UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended July 31, 2016
OR

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

For the transition period from _________ to _________
Commission File Number: 333-181780

BAKERCORP INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware	**13-4315148**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
7800 N. Dallas Parkway, Suite 500, Plano, Texas	**75024**
(Address of principal executive offices)	**(Zip Code)**

(888) 882-4895
(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 ☒*

* The registrant is a voluntary filer of reports required to be filed by certain companies under Section 13 or 15(d) of the Securities Exchange Act of 1934 and has filed all reports that would have been required during the preceding 12 months, had it been subject to such filing requirements.

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

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

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

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

There is no public market for the registrant's common stock. There were 100 shares of the registrant's common stock, par value $0.01 per share, outstanding on September 5, 2016.

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

BakerCorp International, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands, except share and per share amounts)

	July 31, 2016 (unaudited)	January 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 33,637	$ 44,754
Accounts receivable, net of allowance for doubtful accounts of $4,518 and $4,502, respectively	57,509	62,420
Inventories, net	3,370	7,435
Prepaid expenses and other assets	5,249	4,800
Total current assets	99,765	119,409
Property and equipment, net	336,960	336,635
Goodwill	84,416	148,997
Other intangible assets, net	363,461	389,345
Other assets	2,938	708
Total assets	$ 887,540	$ 995,094
Liabilities and shareholder's equity		
Current liabilities:		
Accounts payable	$ 13,941	$ 18,727
Accrued expenses	21,290	23,969
Current portion of long-term debt (net of deferred financing costs of $2,992 and $2,914, respectively)	1,171	1,248
Total current liabilities	36,402	43,944
Long-term debt, net of current portion (net of deferred financing costs of $5,214 and $6,725, respectively)	635,445	636,016
Deferred tax liabilities	120,331	144,090
Fair value of interest rate swap liabilities	—	951
Share-based compensation liability	66	736
Other long-term liabilities	3,127	1,909
Total liabilities	795,371	827,646
Commitments and contingencies	—	—
Shareholder's equity:		
Common stock, $0.01 par value; 100,000 shares authorized; 100 shares issued and outstanding on July 31, 2016 and January 31, 2016	—	—
Additional paid-in capital	392,755	392,142
Accumulated other comprehensive loss	(35,861)	(39,667)
Accumulated deficit	(264,725)	(185,027)
Total shareholder's equity	92,169	167,448
Total liabilities and shareholder's equity	$ 887,540	$ 995,094

See Accompanying Notes to the Condensed Consolidated Financial Statements.

BakerCorp International, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations (unaudited)
(In thousands)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2016	2015	2016	2015
Revenue:				
Rental revenue	$ 51,444	$ 62,524	$ 103,765	$ 124,377
Sales revenue	3,762	4,518	8,696	9,461
Service revenue	7,994	11,165	15,771	23,138
Total revenue	63,200	78,207	128,232	156,976
Operating expenses:				
Employee related expenses	24,267	26,202	48,957	57,466
Rental expenses	6,840	10,287	14,350	20,747
Repair and maintenance	2,874	2,867	5,187	5,821
Cost of goods sold	2,300	2,744	5,362	5,729
Facility expenses	6,649	6,847	13,605	14,275
Professional fees	1,126	953	2,218	1,967
Other operating expenses	3,398	3,740	6,982	7,938
Depreciation and amortization	15,075	16,399	30,184	32,718
Gain on sale of equipment	(976)	(642)	(1,634)	(1,163)
Impairment of goodwill and other intangible assets	—	—	84,046	—
Impairment of long-lived assets	439	—	439	319
Total operating expenses	61,992	69,397	209,696	145,817
Income (loss) from operations	1,208	8,810	(81,464)	11,159
Other expenses:				
Interest expense, net	10,626	10,643	21,149	21,114
Foreign currency exchange loss (gain), net	731	376	238	(284)
Other income, net	(12)	—	(12)	—
Total other expenses, net	11,345	11,019	21,375	20,830
Loss before income tax benefit	(10,137)	(2,209)	(102,839)	(9,671)
Income tax benefit	(2,252)	(831)	(23,141)	(3,669)
Net loss	$ (7,885)	$ (1,378)	$ (79,698)	$ (6,002)

See Accompanying Notes to the Condensed Consolidated Financial Statements.

BakerCorp International, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Loss (unaudited)
(In thousands)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2016	2015	2016	2015
Net loss	$ (7,885)	$ (1,378)	$ (79,698)	$ (6,002)
Other comprehensive income (loss), net of tax				
Unrealized gain on interest rate swap agreements, net of tax expense of $184, $172, $365 and $328, respectively	292	268	586	518
Change in foreign currency translation adjustments	(3,216)	(3,538)	3,220	(3,767)
Other comprehensive (loss) income	(2,924)	(3,270)	3,806	(3,249)
Total comprehensive loss	$ (10,809)	$ (4,648)	$ (75,892)	$ (9,251)

See Accompanying Notes to the Condensed Consolidated Financial Statements.

