

MOBILE MINI INC
Form 10-Q
August 09, 2007

Table of Contents

**U. S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2007

**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 specific in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

86-0748362
(IRS Employer Identification No.)

7420 S. Kyrene Road, Suite 101
Tempe, Arizona 85283
(Address of principal executive offices)
(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 No

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

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Securities Exchange Act of 1934). Yes No

At August 3, 2007, there were outstanding 36,386,657 shares of the issuer's common stock.

**MOBILE MINI, INC.
INDEX TO FORM 10-Q FILING
FOR THE QUARTER ENDED JUNE 30, 2007
TABLE OF CONTENTS**

	PAGE NUMBER
<u>PART I.</u>	
FINANCIAL INFORMATION	
<u>Item 1.</u>	
<u>Consolidated Financial Statements</u>	3
<u>Condensed Consolidated Balance Sheets</u>	
December 31, 2006 and June 30, 2007 (unaudited)	3
<u>Condensed Consolidated Statements of Income (unaudited):</u>	
Three Months Ended June 30, 2006 and June 30, 2007	4
Six Months Ended June 30, 2006 and June 30, 2007	5
<u>Condensed Consolidated Statements of Cash Flows (unaudited)</u>	
Six Months Ended June 30, 2006 and June 30, 2007	6
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	7
<u>Item 2.</u>	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	16
<u>Item 3.</u>	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	29
<u>Item 4.</u>	
<u>Controls and Procedures</u>	30
<u>PART II.</u>	
OTHER INFORMATION	
<u>Item 1A.</u>	
<u>Risk Factors</u>	31
<u>Item 4.</u>	
<u>Submission of Matters to a Vote of Security Holders</u>	31
<u>Item 6.</u>	
<u>Exhibits</u>	31
<u>SIGNATURES</u>	
<u>EX-10.1</u>	
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32.1</u>	

Table of Contents

PART I. FINANCIAL INFORMATION
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS
MOBILE MINI, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands except per share data)

	December 31, 2006 (Note A)	June 30, 2007 (unaudited)
ASSETS		
Cash and cash equivalents	\$ 1,370	\$ 4,135
Receivables, net of allowance for doubtful accounts of \$5,008 and \$4,587 at December 31, 2006 and June 30, 2007, respectively	34,953	35,592
Inventories	27,863	32,601
Lease fleet, net	697,439	752,636
Property, plant and equipment, net	43,072	52,959
Deposits and prepaid expenses	9,553	9,025
Other assets and intangibles, net	9,324	10,525
Goodwill	76,456	79,040
Total assets	\$ 900,030	\$ 976,513
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Accounts payable	\$ 18,928	\$ 19,071
Accrued liabilities	39,546	36,656
Line of credit	203,729	192,812
Notes payable	781	89
Obligations under capital leases	35	24
Senior Notes	97,500	149,336
Deferred income taxes	97,507	108,792
Total liabilities	458,026	506,780
Commitments and contingencies		
Stockholders equity:		
Common stock; \$.01 par value, 95,000 shares authorized, 35,898 and 36,377 issued and outstanding at December 31, 2006 and June 30, 2007, respectively	359	364
Additional paid-in capital	268,456	276,124
Retained earnings	169,718	188,746
Accumulated other comprehensive income	3,471	4,499
Total stockholders equity	442,004	469,733

Total liabilities and stockholders' equity	\$	900,030	\$	976,513
--	----	---------	----	---------

See accompanying notes to the condensed consolidated financial statements.

3

Table of Contents

MOBILE MINI, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands except per share data)
(unaudited)

	Three Months Ended June	
	30,	
	2006	2007
Revenues:		
Leasing	\$ 59,331	\$ 70,362
Sales	6,590	7,538
Other	377	350
Total revenues	66,298	78,250
Costs and expenses:		
Cost of sales	4,152	5,160
Leasing, selling and general expenses	33,849	40,335
Depreciation and amortization	4,004	5,113
Total costs and expenses	42,005	50,608
Income from operations	24,293	27,642
Other income (expense):		
Interest income	372	29
Interest expense	(5,740)	(6,100)
Debt extinguishment expense	(6,425)	(11,224)
Foreign currency exchange	(51)	(1)
Income before provision for income taxes	12,449	10,346
Provision for income taxes	4,791	4,015
Net income	\$ 7,658	\$ 6,331
Earnings per share:		
Basic	\$ 0.22	\$ 0.18
Diluted	\$ 0.21	\$ 0.17
Weighted average number of common and common share equivalents outstanding:		
Basic	35,191	35,812
Diluted	36,297	36,840

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

MOBILE MINI, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands except per share data)
(unaudited)

	Six Months Ended June 30,	
	2006	2007
Revenues:		
Leasing	\$ 110,865	\$ 136,415
Sales	11,118	14,192
Other	735	663
Total revenues	122,718	151,270
Costs and expenses:		
Cost of sales	7,066	9,619
Leasing, selling and general expenses	63,846	77,173
Depreciation and amortization	7,592	10,004
Total costs and expenses	78,504	96,796
Income from operations	44,214	54,474
Other income (expense):		
Interest income	424	37
Interest expense	(12,186)	(12,053)
Debt extinguishment expense	(6,425)	(11,224)
Foreign currency exchange	(51)	(1)
Income before provision for income taxes	25,976	31,233
Provision for income taxes	10,114	12,205
Net income	\$ 15,862	\$ 19,028
Earnings per share:		
Basic	\$ 0.48	\$ 0.53
Diluted	\$ 0.47	\$ 0.52
Weighted average number of common and common share equivalents outstanding:		
Basic	32,951	35,727
Diluted	34,001	36,743

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

MOBILE MINI, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Six Months Ended June 30,	
	2006	2007
Cash Flows From Operating Activities:		
Net income	\$ 15,862	\$ 19,028
Adjustments to reconcile income to net cash provided by operating activities:		
Debt extinguishment expense	1,438	2,298
Provision for doubtful accounts	2,032	960
Amortization of deferred financing costs	436	428
Share-based compensation expense	1,535	2,150
Depreciation and amortization	7,592	10,004
Gain on sale of lease fleet units	(2,232)	(2,741)
Loss on disposal of property, plant and equipment	40	32
Deferred income taxes	9,870	11,153
Foreign currency exchange loss	51	1
Changes in certain assets and liabilities, net of effect of businesses acquired:		
Receivables	(5,924)	(1,497)
Inventories	(2,373)	(4,070)
Deposits and prepaid expenses	294	547
Other assets and intangibles	(3)	(126)
Accounts payable	1,594	571
Accrued liabilities	(923)	(3,016)
Net cash provided by operating activities	29,289	35,722
Cash Flows From Investing Activities:		
Cash paid for businesses acquired	(59,496)	(6,066)
Additions to lease fleet, excluding acquisitions	(60,442)	(64,164)
Proceeds from sale of lease fleet units	6,287	7,639
Additions to property, plant and equipment	(3,872)	(12,538)
Proceeds from sale of property, plant and equipment	61	64
Net cash used in investing activities	(117,462)	(75,065)
Cash Flows From Financing Activities:		
Net borrowings (repayments) under lines of credit	23,159	(10,917)
Proceeds from issuance of 6.785% Senior Notes		149,322
Redemption of 9.5% Senior Notes	(52,500)	(97,500)
Deferred financing costs	(1,629)	(3,604)
Principal payments on notes payable	(608)	(692)
Principal payments on capital lease obligations	(4)	(10)
Issuance of common stock, net	122,100	5,175
Net cash provided by financing activities	90,518	41,774

Edgar Filing: MOBILE MINI INC - Form 10-Q

Effect of exchange rate changes on cash	146	334
Net increase in cash	2,491	2,765
Cash at beginning of period	207	1,370
Cash at end of period	\$ 2,698	\$ 4,135
Supplemental Disclosure of Cash Flow Information:		
Interest rate swap changes in value charged to equity	\$ 233	\$ 202

See accompanying notes to the condensed consolidated financial statements.

Table of Contents**MOBILE MINI, INC. AND SUBSIDIARIES 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 applicable to interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (which include normal and recurring adjustments) necessary to present fairly the financial position, results of operations, and cash flows for all periods presented have been made. All significant inter-Company balances and transactions have been eliminated.

The local currency of our foreign operations are converted to U.S. currency for our condensed consolidated financial statements for each period being presented and we are subject to foreign exchange rate fluctuations in connection with our European and Canadian operations.

The condensed consolidated balance sheet at December 31, 2006, has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

The results of operations for the six-month period ended June 30 2007, are not necessarily indicative of the operating results that may be expected for the entire year ending December 31, 2007. Historically, Mobile Mini experiences some seasonality each year which has caused lower utilization rates for our lease fleet and a marginal decrease in cash flow during the first half of the year. These condensed consolidated financial statements should be read in conjunction with our December 31, 2006, consolidated financial statements and accompanying notes thereto, which are included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on March 1, 2007.

