aggregate principal amount of the Senior Notes and obligations under capital leases. We also have operating lease commitments for: (i) real estate properties for the majority of our locations with remaining lease terms typically ranging from one to five years, (ii) delivery, transportation and yard equipment, typically under a five-year lease with purchase options at the end of the lease term at a stated or fair market value price, and (iii) office related equipment.

At June 30, 2014, primarily in connection with securing of our insurance policies, we have provided certain insurance carriers and others with approximately $6.7 million in letters of credit.

We currently do not have any obligations under purchase agreements or commitments. We enter into capital lease obligations from time to time, and, at June 30, 2014, we had $15.3 million in outstanding capital lease obligations.

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OFF-BALANCE SHEET TRANSACTIONS

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

SEASONALITY

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

EFFECTS OF INFLATION

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

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

A comprehensive discussion on our critical accounting policies and management estimates and significant accounting policies are included in Management s Discussion and Analysis of Financial Conditions and Results of Operations and in Note 1 in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

There have been no significant changes in our critical accounting policies, estimates and judgments during the six-month period ended June 30, 2014.

RECENT ACCOUNTING PRONOUNCEMENTS

Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. In July 2013, the Financial Accounting Standards Board (FASB) issued accounting guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The guidance is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013, with an option for early adoption. We adopted this guidance in January 2014. The adoption of this amendment did not have a material impact on our consolidated financial statements and related disclosures.

Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. In April 2014, the FASB issued the accounting guidance on reporting discontinued operations and disclosures of disposals of components of an entity. The new guidance raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. The guidance is effective for fiscal years beginning after December 15, 2014. Early adoption is permitted, but only for disposals that have not been reported in financial statements previously issued. We do not expect the adoption of the guidance will have a material impact on our consolidated financial statements and related disclosures.

Revenue from Contracts with Customers. In May 2014, FASB issued the accounting standard on revenue from contracts with customers. The standard provides a single model for revenue arising from contracts with customers and supersedes current revenue recognition guidance. The standard requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of goods or services. The standard is effective for annual and interim periods beginning after December 15, 2016. Early adoption is not permitted. The revenue recognition standard permits the use of either the retrospective or cumulative effect transition method. We are evaluating the impact, if any, of the adoption of the standard to our financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

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CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

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

- our ability to increase revenue and control operating costs;
- an economic slowdown in the U.S. and/or the U.K. that affects any significant portion of our customer base, or the geographic regions where we operate in those countries;
- our ability to leverage our information technology systems to service and grow with business demands;
- changes in the supply and cost of the raw materials we use in refurbishing or remanufacturing storage units;
- competitive developments affecting our industry, including pricing pressures;
- the timing, effectiveness and number of new markets we enter;
- our ability to manage growth or integrate acquisitions at existing or new locations;
- our U.K. operations may divert our resources from other aspects of our business;
- our ability to obtain borrowings under our Credit Agreement or additional debt or equity financing on acceptable terms;
- our ability to maintain our and secure information technology systems continuously and securely;
- our ability to protect our patents and other intellectual property;

currency exchange and interest rate fluctuations;

governmental laws and regulations affecting domestic and foreign operations, including tax obligations, union formation and zoning laws;

changes in generally accepted accounting principles;

changes in local zoning laws affecting either our ability to operate in certain areas or our customer s ability to use our products;

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

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

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from past results and those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our Form 10-Q, 8-K and 10-K reports filed with the SEC. Our Form 10-K filing for the fiscal year ended December 31, 2013 listed various important factors that could cause actual results to differ materially from expected and historic results. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995, as amended. Readers can find them in Item 1A. Risk Factors of that filing and under the same heading of this filing. You may obtain a copy of our Form 10-K by requesting it from our Investor Relations Department at (480) 894-6311 or by mail to Mobile Mini, Inc., 7420 S. Kyrene Road, Suite 101, Tempe, Arizona 85283. Our filings with the SEC, including our Form 10-K, may be accessed through Mobile Mini s Web site at *www.mobilemini.com*, and at the SEC s Web site at *www.sec.gov*. Material on our Web site is not incorporated into this report, except by express incorporation by reference herein.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Swap Agreements. At June 30, 2014, we did not have any outstanding interest rate swap agreements. In the past, we have entered into derivative financial agreements only to the extent that the arrangement was to reduce earnings and cash flow volatility associated with changes in interest rates, and we do not engage in such transactions for speculative purposes.

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures.

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

Changes in Internal Controls.

There were no changes in our internal controls over financial reporting that have occurred during the fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

We refer you to documents filed by us with the SEC, specifically Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, which identify important risk factors that could materially affect our business, financial condition and future results. We also refer you to the factors and cautionary language set forth in the section entitled Cautionary Statements Regarding Forward-looking Statements in Item 2. Management s Discussion and Analysis of Financial Conditions and Results of Operations of this Quarterly Report on Form 10-Q. This Quarterly Report on Form 10-Q, including the accompanying condensed consolidated financial statements and related notes, should be read in conjunction with such risks and other factors for a full understanding of our operations and financial condition. The risks described in our Form 10-K and herein are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results. The risk factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 have not materially changed.

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ITEM 6. EXHIBITS

Number	Description
10.1	Amended and Restated Employment Agreement between Mobile Mini, Inc. and Kelly Williams, dated June 4, 2014. (Incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed on June 10, 2014).
23.2*	Consent of Independent Valuation Firm
31.1*	Certification of Chief Executive Officer pursuant to Item 601(b)(31) of Regulation S-K
31.2*	Certification of Chief Financial Officer pursuant to Item 601(b)(31) of Regulation S-K
32.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to item 601(b)(32) of Regulation S-K
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.
** Furnished herewith.

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SIGNATURES

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

	MOBILE MINI, INC.
Date: July 30, 2014	/s/ Mark E. Funk Mark E. Funk Chief Financial Officer