BakerCorp International, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (unaudited)
(In thousands)

	Six Months Ended July 31,	
	2016	2015
Operating activities		
Net loss	$ (79,698)	$ (6,002)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Provision for doubtful accounts	435	582
Provision for excess and obsolete inventory, net	—	7
Share-based compensation	(39)	517
Gain on sale of equipment	(1,634)	(1,163)
Depreciation and amortization	30,184	32,718
Amortization of deferred financing costs	1,432	1,352
Deferred income taxes	(24,326)	(3,494)
Amortization of above-market lease	(76)	(237)
Impairment of goodwill and other intangible assets	84,046	—
Impairment of long-lived assets	439	319
Changes in assets and liabilities:		
Accounts receivable	4,571	337
Inventories	4,070	(2,226)
Prepaid expenses and other assets	(384)	483
Accounts payable and other liabilities	(6,264)	(4,294)
Net cash provided by operating activities	12,756	18,899
Investing activities		
Purchases of property and equipment	(24,679)	(12,944)
Proceeds from sale of equipment	2,514	1,823
Net cash used in investing activities	(22,165)	(11,121)
Financing activities		
Repayment of long-term debt	(2,081)	(2,081)
Return of capital to BakerCorp International Holdings, Inc.	(8)	(51)
Net cash used in financing activities	(2,089)	(2,132)
Effect of foreign currency translation on cash	381	(411)
Net (decrease) increase in cash and cash equivalents	(11,117)	5,235
Cash and cash equivalents, beginning of period	44,754	18,665
Cash and cash equivalents, end of period	$ 33,637	$ 23,900
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest	$ 19,731	$ 18,163
Income taxes	$ 1,191	$ 942
Non-cash financing and investing activities:		
Return of capital to BakerCorp International Holdings, Inc. related to a settlement of options for shares of common stock in BakerCorp International Holdings Inc.	$ 8	$ 59

See Accompanying Notes to the Condensed Consolidated Financial Statements.

BakerCorp International, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1. Organization, Description of Business, and Basis of Presentation

We are a provider of liquid and solid containment solutions, operating within a specialty sector of the broader industrial services industry. Our revenue is generated by providing rental equipment, customized solutions, and various services to our customers. We provide a wide variety of steel and polyethylene temporary storage tanks, roll-off containers, pumps, filtration, pipes, hoses and fittings, shoring, and related products to a broad range of customers for a number of applications. Tank and roll-off container applications include the storage of water, chemicals, waste streams, and solid waste. Pump applications include the pumping of groundwater, municipal waste, and other fluids. Filtration applications include the separation of various solids from liquids. We serve a variety of industries, including industrial and environmental remediation, refining, environmental services, construction, chemicals, transportation, power, municipal works, and oil and gas. We have branches within 22 states in the United States as well as branches in Canada, France, Germany, the Netherlands and the United Kingdom. For reporting purposes, a branch is defined as a location with at least one employee. As used herein, the terms “Company,” “we,” “us,” and “our” refer to BakerCorp International, Inc. and its subsidiaries, unless the context indicates to the contrary.

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) for interim financial information and the instructions to Securities and Exchange Commission (“SEC”) Form 10-Q and Article 10 of SEC Regulation S-X. They do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. Therefore, these financial statements should be read in conjunction with our audited consolidated financial statements and notes thereto for the year ended January 31, 2016, included in our 2016 Annual Report on Form 10-K filed with the SEC on April 20, 2016. Certain prior-period amounts have been reclassified to conform to the current financial presentation.

The interim condensed consolidated financial statements included herein are unaudited; however, they contain all normal recurring accruals and adjustments that, in the opinion of management, are necessary to present fairly our results of operations and financial position for the interim periods. The results of operations for the three and six months ended July 31, 2016 are not necessarily indicative of the results to be expected for future quarters or the full year.

Principles of Consolidation

The accompanying condensed consolidated financial statements include our accounts and those of our wholly-owned subsidiaries. All intercompany accounts and transactions with our subsidiaries have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make a number of estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, we evaluate our estimates, judgments, and assumptions, including those related to revenue recognition, allowances for doubtful accounts, inventory valuation, customer rebates, sales returns and allowances, medical insurance claims, litigation accruals, impairment of long-lived assets, intangible assets and goodwill, depreciation, contingencies, income taxes, share-based compensation (expense and liability), and derivatives. Our estimates, judgments, and assumptions are based on historical experience, future expectations, and other factors which we believe to be reasonable. Actual results could materially differ from those estimates.

Note 2. Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In July 2015, the FASB issued ASU No. 2015-11, “Simplifying the Measurement of Inventory” (“ASU No. 2015-11”). ASU No. 2015-11 requires inventory to be measured “at the lower of cost and net realizable value.” Net realizable value is defined as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. For nonpublic business entities, ASU No. 2015-11 is effective prospectively for annual periods beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. Early adoption is permitted. We adopted this standard beginning May 1, 2016 on a prospective basis. There was no financial statement impact of adopting ASU No. 2015-11 during the three months ended July 31, 2016.

In April 2015, the FASB issued ASU No. 2015-05, “Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement” (“ASU No. 2015-05”). ASU No. 2015-05 amends ASC 350, “Intangibles - Goodwill and Other.” The amendments provide guidance as to whether a cloud computing arrangement includes a software license and, based on that determination, how to account for such arrangements. The amendments may be applied on either a prospective or retrospective basis. The provisions are effective for annual periods beginning after December 15, 2017, and interim periods in annual periods beginning after December 31, 2018. Early adoption is permitted. We adopted this standard beginning February 1, 2016 on a prospective basis. There was no financial statement impact of adopting ASU No. 2015-05 during the six months ended July 31, 2016.