NOTE B Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) issued Financial Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006. We have adopted this interpretation as of January 1, 2007.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurement* (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements, but does not require any new fair value measurement. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. We are in the process of determining the effect, if any, the adoption of SFAS No. 157 will have on our consolidated financial statements. Because Statement No. 157 does not require any new fair value measurements or remeasurements of previously computed fair values, we do not believe the adoption of this Statement will have a material effect on our results of operations or financial condition.

On February 15, 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159). Under this Standard, we may elect to report financial instruments and certain other items at fair value on a contract-by-contract basis with changes in value reported in earnings. This election is irrevocable. SFAS No. 159 provides an opportunity to mitigate volatility in reported earnings that is caused by measuring hedged assets and liabilities that were previously required to use a different accounting method than the related hedging contracts when the complex provisions of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, hedge accounting are not met. SFAS No. 159 is effective for years beginning after November 15, 2007. We are currently evaluating the potential impact of adopting this Standard.

Table of Contents**MOBILE MINI, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) Continued**

In June 2007, the FASB ratified the Emerging Issues Task Force (EITF) consensus on EITF Issue No. 06-11, *Accounting for Income Tax Benefits on Dividends on Share-Based Payment Awards*. This EITF indicates tax benefits of dividends on unvested restricted stock are to be recognized in equity as an increase in the pool of excess tax benefits. If the related awards are forfeited or are no longer expected to vest, then the benefits are to be reclassified from equity to the income statement. The EITF is effective for fiscal years beginning after December 15, 2007. We do not expect the adoption of EITF Issue No. 06-11 will have a material effect on our results of operations or financial condition.

NOTE C Earnings per Share

Basic earnings per common share are computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per common share are determined assuming the potential dilution of the exercise or conversion of options into common stock. The following table shows the computation of earnings per share for the three-month and six-month period ended June 30:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2007	2006	2007
	(In thousands except earnings per share data)			
BASIC:				
Common stock outstanding beginning of period	35,154	35,645	30,521	35,640
Effect of weighting shares:				
Weighted shares issued during the period ended June 30,	37	167	2,430	87
Weighted average number of shares outstanding	35,191	35,812	32,951	35,727
Net income available to common shareholders	\$ 7,658	\$ 6,331	\$ 15,862	\$ 19,028
Earnings per share	\$ 0.22	\$ 0.18	\$ 0.48	\$ 0.53
DILUTED:				
Common stock outstanding, beginning of period	35,154	35,645	30,521	35,640
Effect of weighting shares:				
Weighted shares issued during the period ended June 30,	37	167	2,430	87
Employee stock options on nonvested share-awards assumed converted during the period ended June 30,	1,106	1,028	1,050	1,016
Weighted average number of shares outstanding	36,297	36,840	34,001	36,743
Net income available to common shareholders	\$ 7,658	\$ 6,331	\$ 15,862	\$ 19,028
Earnings per share	\$ 0.21	\$ 0.17	\$ 0.47	\$ 0.52

Table of Contents**MOBILE MINI, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) Continued**

For the three months ended June 30, 2006 and 2007, options to purchase 466,900 and 302,550 shares of the Company stock, respectively, were excluded from the calculation of diluted earnings per share because they were anti-dilutive. For the six months ended June 30, 2006 and 2007, options to purchase 466,400 and 496,050 shares of the Company stock, respectively, were excluded from the calculation of diluted earnings per share because they were anti-dilutive. Basic weighted average number of common shares outstanding as of June 30, 2006 and 2007 does not include 124,018 and 251,783 nonvested share-awards, respectively, as the stock is not vested. The six months ended June 30, 2006 and 2007, do not include 26,350 and 3,907, respectively, nonvested share-awards in the computation of diluted earnings per share because the effect would have been anti-dilutive.

NOTE D Share-Based Compensation

At June 30, 2007, the Company had three active share-based employee compensation plans. Stock option awards under these plans are granted with an exercise price per share equal to the fair market value of our common stock on the date of grant. Each option must expire no more than 10 years from the date it is granted and, historically, options are granted with vesting over a 4.5 year period.

In 2005, we began awarding nonvested shares under the existing share-based compensation plan. Our nonvested share-awards vest in equal annual installments over either a four-year or five-year period. The total value of these awards is expensed on a straight-line basis over the service period of the employees receiving the grants. The service period is the time during which the employees receiving grants must remain employees for the shares granted to fully vest. In December 2006, we granted to certain of our executive officers nonvested share-awards with vesting subject to a performance condition. Vesting of these share-awards is dependent upon the officers fulfilling the service period requirements as well as the Company achieving certain EBITDA targets in each of the next four years. At the date of grant, the EBITDA targets were not known, and as such, the measurement date for the nonvested share-awards had not yet occurred. This target was established by our Board of Directors on February 21, 2007, at which point, the value of each nonvested share-award was \$28.77. We are required to assess the probability that such performance conditions will be met. The likelihood of the performance condition being met has been deemed probable by management, and we are recognizing the expense using the accelerated attribution method. The accelerated attribution method could result in as much as 52% of the total value of the shares being recognized in the first year of the service period if each of the four future targets continue to be assessed as probable of being met.

Share-based compensation expense reduced income before income tax expense for the three-month and six-month periods ended June 30, 2007, by approximately \$1.2 million and \$2.2 million, respectively. It reduced net income for the three-month and six-month periods ended June 30, 2007 by approximately \$0.9 million and \$1.6 million, respectively. As a result, basic and diluted earnings per share for the three-month and six-month periods ended June 30, 2007 were reduced by approximately \$0.02 per share and \$0.04 per share, respectively. As of June 30, 2007, the total amount of unrecognized compensation cost related to nonvested share awards was approximately \$6.2 million, which is expected to be recognized over a weighted-average period of approximately 3.8 years.

The total value of the stock option awards is expensed on a straight-line basis over the service period of the employees receiving the awards. As of June 30, 2007, total unrecognized compensation cost related to stock option awards was approximately \$6.0 million and the related weighted-average period over which it is expected to be recognized is approximately 2.4 years.

Table of Contents**MOBILE MINI, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) Continued**

A summary of stock option activity within the Company's stock-based compensation plans and changes for the six months ended June 30, 2007 is as follows:

	Number of Shares (In thousands)	Weighted Average Exercise Price
Balance at December 31, 2006	2,609	\$ 15.87
Granted	9	30.47
Exercised	(480)	10.78
Terminated/expired	(49)	21.25
Balance at June 30, 2007	2,089	\$ 16.98

The intrinsic value of options exercised during the six months ended June 30, 2007 was \$9.6 million.

A summary of nonvested share-awards activity within our share-based compensation plans and changes is as follows (share amounts in thousands):

	Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2006	258	\$ 27.61
Awarded	4	30.59
Released	(5)	33.98
Forfeited	(5)	28.55
Nonvested at June 30, 2007	252	\$ 27.50

A summary of fully-vested stock options and stock options expected to vest, as of June 30, 2007, is as follows:

	Number of Shares (In thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (In thousands)
Outstanding	2,089	\$ 16.98	6.44	\$25,809
Vested and expected to vest	2,089	\$ 16.98	6.44	\$25,809
Exercisable	1,373	\$ 15.36	5.66	\$19,083

The fair value of each stock option award is estimated on the date of the grant using the Black-Scholes option pricing model. The following are the weighted average assumptions used for the periods noted:

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2007
Risk-free interest rate	5.05%	4.58%

Edgar Filing: MOBILE MINI INC - Form 10-Q

Expected holding period (years)	3.55	3.00
Expected stock volatility	36.86%	33.24%
Expected dividend rate	0.00%	0.00%

Table of Contents**MOBILE MINI, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) Continued**

The weighted average fair value of stock options granted during the six-month period ended June 30, 2006 and 2007 was \$10.95 and \$8.56, respectively. There were 9,400 shares granted during the six-month period ended June 30, 2007.

NOTE E Inventories

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

	December 31, 2006	June 30, 2007
	(In thousands)	
Raw material and supplies	\$ 18,420	\$ 21,163
Work-in-process	3,031	5,278
Finished portable storage units	6,412	6,160
	\$ 27,863	\$ 32,601

NOTE F Income Taxes

On January 1, 2007, we adopted the provision of FIN 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109*. FIN 48 contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with SFAS No. 109, *Accounting for Income Taxes*. 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.