In April 2015, the FASB issued ASU No. 2015-03, “Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs” (“ASU No. 2015-03”). ASU No. 2015-03 requires debt issuance costs to be presented in the balance sheet as a direct deduction from the debt liability rather than as an asset. The update requires retrospective application and represents a change in accounting principle. ASU No. 2015-03 does not specifically address requirements for the presentation or subsequent measurement of debt issuance costs related to line-of-credit arrangements. In August 2015, the FASB issued ASU No. 2015-15, “Interest—Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements,” clarifying that debt issuance costs related to line-of-credit arrangements could be presented as an asset and amortized over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The standard is effective for nonpublic entities for annual periods beginning after December 15, 2015 and interim periods within annual periods beginning after December 15, 2016. Early adoption is permitted. We adopted ASU No. 2015-03 and ASU No. 2015-15 beginning February 1, 2016 on a retrospective basis and elected to classify debt issuance costs including those related to line-of-credit arrangements as a direct reduction from the debt liability. The impact of retrospectively adopting the above guidance as of January 31, 2016 was a reduction of our total assets and liabilities as follows:

	January 31, 2016		
(in thousands)	**Previously Reported**	***Simplifying the Presentation of Debt Issuance Costs***	**Currently Reported**
Prepaid expenses and other current assets	$ 5,018	$ (218)	$ 4,800
Total current assets	119,627	(218)	119,409
Deferred financing costs, net	417	(417)	—
Total assets	995,729	(635)	995,094
Current portion of long-term debt	1,466	(218)	1,248
Total current liabilities	44,162	(218)	43,944
Long-term debt, net of current portion	636,433	(417)	636,016
Total liabilities	828,281	(635)	827,646
Total liabilities and shareholder’s equity	995,729	(635)	995,094

As a result of adopting ASU No. 2015-03 and ASU No. 2015-15, “Deferred financing costs, net” are no longer separately classified within total assets on our condensed consolidated balance sheets.

Recently Issued Accounting Pronouncements

In May 2016, the FASB issued ASU No. 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients" ("ASU No. 2016-12"). ASU No. 2016-12 provides clarification to Topic 606 on how to assess collectibility, present sales tax, treat noncash consideration, and account for completed and modified contracts at the time of transition. In addition, ASU No. 2016-12 clarifies that an entity retrospectively applying the guidance in Topic 606 is not required to disclose the effect of the accounting change in the period of adoption. The standard is effective for non-public entities for annual periods beginning after December 15, 2018 and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted. We are currently assessing the impact the adoption of ASU No. 2016-12 will have on our consolidated financial statements.

In April 2016, the FASB issued ASU No. 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing" ("ASU No. 2016-10"). ASU No. 2016-10 simplifies the guidance surrounding the identification of performance obligations and improves the implementation guidance on identifying licensing arrangements within customer contracts. The standard is effective for non-public entities for annual periods beginning after December 15, 2018 and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted. We are currently assessing the impact the adoption of ASU No. 2016-10 will have on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU No. 2016-09"). ASU No. 2016-09 simplifies several aspects of the accounting for share-based payments transactions, including income tax consequences, classification of awards as either liability or equity, and classification on the statement of cash flows. The standard is effective for non-public entities for annual periods beginning after December 15, 2017 and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted. We are currently assessing the impact the adoption of ASU No. 2016-09 will have on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)" ("ASU No. 2016-08"). The amendments in ASU No. 2016-08 affect the guidance in ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU No. 2016-08 applies when a third party is involved in providing goods or services to a customer. In such circumstance, ASU No. 2016-08 requires an entity to determine whether the nature of its promise is to provide the specified good or service itself to the customer (that is, the entity is a principal) or to arrange for that good or service to be provided by the third party to the customer (that is, the entity is an agent for the third party). If the entity is a principal, upon satisfying a performance obligation, the entity recognizes revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred to the customer. If the entity is an agent, the entity recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified good or service to be provided by the third party. The standard is effective for non-public entities for annual periods beginning after December 15, 2018 and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted. We are currently assessing the impact the adoption of ASU No. 2016-08 will have on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU No. 2016-02"). This amendment requires the recognition of lease assets and liabilities on the balance sheet by lessees for those leases currently classified as operating leases under ASC 840 "Leases" and increases the disclosure requirements surrounding these leases. For nonpublic business entities, ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. We are currently assessing the impact the adoption of ASU No. 2016-02 will have on our consolidated financial statements.

During May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU No. 2014-09"). ASU No. 2014-09 will require companies to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASU No. 2014-09 creates a five-step model that requires companies to exercise judgment when considering the terms of the contract(s) which include (i) identifying the contract(s) with the customer, (ii) identifying the separate performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the separate performance obligations, and (v) recognizing revenue when each performance obligation is satisfied. ASU No. 2014-09 allows for either full retrospective adoption, meaning the standard is applied to all of the periods presented, or modified retrospective adoption, meaning the standard is applied only to the most current period presented in the financial statements. A decision about which method to use will affect a company's implementation plans. The standard is effective for non-public entities for annual periods beginning after December 15, 2018 and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted. We are currently assessing the impact the adoption of ASU No. 2014-09 will have on our consolidated financial statements.

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Note 3. Changes in Accumulated Other Comprehensive Loss

The following table includes the components of accumulated other comprehensive loss, net of tax, for the three months ended July 31, 2016:

(In thousands)	Unrealized Loss on Interest Rate Swap Agreements (1)	Change in Foreign Currency Translation Adjustments	Total
Balance at April 30, 2016	$ (292)	$ (32,645)	$ (32,937)
Other comprehensive income (loss) before reclassifications	292	(3,216)	(2,924)
Net other comprehensive income (loss)	292	(3,216)	(2,924)
Balance at July 31, 2016	$ —	$ (35,861)	$ (35,861)

(1) Unrealized income on interest rate swap agreements is net of tax expense of $184 for the three months ended July 31, 2016.

The following table includes the components of accumulated other comprehensive loss, net of tax, for the three months ended July 31, 2015:

(In thousands)	Unrealized Loss on Interest Rate Swap Agreements (1)	Change in Foreign Currency Translation Adjustments	Total
Balance at April 30, 2015	$ (1,426)	$ (34,327)	$ (35,753)
Other comprehensive income (loss) before reclassifications	268	(3,538)	(3,270)
Net other comprehensive income (loss)	268	(3,538)	(3,270)
Balance at July 31, 2015	$ (1,158)	$ (37,865)	$ (39,023)

(1) Unrealized income on interest rate swap agreements is net of tax expense of $172 for the three months ended July 31, 2015.

The following table includes the components of accumulated other comprehensive loss, net of tax, for the six months ended July 31, 2016:

(In thousands)	Unrealized Loss on Interest Rate Swap Agreements (1)	Change in Foreign Currency Translation Adjustments	Total
Balance at January 31, 2016	$ (586)	$ (39,081)	$ (39,667)
Other comprehensive income before reclassifications	586	3,220	3,806
Net other comprehensive income	586	3,220	3,806
Balance at July 31, 2016	$ —	$ (35,861)	$ (35,861)

(1) Unrealized income on interest rate swap agreements is net of tax expense of $365 for the six months ended July 31, 2016.

The following table includes the components of accumulated other comprehensive loss, net of tax, for the six months ended July 31, 2015:

(In thousands)	Unrealized Loss on Interest Rate Swap Agreements (1)	Change in Foreign Currency Translation Adjustments	Total
Balance at January 31, 2015	$ (1,676)	$ (34,098)	$ (35,774)
Other comprehensive income (loss) before reclassifications	518	(3,767)	(3,249)
Net other comprehensive income (loss)	518	(3,767)	(3,249)
Balance at July 31, 2015	$ (1,158)	$ (37,865)	$ (39,023)

(1) Unrealized income on interest rate swap agreements is net of tax expense of $328 for the six months ended July 31, 2015.

Note 4. Inventories, Net

Inventories, net consisted of the following:

(In thousands)	July 31, 2016	January 31, 2016
Components	$ 1,096	$ 4,142
Work-in-process	318	1,018
Finished goods	2,756	3,075
Less: inventory reserve	(800)	(800)
Inventories, net	$ 3,370	$ 7,435

Note 5. Property and Equipment, Net

Property and equipment, net consisted of the following on July 31, 2016:

(In thousands)	Cost	Accumulated Depreciation	Net Carrying Amount
Assets held for rent:			
Spill protection berms	$ 3,446	$ (2,435)	$ 1,011
Boxes	30,535	(13,559)	16,976
Filtration	13,510	(6,139)	7,371
Generators and light towers	458	(235)	223
Pipes, hoses and fittings	13,479	(10,151)	3,328
Non-steel containment	10,445	(4,860)	5,585
Pumps	57,860	(33,789)	24,071
Shoring	4,082	(3,162)	920
Steel containment	330,599	(83,474)	247,125
Tank trailers	1,817	(1,623)	194
Construction in progress	4,504	—	4,504
Total assets held for rent	470,735	(159,427)	311,308
Assets held for use:			
Leasehold improvements	3,817	(2,332)	1,485
Machinery and equipment	43,159	(27,476)	15,683
Office furniture and equipment	5,211	(3,790)	1,421
Software	12,096	(7,280)	4,816
Construction in progress	2,247	—	2,247
Total assets held for use	66,530	(40,878)	25,652
Total	$ 537,265	$ (200,305)	$ 336,960

Property and equipment, net consisted of the following on January 31, 2016:

(In thousands)	Cost	Accumulated Depreciation	Net Carrying Amount
Assets held for rent:			
Spill protection berms	$ 4,705	$ (3,718)	$ 987
Boxes	27,820	(12,361)	15,459
Filtration	11,419	(5,050)	6,369
Generators and light towers	375	(215)	160
Pipes, hoses and fittings	17,398	(13,876)	3,522
Non-steel containment	6,831	(2,093)	4,738
Pumps	55,067	(30,809)	24,258
Shoring	3,932	(2,918)	1,014
Steel containment	331,106	(76,804)	254,302
Tank trailers	1,817	(1,542)	275
Construction in progress	1,113	—	1,113
Total assets held for rent	461,583	(149,386)	312,197
Assets held for use:			
Leasehold improvements	3,503	(2,147)	1,356
Machinery and equipment	40,239	(25,174)	15,065
Office furniture and equipment	4,864	(3,510)	1,354
Software	11,778	(6,149)	5,629
Construction in progress	1,034	—	1,034
Total assets held for use	61,418	(36,980)	24,438
Total	$ 523,001	$ (186,366)	$ 336,635

We evaluate long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) are less than the carrying value, a write-down would be recorded to reduce the related carrying value of the asset to its estimated fair value.

During the three months ended July 31, 2016, certain assets that were on long-term rentals were returned in a condition beyond repair. We determined that the net book value of these assets exceeded the assets' estimated fair value. The fair value was determined utilizing the discounted cash flow method income approach (a non-recurring Level 3 fair value measurement). Consequently, during the three months ended July 31, 2016, we recorded an impairment charge of $0.4 million in our North American segment.

Due to certain indicators of impairment identified during our interim impairment test of goodwill during the three months ended April 30, 2016 (see Note 6), we assessed our long-lived assets for impairment in North America. We tested the property and equipment for recoverability by comparing the sum of undiscounted cash flows to the carrying value of the North American reporting unit asset group and concluded there were no indicators of impairment.