We file U.S. Federal tax returns, U.S. State tax returns, and foreign tax returns. We have identified our U.S. Federal tax return as our major tax jurisdiction. For the U.S. Federal return, years 2003 through 2006 are subject to tax examination by the U.S. Internal Revenue Service. We do not currently have any ongoing tax examinations with the IRS. We believe that our income tax filing positions and deductions will be sustained on audit and do not anticipate any adjustments that will result in a material change to our financial position. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to FIN 48. In addition, we did not record a cumulative effect adjustment related to the adoption of FIN 48. We do not anticipate that the total amount of unrecognized tax benefit related to any particular tax position will change significantly within the next 12 months.

Our 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 are recorded in leasing, selling and general expenses in the Condensed Consolidated Statements of Income.

Table of Contents**MOBILE MINI, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) Continued****NOTE G 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. Property, plant and equipment consist of the following at:

	December 31, 2006	June 30, 2007
	(In thousands)	
Land	\$ 772	\$ 772
Vehicles and equipment	45,734	57,176
Buildings and improvements	10,645	10,885
Office fixtures and equipment	9,552	10,612
	66,703	79,445
Less accumulated depreciation	(23,631)	(26,486)
	\$ 43,072	\$ 52,959

NOTE H Lease Fleet

Mobile Mini has a lease fleet primarily consisting of refurbished, modified and manufactured portable storage and office units that are leased to customers under short-term operating lease agreements with varying terms. Depreciation is calculated using the straight-line method over our units' estimated useful life, 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 25 years with an estimated residual value of 62.5%. Wood office units are depreciated over 20 years with an estimated residual value of 50%. Van trailers, which are a small part of our fleet, are depreciated over seven years to a 20% residual value. Van trailers are only added to the fleet in connection with acquisitions of portable storage businesses, and then only when van trailers are a part of the business acquired.

In the opinion of management, estimated residual values do not cause carrying values to exceed net realizable value. We continue to evaluate these depreciation policies as more information becomes available from other comparable sources and our own historical experience.

Normal repairs and maintenance to the portable storage and mobile office units are expensed as incurred. As of December 31, 2006, the lease fleet totaled \$747.1 million as compared to \$808.6 million at June 30, 2007, before accumulated depreciation of \$49.7 million and \$56.0 million, respectively.

Table of Contents**MOBILE MINI, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) Continued**

Lease fleet consists of the following at:

	December 31, 2006	June 30, 2007
	(In thousands)	
Steel storage containers	\$ 423,766	\$ 437,255
Offices	320,160	367,020
Van trailers	2,702	3,878
Other	479	473
	747,107	808,626
Accumulated depreciation	(49,668)	(55,990)
	\$ 697,439	\$ 752,636

NOTE I Segment Reporting

The Financial Accounting Standards Board (FASB) issued SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, which establishes the standards for companies to report information about operating segments. We have operations in the United States, Canada, the United Kingdom and The Netherlands. All of our branches operate in their local currency and although we are exposed to foreign exchange rate fluctuation in other foreign markets where we lease and sell our products, we do not believe this will have a significant impact on our results of operations. Currently, our branch operation is the only segment that concentrates on our core business of leasing. Each branch has similar economic characteristics covering all products leased or sold, including the same customer base, sales personnel, advertising, yard facilities, general and administrative costs and the branch management. Management's allocation of resources, performance evaluations and operating decisions are not dependent on the mix of a branch's products. We do not attempt to allocate shared revenue nor general, selling and leasing expenses to the different configurations of portable storage and office products for lease and sale. The branch operations include the leasing and sales of portable storage units, portable offices and combination units configured for both storage and office space. We lease to businesses and consumers in the general geographic area surrounding each branch. The operation includes our manufacturing facilities, which is responsible for the purchase, manufacturing and refurbishment of products for leasing and sale, as well as for manufacturing certain delivery equipment.

In managing our business, we focus on earnings per share and on our internal growth rate in leasing revenue, which we define as growth in lease revenues on a year-over-year basis at our branch locations in operation for at least one year, without inclusion of same market acquisitions.

Discrete financial data on each of our products is not available and it would be impractical to collect and maintain financial data in such a manner; therefore, based on the provisions of SFAS No. 131, reportable segment information is the same as contained in our Condensed Consolidated Financial Statements.

The tables below represent our revenue and long-lived assets as attributed to geographic locations (in thousands):
Revenue from external customers:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2007	2006	2007
United States	\$ 62,480	\$ 71,823	\$ 118,466	\$ 138,944
Other Nations	3,818	6,427	4,252	12,326
Total revenues	\$ 66,298	\$ 78,250	\$ 122,718	\$ 151,270

Table of Contents**MOBILE MINI, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) Continued**

Long-lived assets:

	December 31, 2006	June 30, 2007
United States	\$ 710,155	\$ 760,254
Other Nations	30,356	45,341
Total long-lived assets	\$ 740,511	\$ 805,595

NOTE J Comprehensive Income

Comprehensive income, net of tax, consisted of the following at:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2007	2006	2007
	(In thousands)			
Net income	\$ 7,658	\$ 6,331	\$ 15,862	\$ 19,028
Net unrealized holding gain (loss) on derivatives	69	(84)	233	(202)
Foreign currency translation adjustment	109	1,138	114	1,229
Total comprehensive income	\$ 7,836	\$ 7,385	\$ 16,209	\$ 20,055

The components of accumulated other comprehensive income, net of tax, were as follows:

	December 31, 2006	June 30, 2007
	(In thousands)	
Accumulated net unrealized holding gain on derivatives	\$ 523	\$ 322
Foreign currency translation adjustment	2,948	4,177
Total accumulated other comprehensive income	\$ 3,471	\$ 4,499

NOTE K Acquisitions

In January 2007, we acquired the portable storage assets of Worcester Leasing Company, Inc., operating in Worcester, Vermont. In May 2007, we acquired the portable storage assets of Site Storage and Equipment, Inc. and Ace Container & Equipment Sales, Inc., located in Theodore, Alabama. The acquired assets from the Alabama companies are serviced by our Pensacola branch which conducts business in the Gulf Coast and surrounding regions. We paid cash of approximately \$6.1 million and assumed certain liabilities in connection with the acquisitions in Vermont and Alabama.

The acquisitions were accounted for as a purchase in accordance with SFAS No. 141, *Business Combinations*, and the purchased assets and the assumed liabilities were recorded at their estimated fair values at the dates of acquisition.

The aggregate purchase price of the assets and operations acquired consists of the following, in thousands:

Cash	\$ 6,063
Other acquisition costs	3

Total

\$ 6,066

14

Table of Contents**MOBILE MINI, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) Continued**

The fair value of the assets purchased has been allocated as follows, in thousands:

Tangible assets	\$ 3,042
Intangible assets:	
Customer-related	727
Other	75
Goodwill	2,414
Assumed liabilities	(192)
 Total	 \$ 6,066

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 dates and are subject to adjustment when additional information concerning asset and liability valuations is finalized.

Customer-related intangible assets are amortized on an accelerated basis over 11 years.

In May 2007, we opened our second Canadian branch by commencing operations in the Vancouver metropolitan area. At June 30, 2007, we operated 55 branches in the United States, two in Canada, six in the United Kingdom, and one in The Netherlands.

NOTE L Other

During the second quarter of 2007 we redeemed all of the \$97.5 million principal amount of our issued and outstanding 9.5% Senior Notes due 2013. On May 7, 2007, we also completed the offering of our \$150.0 principal amount 6.875% Senior Notes due 2015, issued at 99.548% of par value, through a private placement to institutional investors under the SEC's Rule 144A.

On May 7, 2007, we received net proceeds of approximately \$146.3 million, after underwriters' discounts and commissions, from our issuance of \$150.0 million of 6.875% Senior Notes. We used these proceeds to redeem our 9.5% Senior Notes, and we paid accrued interest, transaction costs and the redemption premium on the 9.5% Notes. The additional net proceeds to us of approximately \$33.2 million were used to repay borrowings under our revolving line of credit.

We also amended our revolving line of credit to increase the maximum amount we can borrow from \$350.0 million to \$425.0 million and to extend the scheduled maturity date to May 7, 2012. Under the amended agreement, we may further increase the maximum borrowing limit to \$500.0 million without lenders' consent.

In the second quarter of 2007 we recorded debt extinguishment expense of \$11.2 million in connection with the early retirement of the 9.5% Senior Notes.

NOTE M Subsequent Event

On August 8, 2007, the Board of Directors approved a common stock repurchase program authorizing up to \$50.0 million of our outstanding shares to be repurchased over a six month period.