During the three months ended April 30, 2015, we reassessed our plans for the use of certain internally developed software and decided to shift to a different platform which will provide the same services at a lower maintenance cost. We wrote down the value of the internally developed software as no future benefits were expected to be realized. Consequently, during the three months ended April 30, 2015, we recorded an impairment charge of $0.3 million.

Depreciation and amortization expense related to property and equipment for the three months ended July 31, 2016 and July 31, 2015 was $11.0 million and $12.3 million, respectively. Depreciation and amortization expense related to property and equipment for the six months ended July 31, 2016 and July 31, 2015 was $22.1 million and $24.5 million, respectively.

Note 6. Goodwill and Other Intangible Assets, Net

Goodwill

Goodwill by reportable segments were the following:

(In thousands)	North America			Europe		
	Gross	Accumulated Impairment	Net	Gross	Accumulated Impairment	Net
Balance at January 31, 2016	$ 257,052	$ (159,011)	$ 98,041	$ 50,956	—	$ 50,956
Impairments	—	(65,746)	(65,746)	—	—	—
Adjustments [(1)]	—	—	—	1,165	—	1,165
Balance at July 31, 2016	$ 257,052	$ (224,757)	$ 32,295	$ 52,121	—	$ 52,121

(1) The adjustments to goodwill were the result of fluctuations in foreign currency exchange rates used to translate the balance into U.S. dollars.

We evaluate the carrying value of goodwill annually during the fourth quarter of each fiscal year and more frequently if we believe indicators of impairment exist. In evaluating goodwill, a two-step goodwill impairment test is applied to each reporting unit. In the first step of the impairment test, we compare the estimated fair value of the reporting unit to which the goodwill is assigned to the reporting unit's carrying amount, including goodwill. We estimate the fair value of our reporting units based on income and market approaches. If the carrying amount of a reporting unit exceeds its fair value, the amount of the impairment loss must be measured (the second step or "Step 2"). Any change in the assumptions input into the fair value model, which include market-driven assumptions, could result in future impairments.

During the three months ended April 30, 2016, we encountered a reduction in our operating results in comparison to our forecast, primarily due to greater weakness in upstream oil and gas than anticipated, slower rebound in our construction business, and the delay of capital projects by refinery and power plants which can be seen through our lower volume of work with industrial service customers. As a result of the decline in demand for our products and services, we re-assessed our revenue and EBITDA forecast beginning with fiscal year 2017 using a bottoms-up approach, having conversations with our key customers, and performing an analysis on current market conditions and industry spending behavior. Based on our assessment, we noted that despite the recent stabilization of oil prices during the first quarter of fiscal year 2017, there will be continued uncertainty in the energy market resulting in a slow down in capital spend. As a result, during the first quarter of fiscal year 2017, we updated our projections to reflect the decline in activity for the remainder of fiscal year 2017, adjusted our forecast for the outer years to maintain similar growth rates as our previous forecast, and performed the first step of the goodwill impairment test.

Under the first step of the impairment test, we determined the carrying value of the North American reporting unit exceeded fair value. The fair value of the European reporting unit exceeded its carrying value, suggesting no indication of potential goodwill impairment. We then performed the second step of the impairment test for the North American reporting unit and calculated the implied fair value of goodwill, which was less than its carrying value. Based on our analysis, we recorded a non-cash goodwill impairment charge of $65.7 million in our North American reporting unit. This impairment charge, which is included under the caption "Impairment of goodwill and other intangible assets" in our condensed consolidated statements of operations for the six months ended July 31, 2016, does not impact our operations, compliance with our debt covenants or our cash flows.

In calculating the fair value of our North American reporting unit under the first step, we gave equal weight to the income approach, which analyzed projected discounted cash flows, and the market approach, which considered comparable public companies as well as comparable industry transactions. Under the income approach, we estimate future capital expenditures required to maintain our rental fleet under normalized operations and utilize the following Level 3 estimates and assumptions in the discounted cash flow analysis:

- Long-term EBITDA margin range of 25.8% to 30.5%, reflecting our historical and forecasted profit margins;
- Long-term revenue growth rate range of 3.0% to 8.0% based on long-term nominal growth rate potential;
- A discount rate of 10.0% based on our weighted average cost of capital.

Under the market approach, we used other significant observable market inputs including various peer company comparisons and industry transaction data, which resulted in revenue and EBITDA market multiples of 1.75x to 2.00x and 6.00x to 7.50x, respectively. In evaluating our market multiples, we placed higher consideration on peer companies that were experiencing similar oil and gas pressures. Changes in the estimates utilized under the income and market approaches could materially affect the determination of fair value and the conclusions of the step one analysis for the reporting unit.

Other Intangible Assets, Net

The components of other intangible assets, net were the following:

	July 31, 2016			January 31, 2016		
(In thousands)	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Carrying amount:						
Customer relationships (25 years) (1)	$ 401,216	$ (82,918)	$ 318,298	$ 400,814	$ (74,819)	$ 325,995
Customer backlog (2 years)	200	(200)	—	200	(200)	—
Developed technology (11 years) (1)	1,644	(395)	1,249	1,639	(319)	1,320
Trade name (Indefinite) (1)	43,914	—	43,914	62,030	—	62,030
Total carrying amount	$ 446,974	$ (83,513)	$ 363,461	$ 464,683	$ (75,338)	$ 389,345

(1) $18.3 million of the total decrease in the gross intangible assets balance on July 31, 2016 compared to January 31, 2016 is due to the impairment charge recorded during the three months ended April 30, 2016 (see further details below). The offsetting increase was the result of fluctuations in the foreign currency exchange rates used to translate foreign intangible asset balances into U.S. dollars.

We evaluate the carrying value of our indefinite-lived intangible asset (trade name) annually during the fourth quarter of each fiscal year and more frequently if we believe indicators of impairment exist. To test our indefinite-lived intangible asset for impairment, we compare the fair value of our indefinite-lived intangible asset to carrying value. We estimate the fair value using an income approach using the asset's projected discounted cash flows. We recognize an impairment loss when the estimated fair value of the indefinite-lived intangible asset is less than the carrying value.

We assess the impairment of definite-lived intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The asset is impaired if its carrying value exceeds the undiscounted cash flows expected to result from the use and eventual disposition of the asset. In assessing recoverability, we must make assumptions regarding estimated future cash flows and other factors. The impairment loss is the amount by which the carrying value of the asset exceeds its fair value. We estimate fair value utilizing the projected discounted cash flow method and a discount rate determined by our management to be commensurate with the risk inherent in our current business model. When calculating fair value, we must make assumptions regarding estimated future cash flows, discount rates and other factors.

Due to certain indicators of impairment identified during our April 30, 2016 interim impairment test of goodwill, we assessed our indefinite and definite-lived intangible assets for impairment. Based on our analysis, we concluded that the carrying value of our indefinite-lived intangible asset (trade name) exceeded its fair value and recorded an impairment charge of $18.3 million in our North American reporting unit. This impairment charge, which is included under the caption "Impairment of goodwill and other intangible assets" in our condensed consolidated statements of operations for the six months ended July 31, 2016, does not impact our operations, compliance with our debt covenants or our cash flows. We estimated the fair value of our trade name using the relief-from-royalty method, which uses several significant assumptions, including an estimate of useful life and revenue projections that consider historical and estimated future results, general economic and market conditions, as well as the impact of planned business and operational strategies. The following estimates and assumptions were also used in the relief-from-royalty method:

- Royalty rate of 1.5% based on market observed royalty rates; and
- A discount rate of 12.0% based on the required rate of return for the trade name asset.

There was no impairment recorded for our definite-lived intangible assets.

Amortization expense related to intangible assets for the three months ended July 31, 2016 and July 31, 2015 was $4.0 million and $4.1 million, respectively. Amortization expense related to intangible assets for the six months ended July 31, 2016 and July 31, 2015 was $8.1 million and $8.2 million, respectively. Estimated amortization expense for the fiscal periods ending January 31 is as follows:

(In thousands)	Estimated Amortization Expense
Remainder of the fiscal year ending January 31, 2017	$ 8,099
2018	16,198
2019	16,198
2020	16,198
2021	16,198
Thereafter	246,656
Total	$ 319,547

Note 7. Accrued Expenses

Accrued expenses consisted of the following:

(In thousands)	July 31, 2016	January 31, 2016
Accrued compensation	$ 9,895	$ 13,605
Accrued insurance	775	949
Accrued interest	3,349	3,351
Accrued professional fees	481	500
Accrued taxes	4,628	3,383
Other accrued expenses	2,162	2,181
Total accrued expenses	$ 21,290	$ 23,969

Note 8. Fair Value Measurements

Instruments Measured at Fair Value on a Recurring Basis

Instruments measured at fair value on a recurring basis are summarized below:

		July 31, 2016		
(In thousands)	Total	Level 1	Level 2	Level 3
Liabilities				
Share-based compensation liability	66	—	—	66
Total	$ 66	$ —	$ —	$ 66

		January 31, 2016		
(In thousands)	Total	Level 1	Level 2	Level 3
Liabilities				
Interest rate swap liabilities	$ 951	$ —	$ 951	$ —
Share-based compensation liability	736	—	—	736
Total	$ 1,687	$ —	$ 951	$ 736

As discussed in Note 10, “Derivatives,” our interest rate swap liabilities expired as of July 31, 2016. We did not enter into any new interest rate swap contracts during the three and six months ended July 31, 2016.

Interest expense related to our interest rate swap contracts during the three months ended July 31, 2016 and July 31, 2015 was $0.5 million and $0.5 million, respectively, and during the six months ended July 31, 2016 and July 31, 2015 was $1.0 million and $1.0 million, respectively.

Level 3 Valuations

When at least one significant valuation model assumption or input used to measure the fair value of financial assets or liabilities is unobservable in the market, they are deemed to be measured using Level 3 inputs. These Level 3 inputs may include pricing models, discounted cash flow methodologies or similar techniques where at least one significant model assumption or input is unobservable. We use Level 3 inputs to value our share-based compensation liability, which were based upon internal valuations, considering input from third parties, utilizing the following assumptions (See Note 12, “Stockholder’s Equity”):

- Current Common Stock Value - We operate as a privately-owned company, and our stock does not and has not been traded on a market or an exchange. As such, we estimate the value of BakerCorp International Holdings (“BCI Holdings”) on a quarterly basis. If there have been no significant changes such as acquisitions, disposals, or loss of a major customer, etc. between our valuation analysis and the grant date of a stock option, we will continue to use that valuation. We determined the fair value of BCI Holdings common stock based on an analysis of the market approach and the income approach. Under the market approach, we estimated the fair value based on market multiples of EBITDA for comparable public companies.
- Expected Volatility - Management determined that historical volatility of comparable publicly traded companies is the best indicator of our expected volatility and future stock price trends.
- Expected Dividends -We historically have not paid cash dividends, and do not currently intend to pay cash dividends, and thus have assumed a 0% dividend rate.
- Expected Term - For options granted “at-the-money,” we used the simplified method to estimate the expected term for the stock options as we do not have enough historical exercise data to provide a reasonable estimate. For stock options granted “out-of-the-money,” we used an adjusted simplified method that considers the probability of the stock options becoming “in-the-money.”
- Risk-Free Rate - The risk-free interest rate was based on the U.S. Treasury yield with a maturity date closest to the expiration date of the stock option grant.