Table of Contents**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion of our financial condition and results of operations should be read together with our December 31, 2006 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 on March 1, 2007. 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 those forward-looking statements as a result of certain factors, including, but not limited to, those described below in this Item 2 under *Certain Factors That May Affect Our Results*.*

The following discussion takes into account our acquisition on April 28, 2006, of the Royal Wolf Companies. The operations acquired are included in our operating results for the three and six months ended June 30, 2007. Only two months of results of these acquired operations are included in the operating results for the three and six months ended June 30, 2006. As a result of this acquisition, we added two new locations in California, six locations in the United Kingdom and a branch in The Netherlands. We also consolidated operations at 10 locations in the United States where there was branch overlap as a result of the acquisition.

Overview**General**

In 1996, we initiated a strategy of focusing on leasing rather than selling our portable storage units and we derive most of our revenues from the leasing of portable storage containers and portable offices. The average North America intended lease term at lease inception is approximately 10 months for portable storage units and approximately 13 months for portable offices. In Europe, customers do not specify an initial intended lease term other than month-to-month. After the expiration of the initial intended term, units continue on lease on a month-to-month basis. In 2006, the Company-wide over-all lease duration averaged 23 months for portable storage units and 20 months for portable offices. As a result of these long average lease durations, our leasing business tends to provide us with a recurring revenue stream and minimizes fluctuations in revenues. However, there is no assurance that we will maintain such lengthy overall lease durations.

In addition to our leasing business, we also sell portable storage containers and occasionally we sell portable office units. Since 1996, when we changed our focus to leasing, our sales revenues, as a percentage of total revenues, have decreased to approximately 10% of revenues. Beginning in 2006, sales revenues increased after being relatively flat for several years, primarily due to our acquisition of our European operations in April 2006. These entities, which in 2006 derived approximately 40% of their revenues from container sales, are being transitioned to our leasing business model.

We have grown through internally generated growth and acquisitions which we use to gain a presence in new markets. Typically, we enter a new market through the acquisition of the business of a smaller local competitor and then apply our business model, which is usually much more customer service and marketing focused than the business we are buying or its competitors in the market. If we cannot find a desirable acquisition opportunity in a market we wish to enter, we establish a new location from the ground up. As a result, a new branch location will often have fairly low operating margins during its early years, but as our marketing efforts help us penetrate the new market and we increase the number of units on rent at the new branch, we take advantage of operating efficiencies to improve operating margins at the branch and usually reach company average levels after several years. When we enter a new market, we incur certain costs in developing an infrastructure. For example, advertising and marketing costs will be incurred and certain minimum staffing levels and certain minimum levels of delivery equipment will be put in place regardless of the new market's revenue base. Once we have achieved revenues during any period that are sufficient to cover our fixed expenses, we generate high margins on incremental lease revenues. Therefore, each additional unit rented in excess of the break even level contributes significantly to profitability. Conversely, additional fixed expenses that we incur require us to achieve additional revenue as compared to the prior period to cover the additional expense.

Table of Contents

Among the external factors we examine to determine the direction of our business is the level of non-residential construction activity, especially in areas of the country where we have a significant presence. Customers in the construction industry represented approximately 40% of our units on rent at December 31, 2006, and because of the degree of our operating leverage, increases or declines in non-residential construction activity have proven to have a significant effect on our revenue growth, operating margins and net income.

In managing our business, we focus on our internal growth rate in leasing revenue, which we define as growth in lease revenues on a year-over-year basis at our branch locations in operation for at least one year, without inclusion of leasing revenue attributed to same-market acquisitions. This internal growth rate has remained positive every quarter, but has fallen to single digits during years when the level of non-residential construction activity was especially weak and has exceeded 20% during years when it was strong. We achieved an internal growth rate of 19.9% in 2006. With third party forecasts calling for the level of non-residential construction activity to remain positive in 2007, but below 2006 levels, we currently expect that our internal growth rate will further moderate over the next few quarters, but remain well above levels experienced during our slowest periods. Our goal is to maintain a high internal growth rate so that revenue growth will exceed inflationary growth in expenses, and we can continue to take advantage of the operating leverage inherent in our business model.

We are a capital-intensive business, so in addition to focusing on earnings per share, we focus on adjusted EBITDA to measure our results. We calculate this number by first calculating EBITDA, which we define as net income before interest expense, debt restructuring or debt extinguishment expense (if any during the relevant measurement period), provision for income taxes, and depreciation and amortization. This measure eliminates the effect of financing transactions that we enter into on an irregular basis based on capital needs and market opportunities, and this measure provides us with a means to track internally generated cash from which we can fund our interest expense and our lease fleet growth. In comparing EBITDA from year to year, we typically further adjust EBITDA to ignore the effect of what we consider non-recurring events not related to our core business operations to arrive at what we define as adjusted EBITDA. Because EBITDA is a non-GAAP financial measure, as defined by the SEC, we include in the tables below reconciliations of EBITDA to the most directly comparable financial measures calculated and presented in accordance with accounting principles generally accepted in the United States.

We present EBITDA because we believe it provides useful information regarding our ability to meet our future debt payment requirements, capital expenditures and working capital requirements and that it provides an overall evaluation of our financial condition. In addition, EBITDA is a component of certain financial covenants under our revolving credit facility and is used to determine our available borrowing capacity and the interest rate in effect at any point in time.

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 generally accepted accounting principles in the United States or as a measure of our profitability or our liquidity. In particular, EBITDA, as defined does not include:

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

Debt restructuring or extinguishment expense as defined in our revolving credit facility, debt restructuring or debt extinguishment expenses are not deducted in our various calculations made under the 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.

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

Depreciation and amortization because we are a leasing company, our business is very 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.

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

Table of Contents

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 a similarly titled performance measure presented by other companies.

The table below is a reconciliation of EBITDA to net cash provided by operating activities for the periods ended June 30:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2006	2007	2006	2007
	(In thousands)			
EBITDA	\$ 28,618	\$ 32,783	\$ 52,179	\$ 64,514
Senior Note redemption premiums	(4,987)	(8,926)	(4,987)	(8,926)
Interest paid	(3,827)	(8,453)	(14,726)	(16,429)
Income and franchise taxes paid	(46)	(479)	(111)	(594)
Share-based compensation expense	781	1,210	1,535	2,150
Gain on sale of lease fleet units	(1,301)	(1,447)	(2,232)	(2,741)
Loss on disposal of property, plant and equipment	11	23	40	32
Changes in certain assets and liabilities, net of effect of businesses acquired:				
Receivables	(5,369)	(2,803)	(3,892)	(537)
Inventories	(1,370)	(65)	(2,373)	(4,070)
Deposits and prepaid expenses	287	1,220	294	547
Other assets and intangibles	207	305	(3)	302
Accounts payable and accrued liabilities	6,272	1,655	3,565	1,474
Net cash provided by operating activities	\$ 19,276	\$ 15,023	\$ 29,289	\$ 35,722

EBITDA is calculated as follows, without further adjustment, for the periods ended June 30:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2006	2007	2006	2007
	(In thousands except percentages)			
Net income	\$ 7,658	\$ 6,331	\$ 15,862	\$ 19,028
Interest expense	5,740	6,100	12,186	12,053
Provision for income taxes	4,791	4,015	10,114	12,205
Depreciation and amortization	4,004	5,113	7,592	10,004
Debt extinguishment expense	6,425	11,224	6,425	11,224
EBITDA	\$ 28,618	\$ 32,783	\$ 52,179	\$ 64,514
EBITDA margin ⁽¹⁾	43.2%	41.9%	42.5%	42.6%

(1) EBITDA margin is calculated as EBITDA divided by total

revenues
expressed as a
percentage.

In managing our business, we routinely compare our EBITDA margins from year to year and based upon age of branch. We define this margin as EBITDA divided by our total revenues, expressed as a percentage. We use this comparison, for example, to study internally the effect that increased costs have on our margins. As capital is invested in our established branch locations, we achieve higher EBITDA margins on that capital than we achieve on capital invested to establish a new branch, because our fixed costs are already in place in connection with the established branches. The fixed costs are those associated with yard and delivery equipment, as well as advertising, sales, marketing and office expenses. With a new market or branch, we must first fund and absorb the startup costs for setting up the new branch facility, hiring and developing the management and sales team and developing our marketing and advertising programs. A new branch will have low EBITDA margins in its early years until the number of units on rent increases. Because of our high

Table of Contents

operating margins on incremental lease revenue, which we realize on a branch-by-branch basis when the branch achieves leasing revenues sufficient to cover the branch's fixed costs, leasing revenues in excess of the break-even amount produce large increases in profitability. Conversely, absent significant growth in leasing revenues, the EBITDA margin at a branch will remain relatively flat on a period-by-period comparative basis.

Accounting and Operating Overview

Our leasing revenues include all rent and ancillary revenues we receive for our portable storage, 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 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, refurbish 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, advertising and other marketing expenses, commissions and corporate expenses for both our leasing and sales activities. Annual repair and maintenance expenses on our leased units over the last three fiscal years have averaged approximately 3.5% of lease revenues and are included in leasing, selling and general expenses. We expense our normal repair and maintenance costs as incurred (including the cost of periodically repainting units).