We determined that a +/-10% change in the above assumptions would not have a significant impact to our financial statements to our reported net loss for the three and six months ended July 31, 2016. During the three and six months ended July 31, 2016, there were no transfers in or out of Level 3 instruments.

The following table provides a reconciliation of the beginning and ending balance of our share-based compensation liability measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

		Three Months Ended July 31, 2016
		Level 3
(In thousands)		Share-based Compensation Liability
Beginning balance on April 30, 2016	$	87
Total income included in operating expense		(21)
Balance at July 31, 2016	$	66

		Six Months Ended July 31, July 31, 2016
		Level 3
(In thousands)		Share-based Compensation Liability
Beginning balance on January 31, 2016	$	736
Total income included in operating expense		(670)
Balance at July 31, 2016	$	66

Instruments Not Recorded at Fair Value on a Recurring Basis

Some of our financial instruments are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include cash and cash equivalents, accounts receivables, inventories, certain other assets, accounts payable, and accrued expenses.

Our long-term debt is not recorded at fair value on a recurring basis but is measured at fair value for disclosure purposes. The fair value of our long-term debt is estimated based on the latest sales price for similar instruments obtained from a third party (Level 2 inputs). On July 31, 2016 and January 31, 2016, the fair values of our senior notes and senior term loan were $204.0 million and $364.3 million, respectively, and $166.8 million and $341.8 million, respectively.

Assets and Liabilities Recorded at Fair Value on a Non-Recurring Basis

We reduce the carrying amounts of our goodwill, intangible assets, and long-lived assets to fair value when held for sale or determined to be impaired. During the three months ended April 30, 2016, we encountered a reduction in our operating results in comparison to our forecast and, as such, re-assessed our revenue and EBITDA projections. This resulted in impairment charges to write down goodwill and indefinite-lived intangible assets (see Note 6, “Goodwill and Other Intangible Assets, Net”). The Company determined the fair values using income and market approaches. The estimation of fair value and cash flows used in the fair value measurements required the use of significant unobservable inputs, and as a result, the fair value measurements were classified as Level 3.

Note 9. Debt

Long-term debt consisted of the following:

(In thousands)	July 31, 2016	January 31, 2016
Senior term loan (LIBOR margin of 3.0%, and interest rate of 4.25%)	$ 404,821	$ 406,903
Senior unsecured notes	240,000	240,000
Total debt	644,821	646,903
Less deferred financing costs	(8,205)	(9,639)
Total debt less deferred financing costs	636,616	637,264
Less current portion (net of current portion of deferred financing costs of $2,992 and $2,914, respectively)	(1,171)	(1,248)
Long-term debt, net of current portion (net of long-term portion of deferred financing costs of $5,214 and $6,725, respectively)	$ 635,445	$ 636,016

On June 1, 2011, we (i) entered into a $435.0 million senior secured credit facility (the "Credit Facility"), consisting of a $390.0 million term loan facility (the "Senior Term Loan") and a $45.0 million revolving credit facility (the "Revolving Credit Facility") ($45.0 million available on July 31, 2016) and (ii) issued $240.0 million in aggregate principal amount of senior unsecured notes due 2019 (the "Notes").

Credit Facility

On February 7, 2013, we entered into a first amendment to refinance our Credit Facility (the "First Amendment"). Pursuant to the First Amendment, we borrowed $384.2 million of term loans (the "Amended Senior Term Loan") to refinance a like amount of term loans (the "Original Term Loan") under the Credit Facility. Borrowings under the Credit Facility bear interest at a rate equal to LIBOR plus an applicable margin, subject to a LIBOR floor of 1.25%. The LIBOR margin applicable to the Amended Senior Term Loan is 3.00%, which is 0.75% less than the LIBOR margin applicable to the Original Term Loan. In addition, (i) the Senior Term Loan maturity date was extended to February 7, 2020, provided that the maturity will be March 2, 2019 if the Amended Senior Term Loan is not repaid or refinanced on or prior to March 2, 2019, (ii) the Revolving Credit Facility maturity date was extended to February 7, 2018, and (iii) we obtained increased flexibility with respect to certain covenants and restrictions relating to our ability to incur additional debt, make investments, debt prepayments, and acquisitions. Principal on the Senior Term Loan is payable in quarterly installments of $1.0 million. Furthermore, the excess cash flow prepayment requirement is in effect until the maturity date.

On November 13, 2013, we entered into a second amendment to our Credit Facility (the "Second Amendment"). Pursuant to the Second Amendment, the Company borrowed $35.0 million of incremental term loans (the "Incremental Term Loans"), which may be used for general corporate purposes, including to finance permitted acquisitions. The terms applicable to the Incremental Term Loans are the same as those applicable to the term loans under the Credit Facility.

The Credit Facility, as amended in February 2013 and November 2013, places certain limitations on our (and all of our U.S. subsidiaries') ability to incur additional indebtedness, pay dividends or make other distributions, repurchase capital stock, make certain investments, enter into certain types of transactions with affiliates, utilize assets as security in other transactions, and sell certain assets or merge with or into other companies. In addition, under the Credit Facility, we may be required to satisfy and maintain a total leverage ratio if there is an outstanding balance on the revolving loan of 25% or more of the committed amount on any quarter end.