Our principal asset is our lease fleet, which has historically maintained value close to its original cost. The steel units in our lease fleet (other than van trailers) are depreciated on the straight-line method over our units' estimated useful life of 25 years after the date the unit is placed in service, with an estimated residual value of 62.5%. The 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. Our wood mobile office units are depreciated over 20 years to 50% of original cost. Van trailers, which constitute a small part of our fleet, are depreciated over seven years to a 20% residual value. 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.

The table below summarizes those transactions that increased the net value of our lease fleet from \$697.4 million at December 31, 2006, to \$752.6 million at June 30, 2007:

	Dollars (In thousands)	Units
Lease fleet at December 31, 2006, net	\$ 697,439	149,615
Purchases:		
Container purchases and containers obtained through acquisitions, including freight	8,124	2,884
Non-core units	99	249
Manufactured units:		
Steel storage containers, combination storage/office combo units and steel security offices	24,526	2,425
New wood mobile offices	21,364	794
Refurbishment and customization ⁽³⁾ :		
Refurbishment or customization of units purchased or acquired in the current year	4,181	1,212 ⁽¹⁾
Refurbishment or customization of 1,781 units purchased in a prior year	7,017	68 ⁽²⁾
	1,382	119 ⁽³⁾

Refurbishment or customization of 2,230 units obtained through acquisition in a prior year

Other	(273)	(297)
Cost of sales from lease fleet	(4,898)	(1,916)
Depreciation	(6,325)	
Lease fleet at June 30, 2007, net ⁽⁴⁾	\$ 752,636	155,153

Table of Contents

- (1) These units represent the net additional units that were the result of splitting steel containers into one 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.
- (2) Includes units moved from finished goods to lease fleet.
- (3) Does not include any routine maintenance.
- (4) Excludes 738 units in the United Kingdom which we lease from third parties on month-to-month contracts and we in turn sub-lease to our customers.

The table below outlines the composition of our lease fleet (by book value and unit count) at June 30, 2007:

	Lease Fleet (In thousands)	Number of Units
Steel storage containers	\$ 437,255	127,483
Offices	367,020	24,918
Van trailers	3,878	2,752
Other	473	
	808,626	

Accumulated depreciation	(55,990)	
	\$ 752,636	155,153

Our most recent fair market value and orderly liquidation value appraisals were conducted in December 2006. At June 30, 2007, based on these appraisal values, the fair market value of our lease fleet was approximately 117.2% of our lease fleet net book value, and the orderly liquidation value appraisal, on which our borrowings under our revolving credit facility are based, was approximately \$631.2 million, which equates to 83.9% of the lease fleet net book value. These are an independent third-party appraiser's estimation of value under two sets of assumptions, and there is no certainty that such values could in fact be achieved if any assumption were to prove incorrect at the time of an actual sale or liquidation.

Our expansion program and other factors can affect our overall utilization rate. During the last five fiscal years, our annual utilization levels averaged 80.8%, and ranged from a low of 78.7% in 2003 to a high of 82.9% in 2005. During years in which we enter many additional markets or in which certain geographic areas are affected by a slowdown in non-residential construction, utilization rates will tend to be lower. With the addition of fewer markets in 2003 and 2004, and the improvement in non-residential construction in 2004, we focused on increasing our utilization rate by balancing inventory between markets and decreasing the number of out-of-service units. Our average utilization rate increased from 78.7% in 2003 to 82.7% in 2006. Our utilization is somewhat seasonal, with the low realized in the first quarter and the high realized in the fourth quarter.

Table of Contents**RESULTS OF OPERATIONS****Three Months Ended June 30, 2007, Compared to
Three Months Ended June 30, 2006**

Total revenues for the quarter ended June 30, 2007, increased by \$12.0 million, or 18.0%, to \$78.3 million from \$66.3 million for the same period in 2006. Leasing revenues for the quarter increased by \$11.0 million, or 18.6%, to \$70.3 million from \$59.3 million for the same period in 2006. This increase resulted from a 6.8% increase in the average rental yield per unit, an 11.4% increase in the average number of units on lease and a 0.4% increase due to favorable foreign exchange rates, in each case as compared to the 2006 second quarter. The increase in yield resulted from an increase in average rental rates over the last year and an increase in revenue for ancillary rental services, such as delivery charges. An increase in the mix of premium units having higher rental rates being added to our fleet was offset by lower rental rates on units added through acquisitions, especially in Europe, which on the average were smaller, were not refurbished and were primarily storage containers rather than portable offices. Our internal growth rate, which we define as the growth in lease revenues in markets opened for at least one year, excluding growth arising as a result of additional acquisitions in those markets, was 14.1% for the three months ended June 30, 2007, as compared to 22.4% for the comparable three-month period of 2006. Our sales of portable storage and office units for the three months ended June 30, 2007, increased by 14.4% to \$7.5 million from \$6.6 million during the same period in 2006, with the increase primarily related to sales at our newer locations, both in the United States and especially in Europe. As a percentage of total revenues, leasing revenues for the quarter ended June 30, 2007, represented 89.9% as compared to 89.5% for the same period in 2006. Our leasing business continues to be our primary focus and leasing revenues have become the predominant part of our revenue mix over the past several years. We expect this trend to continue as we transform our newly-acquired European branches to our leasing business model.

Cost of sales are the costs related to our sales revenues only. Cost of sales for the quarter ended June 30, 2007, increased to 68.5% of sales revenues from 63.0% of sales revenues in the same period in 2006. Our gross margin was lower-than-typical level during 2007. The decrease in the 2007 gross margin results from characteristics of our European operations, where some of our sales activity continues to be wholesale sales which are at lower margins. Leasing, selling and general expenses increased \$6.5 million, or 19.2%, to \$40.3 million for the quarter ended June 30, 2007, from \$33.8 million for the same period in 2006. Leasing, selling and general expenses, as a percentage of total revenues, increased to 51.5% for the quarter ended June 30, 2007, from 51.1% for the same period in 2006. The increase is primarily due to the infrastructure we added to our European operations to support the transformation to our branch business model, as well as staffing requirements and marketing costs associated with U.S. locations we added in 2006 and 2007. Our results for the quarter ended June 30, 2006 include only two months of the Royal Wolf acquisition operations as compared to three months included in the quarter ended June 30, 2007. Increases in leasing, selling and general expenses in Europe primarily relate to payroll related expenses, transportation expenses, marketing costs and real estate lease expense related to our United Kingdom branch locations. As the markets we entered in the past few years continue to mature and as their revenues increase to cover our fixed expenses at those locations, those markets will begin to contribute to higher margins on incremental lease revenues. Each additional unit on lease in excess of the break-even level contributes significantly to profitability. Over the next few months, our leasing, selling and general expenses may continue to increase modestly as we complete our transition to our business model at these locations. The major increases in leasing, selling and general expenses for the quarter ended June 30, 2007, were primarily payroll and related expenses to support the growth of our leasing activities, third-party freight trucking expense, primarily related to our mobile office units, and lease fleet maintenance costs.

EBITDA increased by \$4.2 million, or 14.6%, to \$32.8 million for the quarter ended June 30, 2007, compared to \$28.6 million for the same period in 2006.

Depreciation and amortization expenses increased \$1.1 million, or 27.7%, to \$5.1 million in the quarter ended June 30, 2007, from \$4.0 million during the same period in 2006. The increase includes the growth in our lease fleet over the last year in order to meet increased demand and market conditions, in addition to increases in equipment to provide the infrastructure needed to support our operations in our European branches and the continued growth of our operations in the U.S. Since June 30, 2006, our lease fleet cost basis for depreciation increased by approximately \$133.0 million.

Table of Contents

Interest expense increased \$0.4 million, or 6.3%, to \$6.1 million for the quarter ended June 30, 2007 as compared to \$5.7 million for the same period in 2006. Our average debt outstanding for the three months ended June 30, 2007, compared to the same period in 2006, increased by 16.3%. Our average borrowing rate declined during the second quarter of 2007 from the prior year level in part because in May 2006, we paid down \$52.5 million of our higher interest rate 9.5% Senior Notes and in part because of a lower LIBOR spread under our revolving line of credit. The weighted average interest rate on our debt for the three months ended June 30, 2007 was 7.1% compared to 7.7% for the three months ended June 30, 2006 excluding amortization of debt issuance costs. Taking into account the amortization of debt issuance costs, the weighted average interest rate was 7.3% in the 2007 quarter and 8.0% in the 2006 quarter. With the redemption of our 9.5% Senior Notes and the issuance of our lower interest rate 6.875% Senior Notes, we anticipate that our weighted average interest rate will decline during the quarter ended September 30, 2007.

Debt extinguishment expense for the 2007 period represents the deferred loan costs and the redemption premium on \$97.5 million aggregate principal amount of outstanding 9.5% Senior Notes redeemed in the second quarter of 2007. For the 2006 period, this expense represents the portion of deferred loan costs and the redemption premium on 35% of the then \$150.0 million aggregate principal amount of the 9.5% Senior Notes redeemed in May 2006.

Provision for income taxes was based on a blended annual effective tax rate of 38.8% in the quarter ended June 30, 2007, as compared to 38.5% during the same period in 2006. Our 2007 second quarter consolidated tax provision includes the expected tax rates for our operations in the United States, Canada, United Kingdom and The Netherlands. Net income for the three months ended June 30, 2007, was \$6.3 million, as compared to net income of \$7.7 million for the same period in 2006. Our 2007 second quarter net income results were primarily achieved through our 18.0% increase in revenues and the operating leverage associated with this growth, partially offset by the effects of debt extinguishment expense. In 2007 and 2006, debt extinguishment expense related to the redemption of our 9.5% Senior Notes was \$11.2 million (\$6.9 million after tax) and \$6.4 million (\$4.0 million after tax), respectively.

**Six Months Ended June 30, 2007, Compared to
Six Months Ended June 30, 2006**

Total revenues for the six months ended June 30, 2007, increased by \$ 28.6 million, or 23.3%, to \$151.3 million from \$122.7 million for the same period in 2006. Leasing revenues for the six months increased by \$25.5 million, or 23.0%, to \$136.4 million from \$110.9 million for the same period in 2006. This increase resulted from a 4.4% increase in the average rental yield per unit, an 18.3% increase in the average number of units on lease and a 0.3% increase due to favorable foreign exchange rates, in each case as compared to the same period in 2006. The increase in yield resulted from an increase in average rental rates over the last year and an increase in revenue for ancillary rental services, such as delivery charges. An increase in the mix of premium units having higher rental rates being added to our fleet was offset by lower rental rates on units added through acquisitions, especially in Europe, which on the average were smaller, were not refurbished and were primarily storage containers rather than portable offices. Our internal growth rate, which we define as the growth in lease revenues in markets opened for at least one year, excluding growth arising as a result of additional acquisitions in those markets, was 14.7% for the six months ended June 30, 2007, as compared to 22.8% for the comparable six-month period of 2006. Our sales of portable storage and office units for the six months ended June 30, 2007, increased by 27.6% to \$14.2 million from \$11.1 million during the same period in 2006, with the increase primarily related to sales at our newer locations, both in the United States and especially in Europe. As a percentage of total revenues, leasing revenues for the six months ended June 30, 2007, represented 90.2% as compared to 90.3 % for the same period in 2006. Our leasing business continues to be our primary focus and leasing revenues have become the predominant part of our revenue mix over the past several years. We expect this trend to continue as we transform our newly-acquired European branches to our leasing business model.

Cost of sales are the costs related to our sales revenues only. Cost of sales for the six months ended June 30, 2007, increased to 67.8% of sales revenues from 63.6% of sales revenues in the same period in 2006. Our gross margin was lower-than-typical level during 2007. The decrease in the 2007 gross margin results from characteristics of our European operations, where some of our sales activity continues to be wholesale sales which are at lower margins. Leasing, selling and general expenses increased \$13.4 million, or 20.9%, to \$77.2 million for the six months ended June 30, 2007, from \$63.8 million for the same period in 2006. Leasing, selling and general expenses, as a percentage

of total

22

Table of Contents

revenues, decreased to 51.0% for the six months ended June 30, 2007, from 52.0% for the same period in 2006. The increase is primarily due to the infrastructure we added to our European operations to support the transformation to our branch business model, as well as staffing requirements and marketing costs associated with U.S. locations we added in 2006 and 2007. Our results for the six months ended June 30, 2006 include only two months of the Royal Wolf acquisition operations as compared to six months included in the six months ended June 30, 2007. Increases in leasing, selling and general expenses in Europe primarily relate to payroll related expenses, transportation expenses, marketing costs and real estate lease expense related to our United Kingdom branch locations. As the markets we entered in the past few years continue to mature and as their revenues increase to cover our fixed expenses at those locations, those markets will begin to contribute to higher margins on incremental lease revenues. Each additional unit on lease in excess of the break-even level contributes significantly to profitability. Over the next few months, our leasing, selling and general expenses may continue to increase modestly as we complete our transition to our business model at these locations. The major increases in leasing, selling and general expenses for the six months ended June 30, 2007, were primarily payroll and related expenses to support the growth of our leasing activities, third-party freight trucking expense, primarily related to our mobile office units, and lease fleet maintenance costs.

EBITDA increased by \$12.3 million, or 23.6%, to \$64.5 million for the six months ended June 30, 2007, compared to \$52.2 million for the same period in 2006.

Depreciation and amortization expenses increased \$2.4 million, or 31.8%, to \$10.0 million in the six months ended June 30, 2007, from \$7.6 million during the same period in 2006. The increase includes the growth in our lease fleet over the last year in order to meet increased demand and market conditions, in addition to increases in equipment to provide the infrastructure needed to support our operations in our European branches and the continued growth of our operations in the U.S. Since June 30, 2006, our lease fleet cost basis for depreciation increased by approximately \$133.0 million.

Interest expense decreased \$0.1 million, or 1.1%, to \$12.1 million for the six months ended June 30, 2007, as compared to \$12.2 million for the same period in 2006. Our average debt outstanding for the six months ended June 30, 2007, compared to the same period in 2006, increased by 6.2%. Our average borrowing rate declined during the second quarter of 2007 from the prior year level in part because in May 2006, we paid down \$52.5 million of our higher interest rate 9.5% Senior Notes and in part because of a lower LIBOR spread under our revolving line of credit. The weighted average interest rate on our debt for the six months ended June 30, 2007 was 7.2%, as compared to 7.8% for the six months ended June 30, 2006 excluding amortization of debt issuance costs. Taking into account the amortization of debt issuance costs, the weighted average interest rate was 7.5% in the 2007 quarter and 8.0% in the 2006 quarter. With the redemption of our 9.5% Senior Notes and the issuance of our lower interest rate 6.875% Senior Notes, we anticipate that our weighted average interest rate will decline during the period ended September 30, 2007.

Debt extinguishment expense for the 2007 period represents the deferred loan costs and the redemption premium on \$97.5 million aggregate principal amount of outstanding 9.5% Senior Notes redeemed in the second quarter of 2007. For the 2006 period, this expense represents the portion of deferred loan costs and the redemption premium on 35% of the then \$150.0 million aggregate principal amount of the 9.5% Senior Notes redeemed in May 2006.

Provision for income taxes was based on a blended annual effective tax rate of approximately 39.1% in the six months ended June 30, 2007, as compared to 38.9% during the same period in 2006. Our consolidated tax provisions include the expected tax rates for our operations in the United States, Canada, United Kingdom and The Netherlands.

Net income for the six months ended June 30, 2007, was \$19.0 million compared to net income of \$15.9 million for the same period in 2006. Our 2007 net income results were primarily achieved through our 23.3% increase in revenues and the operating leverage associated with this growth, partially offset by the effects of the debt extinguishment expenses. In 2007 and 2006, debt extinguishment expense related to the redemption of our 9.5% Senior Notes was \$11.2 million (\$6.9 million after tax) and \$6.4 million (\$4.0 million after tax), respectively.

LIQUIDITY AND CAPITAL RESOURCES

Over the past several years, we have financed an increasing portion of our capital needs, most of which are discretionary and are principally to acquire additional units for the lease fleet, through working capital and funds generated from operations. Leasing is a capital-intensive business that requires us to acquire assets before they

generate revenues, cash flow and earnings. The assets which we lease have very long useful lives and require relatively little recurrent

Table of Contents

maintenance expenditures. Most of the capital that we deploy into our leasing business has been used to expand our operations geographically, to increase the number of units available for lease at our leasing 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 the deferral of income taxes caused by accelerated depreciation that is used for tax accounting.

At December 31, 2006, we had a \$350.0 million senior secured revolving line of credit with a group of lenders which was scheduled to mature in February 2011. On May 7, 2007, we amended our revolving line of credit to increase from \$350.0 million to \$425.0 million the maximum amount we can borrow under the line of credit and extended the expiration date to May 7, 2012. We have the right under the credit agreement, at our option and without lenders consent, to further increase the maximum borrowing limit to \$500.0 million, during the term of the agreement. In the second quarter of 2007, we redeemed all \$97.5 million of our 9.5% Senior Notes outstanding and issued \$150.0 million of 6.875% Senior Notes due 2015. See Note L to our Condensed Consolidated Financial Statements (refer to Part I, Item 1).

During the past two years, our capital expenditures and acquisitions have been funded by our operating cash flow, a public offering of our common stock in March 2006 and through borrowings under our revolving credit facility. Our operating cash flow is, in general, weakest during the first quarter of each fiscal year when customers, who leased containers for holiday storage, return the units. In addition to cash flow generated by operations, our principal current source of liquidity is our revolving credit facility. See Note L to our Condensed Consolidated Financial Statements (refer to Part I, Item 1) for additional information regarding our credit facility. The majority of net proceeds from our equity offering in March 2006 were used to conclude the Royal Wolf acquisition and to redeem \$52.5 million principal amount of our 9.5 % Senior Notes. During the six months ended June 30, 2007, we had net repayments under our credit facility of approximately \$10.9 million, as compared to additional net borrowings of \$23.2 million for the same period in 2006. The pay down on our revolving line of credit in 2007 was made possible through the issuance of \$150.0 million of 6.875% Senior Notes, that were discounted to 99.548%, and yielded to us net proceeds of approximately \$146.3 million, after underwriters' discounts and commissions. We used these proceeds to redeem \$97.5 million the aggregate principal balance outstanding of the 9.5% Senior Notes and for related redemption premiums, accrued interest and other issuance costs. The remaining proceeds of approximately \$33.2 million were used to repay borrowings under the revolving line of credit. Excluding this repayment, borrowings under our revolving line of credit were used in conjunction with cash provided by operating activities to fund the \$64.2 million of additions in our lease fleet during the six months ended June 30, 2007, purchase property, plant and equipment of \$12.5 million and complete \$6.1 million in acquisitions in 2007. As of August 3, 2007, borrowings outstanding under our credit facility were approximately \$192.4 million and we had approximately \$2.0 million of short-term cash equivalents that had not been applied against borrowings.

Operating Activities. Our operations provided net cash flow of \$35.7 million for the six months ended June 30, 2007, compared to \$29.3 million during the same period in 2006. The \$6.4 million increase in cash generated by operations in 2007 is primarily related to a \$3.2 million increase in net income, \$2.4 million increase in depreciation and amortization and a \$1.3 million increase of deferred income taxes. In both years, cash generated by operations, was negatively impacted by increases in inventory levels and receivables and from a decrease in accrued liabilities.

Investing Activities. Net cash used in investing activities was \$75.1 million for the six months ended June 30, 2007, compared to \$117.5 million for the same period in 2006. Capital expenditures for acquisition of businesses were \$6.1 million for the six months ended June 30, 2007 as compared to \$59.5 million for the same period in 2006. Capital expenditures for our lease fleet, net of proceeds from sale of lease fleet units, were \$56.5 million for the six months ended June 30, 2007, and \$54.2 million for the same period in 2006. The capital expenditures for our lease fleet are primarily due to continued demand for our products, requiring us to purchase and refurbish more containers and offices with the growth of our business. During the past several years, we have increased the customization of our fleet, enabling us to differentiate our product from our competitors' product. Capital expenditures for property, plant and equipment, net of proceeds from sales of property, plant and equipment, were \$12.5 million for the six months ended June 30, 2007 compared to the \$3.8 million for the same period in 2006. The majority of this increase was expenditures for additions of delivery equipment, primarily trucks, trailers and forklifts, at our U.S. locations and at

our European branches. 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 goods or services in connection with any portion of our business.

Table of Contents

Financing Activities. Net cash provided by financing activities was \$41.8 million during the six months ended June 30, 2007, compared to \$90.5 million for the same period in 2006. In the six months ended June 30, 2007, we received net proceeds of approximately \$33.2 million, related to the issuance of the \$150.0 million 6.875% Senior Notes offset by redemption of the \$97.5 million 9.5% Senior Notes and related issuance and redemption costs, including accrued interest. The major financing activity during the six-month period ended June 30, 2006 was our public offering of our common stock, which provided us with approximately \$120.3 million in net proceeds. In both 2007 and 2006, we also received approximately \$5.2 million and \$1.8 million, respectively from exercises of employee stock options. In both years, borrowings under our revolving credit facility were used, together with cash flow generated from operations, to fund expansion of the lease fleet and purchase delivery equipment.

The interest rate under our \$425.0 million revolving credit facility is based on our ratio of funded debt to earnings before interest expenses, taxes, depreciation and amortization, debt restructuring and extinguishment expenses, as defined, and any extraordinary gains or non-cash extraordinary losses. The borrowing rate under the credit facility at December 31, 2006 was LIBOR plus 1.25% per annum or the prime rate less 0.25% per annum, whichever we elect. The interest rate spread from LIBOR and prime rate can change based on our debt ratio measured at the end of each quarter, as defined in our credit agreement. The interest rate spread, based on our June 30, 2007 quarterly results remained unchanged.

We have interest rate swap agreements under which we effectively fixed the interest rate payable on \$50.0 million of borrowings under our credit facility so that the rate is based upon a spread from a fixed rate, rather than a spread from the LIBOR rate. We account for the swap agreements in accordance with SFAS No. 133 which resulted in a charge to comprehensive income for the six months ended June 30, 2007, of \$0.3 million, net of applicable income tax benefit of \$0.1 million.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Our contractual obligations primarily consist of our outstanding balance under our revolving credit facility and our unsecured Senior Notes, together with other unsecured notes payable obligations. We also have operating lease commitments for: 1) real estate properties for the majority of our branches, 2) 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 3) other equipment, primarily office machines.

In connection with the issuance of our insurance policies, we have provided our various insurance carriers approximately \$3.2 million in letters of credit and an agreement under which we are contingently responsible for \$2.5 million to provide credit support for our payment of the deductibles and/or loss limitation reimbursements under the insurance policies.

We currently do not have any obligations under purchase agreements or commitments. Historically, we enter into capitalized lease obligations from time to time to purchase delivery, transportation and yard equipment. Currently, we have two small capital lease commitments related to office equipment.

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 some 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 inventories for the holiday season. Our retail customers usually return these leased units to us early in the following year. This causes lower utilization rates for our lease fleet and a marginal decrease in cash flow during the first quarter of the year. Over the last few years, we have reduced the percentage of our units we reserve for this seasonal business from the levels we allocated in earlier years, decreasing our seasonality.

Table of Contents**EFFECTS OF INFLATION**

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

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

Our consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the reporting period. These estimates and assumptions are based upon our evaluation of historical results and anticipated future events, and these estimates may change as additional information becomes available. The Securities and Exchange Commission defines critical accounting policies as those that are, in management's view, most important to our financial condition and results of operations and those that require significant judgments and estimates. Our critical accounting policies and use of estimates in the preparation of the condensed consolidated financial statements as of June 30, 2007, remained unchanged from December 31, 2006. Set forth below is information regarding certain of our critical accounting policies. Information regarding our other critical accounting policies is discussed in our 2006 Form 10-K, as filed with the SEC, and should be read in conjunction with our annual consolidated financial statements and notes thereto.

Allowance for Doubtful Accounts. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We establish and maintain reserves against estimated losses based upon historical loss experience and evaluation of past-due accounts agings. Management reviews the level of allowances for doubtful accounts on a regular basis and adjusts the level of the allowances as needed.

If we were to increase the factors used for our reserve estimates by 25%, it would have the following approximate effect on our net income and diluted earnings per share as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2007	2006	2007
	(In thousands)			
As Reported:				
Net income	\$ 7,658	\$ 6,331	\$ 15,862	\$ 19,028
Diluted earnings per share	\$ 0.21	\$ 0.17	\$ 0.47	\$ 0.52
As adjusted for change in estimates:				
Net income	\$ 7,464	\$ 6,283	\$ 15,552	\$ 18,882
Diluted earnings per share	\$ 0.21	\$ 0.17	\$ 0.46	\$ 0.51

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

Depreciation Policy. Our depreciation policy for our lease fleet uses the straight-line method over our units' estimated useful life, after the date that we put the unit in service. Our steel units are depreciated over 25 years with an estimated residual value of 62.5%. Wood offices units are depreciated over 20 years with an estimated residual value of 50%.

Van trailers, which are a small part of our fleet, are depreciated over seven years to a 20% residual value. Van trailers are only added to the fleet as a result of acquisitions of portable storage businesses.

We periodically review our depreciation policy against various factors, including the results of our lenders' independent appraisal of our lease fleet, practices of the larger competitors in our industry, profit margins we are achieving on sales of depreciated units and lease rates we obtain on older units. If we were to change our depreciation policy on our steel units from 62.5% residual value and a 25-year life to a lower or higher residual and a shorter or longer useful life, such change could have a positive, negative or neutral effect on our earnings, with the actual effect being determined by the change.

Table of Contents

For example, a change in our estimates used in our residual values and useful life would have the following approximate effect on our net income and diluted earnings per share as reflected in the table below.

	Salvage Value	Useful Life in Years	Three Months Ended		Six Months Ended	
			June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007
(In thousands except per share data)						
As Reported:	62.5%	25				
Net income			\$ 7,658	\$ 6,331	\$ 15,862	\$ 19,028
Diluted earnings per share			\$ 0.21	\$ 0.17	\$ 0.47	\$ 0.52
As adjusted for change in estimates:	70%	20				
Net income			\$ 7,658	\$ 6,331	\$ 15,862	\$ 19,028
Diluted earnings per share			\$ 0.21	\$ 0.17	\$ 0.47	\$ 0.52
As adjusted for change in estimates:	50%	20				
Net income			\$ 6,883	\$ 5,411	\$ 14,344	\$ 17,223
Diluted earnings per share			\$ 0.19	\$ 0.15	\$ 0.42	\$ 0.47
As adjusted for change in estimates:	40%	40				
Net income			\$ 7,658	\$ 6,331	\$ 15,862	\$ 19,028
Diluted earnings per share			\$ 0.21	\$ 0.17	\$ 0.47	\$ 0.52
As adjusted for change in estimates:	30%	25				
Net income			\$ 6,650	\$ 5,135	\$ 13,888	\$ 16,682
Diluted earnings per share			\$ 0.18	\$ 0.14	\$ 0.41	\$ 0.45
As adjusted for change in estimates:	25%	25				
Net income			\$ 6,495	\$ 4,951	\$ 13,585	\$ 16,321
Diluted earnings per share			\$ 0.18	\$ 0.13	\$ 0.40	\$ 0.44

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

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

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

Table of Contents

We adopted FASB Interpretation 48 (FIN 48), *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109*, effective January 1, 2007. For discussion of the impact of adoption of FIN 48, see note F to the Condensed Consolidated Financial Statements included else where in this report. There have been no other significant changes in our critical accounting policies, estimates and judgments during the six-month period ended June 30, 2007.

CERTAIN FACTORS THAT MAY AFFECT OUR RESULTS

Our disclosure and analysis in this report contains 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. Among the factors that could cause actual results to differ materially are the following:

- economic slowdown that affects any significant portion of our customer base, including economic slowdown in areas of limited geographic scope if markets in which we have significant operations are impacted by such slowdown

- our ability to manage our planned growth, both internally and at new branches

- our European expansion may divert our resources from other aspects of our business

- our ability to obtain additional debt or equity financing on acceptable terms

- changes in the supply and price of used ocean-going containers

- changes in the supply and cost of the raw materials we use in manufacturing storage units, including steel

- competitive developments affecting our industry, including pricing pressures in newer markets

- the timing and number of new branches that we open or acquire

- our ability to protect our patents and other intellectual property

- interest rate fluctuations

- governmental laws and regulations affecting domestic and foreign operations, including tax obligations

- changes in generally accepted accounting principles

- 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

- increases in costs and expenses, including cost of raw materials 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 to the Securities and Exchange Commission. Our Form 10-K filing for the fiscal year ended December 31, 2006, 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. Readers can find them in Item 1A of that filing under the heading Risk Factors. You may obtain a copy of our Form 10-K by requesting it from the Company's Investor Relations Department at (480) 894-6311 or by mail to Mobile Mini, Inc., 7420 S. Kyrene Rd., Suite 101, Tempe, Arizona 85283. Our filings with the SEC, including the Form 10-K, may be accessed through Mobile Mini's website at www.mobilemini.com, and at the SEC's website at <http://www.sec.gov>. Material on our website is not incorporated in this report, except by express incorporation by reference herein.

Table of Contents**RECENT ACCOUNTING PRONOUNCEMENTS**

In June 2006, the Financial Accounting Standards Board (FASB) issued Financial Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006. We have adopted this interpretation as of January 1, 2007. The impact of our adoption is discussed in Note F.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurement* (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements, but does not require any new fair value measurement. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. We are in the process of determining the effect, if any, the adoption of SFAS No. 157 will have on our consolidated financial statements. Because Statement No. 157 does not require any new fair value measurements or remeasurements of previously computed fair values, we do not believe the adoption of this Statement will have a material effect on our results of operations or financial condition.

On February 15, 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159). Under this Standard, we may elect to report financial instruments and certain other items at fair value on a contract-by-contract basis with changes in value reported in earnings. This election is irrevocable. SFAS No. 159 provides an opportunity to mitigate volatility in reported earnings that is caused by measuring hedged assets and liabilities that were previously required to use a different accounting method than the related hedging contracts when the complex provisions of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, hedge accounting are not met. SFAS No. 159 is effective for years beginning after November 15, 2007. We are currently evaluating the potential impact of adopting this Standard.

In June 2007, the FASB ratified the Emerging Issues Task Force (EITF) consensus on EITF Issue No. 06-11, *Accounting for Income Tax Benefits on Dividends on Share-Based Payment Awards*. This EITF indicates tax benefits of dividends on unvested restricted stock are to be recognized in equity as an increase in the pool of excess tax benefits. If the related awards are forfeited or are no longer expected to vest, then the benefits are to be reclassified from equity to the income statement. The EITF is effective for fiscal years beginning after December 15, 2007. We do not expect the adoption of EITF Issue No. 06-11 will have a material effect on our results of operations or financial condition.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Swap Agreement. We seek to reduce earnings and cash flow volatility associated with changes in interest rates through a financial arrangement intended to provide a hedge against a portion of the risks associated with such volatility. We continue to have exposure to such risks to the extent they are not hedged.

Interest rate swap agreements are the only instruments we use to manage interest rate fluctuations affecting our variable rate debt. At June 30, 2007, we had interest rate swap agreements under which we pay a fixed rate and receive a variable interest rate on \$50.0 million of debt. For the six months ended June 30, 2007, in accordance with SFAS No. 133, comprehensive income included a \$0.3 million charge, net of applicable income tax benefit of \$0.1 million, related to the fair value of our interest rate swap agreements.

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

Table of Contents

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures, subject to the limitations as noted below, were effective during the period and as of the end of the period covered by this report.

Because of inherent limitations, our disclosure controls and procedures may not prevent or detect misstatements. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the controls system are met. Because of the inherent limitations in all controls systems, no evaluation of controls can provide absolute assurance that all controls issues and instances of fraud, if any, have been detected.

Changes in Internal Controls.

There were no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents**PART II. OTHER INFORMATION****ITEM 1A. RISK FACTORS**

There have been no material changes from the risk factors disclosed in Part I, Item 1A, of our 2006 Form 10-K.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Our annual meeting of stockholders was held on June 28, 2006, in Phoenix, Arizona. On the record date for the annual meeting, 35,901,469 shares of common stock were outstanding and eligible to vote. A quorum was present at the annual meeting. The table below briefly describes the proposal and the results from the annual meeting of stockholders.

			Number of Shares Voted: (In thousands)	
	For	Against	For	Withheld
Election of Directors, each to serve a three-year term:				
Ronald J. Marusiak			31,745,933	1,590,185
Lawrence Trachtenberg			30,414,602	2,921,516
			For	Against
Approval of the amendments to the Mobile Mini, Inc. 2006 Equity Incentive Plan:	29,014,630	945,760	174,428	3,201,300
			For	Against
Ratification of appointment of Ernst & Young LLP as the independent registered public accounting firm for the fiscal year ending December 31, 2007:	33,143,447	28,711	163,960	

In addition to the election of two directors at the annual meeting, the terms of four directors continued after the meeting. The continuing directors are Steven G. Bungler, Jeffrey S. Goble, Stephen A McConnell, and Michael L. Watts.

ITEM 6. EXHIBITS

Exhibits (filed herewith):

Number	Description
10.1	First Amendment to Second Amended and Restated Loan and Security Agreement, dated as of May 7, 2007, among Mobile Mini, Inc., Mobile Mini UK Limited, each of the financial institutions a signatory thereto, together with assigns, as Lenders, and Deutsche Bank AG, New York Branch, as Agent (Filed herewith).
31.1	Certification of Chief Executive Officer pursuant to Item 601(b)(31) of Regulation S-K. (Filed herewith).
31.2	Certification of Chief Financial Officer pursuant to Item 601(b)(31) of Regulation S-K. (Filed herewith).
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to item 601(b)(32) of Regulation S-K. (Filed herewith).

Table of Contents

SIGNATURES

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

MOBILE MINI, INC.

Date: August 9, 2007

/s/ Lawrence Trachtenberg
Lawrence Trachtenberg
Chief Financial Officer & Executive Vice
President