On July 31, 2016, we did not have an outstanding balance on the Revolving Credit Facility; therefore, on July 31, 2016, we were not subject to a leverage test. Additionally, on July 31, 2016, we were in compliance with all of our requirements and covenant tests under the Credit Facility.

Senior Unsecured Notes Due 2019

On June 1, 2011, we issued $240.0 million of fixed rate 8.25% Notes due June 1, 2019. We may redeem all or any portion of the Notes at the redemption prices set forth in the applicable indenture, plus accrued and unpaid interest. Upon a change of control, we are required to make an offer to redeem all of the Notes from the holders at a redemption price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest, if any, to the date of the repurchase. The Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by our direct and indirect existing and future wholly-owned domestic restricted subsidiaries.

Interest and Fees

Costs related to debt financing are deferred and amortized to interest expense over the term of the underlying debt instruments utilizing the straight-line method for our revolving credit facility and the effective interest method for our senior term and revolving loan facilities. We amortized $0.7 million and $0.7 million of deferred financing costs during the three months ended July 31, 2016 and July 31, 2015, respectively, and $1.4 million and $1.4 million during the six months ended July 31, 2016 and July 31, 2015, respectively.

Interest and fees related to our Credit Facility and the Notes were as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
(In thousands)	2016	2015	2016	2015
Credit Facility interest and fees(1)	$ 4,867	$ 4,901	$ 9,637	$ 9,651
Notes interest and fees (2)	5,274	5,246	10,541	10,486
Total interest and fees	$ 10,141	$ 10,147	$ 20,178	$ 20,137

(1) Interest on the Amended Term Loan is payable quarterly based upon an interest rate of 4.25%.
(2) Interest on the Notes is payable semi-annually based upon a fixed annual rate of 8.25%.

Principal Payments on Debt

On July 31, 2016, the schedule of minimum required principal payments relating to the Amended Senior Term Loan and the Notes for each of the twelve months ending January 31 are due according to the table below:

(In thousands)	Principal Payments on Debt
Remainder of the fiscal year ending January 31, 2017	$ 2,081
2018	4,163
2019	4,163
2020	634,414
Total	$ 644,821

Note 10. Derivatives

Cash Flow Hedges

We utilized interest rate derivative contracts to hedge cash flows related to the variable interest rate exposure on our debt. Our use of interest rate derivative contracts was not intended or designed to be used for trading or speculative purposes. For these interest rate swap contracts, we agreed to pay fixed interest rates while receiving a floating LIBOR. The purpose of holding these interest rate swap contracts was to hedge against the upward movement of LIBOR and the associated interest we pay on our external variable rate credit facilities. During the three months ended July 31, 2016, all three of our interest rate swaps expired. We did not enter into any new interest rate swaps during the three and six months ended July 31, 2016.

The fair value of the potential termination obligations related to our interest rate swaps, which were recorded within the "Fair value of interest rate swap liabilities" caption of our condensed consolidated balance sheets, were as follows:

(In thousands)	Notional Amount	Interest Rate	July 31, 2016	January 31, 2016
Interest rate swaps effective July 2011, expires July 2016 (1)	150,000	2.346%	$ —	$ 825
Interest rate swap, effective July 2014, expires July 2016 (1)	64,000	1.639%	—	126
			$ —	$ 951

(1) These interest rate swaps require a fixed rate of interest in exchange for a variable interest rate based on a three-month LIBOR, subject to a 1.25% floor.

Until the time of expiration, we determined that the interest rate swap agreements were highly effective in offsetting future variable interest payments associated with the hedged portion of our term loans. During the six months ended July 31, 2016, no ineffectiveness was recorded into current period earnings.

The effective portion of the unrealized gain (loss) recognized in other comprehensive loss for our derivative instruments designated as cash flow hedges was the following:

	Three Months Ended		Six Months Ended July 31,	
(In thousands)	July 31, 2016	July 31, 2015	July 31, 2016	July 31, 2015
Unrealized gain, before income tax expense	$ 476	$ 440	$ 951	$ 846
Income tax expense	184	172	365	328
Total	$ 292	$ 268	$ 586	$ 518

Note 11. Income Taxes

The income tax benefit for the three and six months ended July 31, 2016 and July 31, 2015 is based on the estimated effective tax rate for the entire fiscal year. The estimated effective tax rate is subject to adjustment in subsequent quarterly periods as our estimates of pre-tax income and loss for the year fluctuate, including changes in the geographic mix of pre-tax income and loss.

The effective income tax rates for the three and six months ended July 31, 2016 were a benefit of 22.2% and 22.5%, respectively, compared to a benefit for the three and six months ended July 31, 2015 of 37.6% and 37.9%, respectively. The effective tax rates differ from the U.S. federal statutory rate primarily due to income taxed in foreign jurisdictions, state taxes, non-deductible meals and entertainment expenses, non-deductible goodwill impairment, and discrete items. The difference in effective income tax rates for the three and six months ended July 31, 2016 and July 31, 2015 primarily relates to a change in the estimated forecast of pre-tax book income and loss for each respective jurisdiction, which includes an impairment of non-deductible goodwill recorded during the six months ended July 31, 2016. Discrete items related primarily to excess shortfalls associated with the exercise, cancellation, and expiration of stock options, valuation allowance recorded on the state deferred taxes for net operating losses and change in state effective tax rate recorded during the six months ended July 31, 2016.

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of our assets and liabilities. A valuation allowance is recorded for deferred income tax assets when management determines it is more likely than not that such assets will not be realized. Our deferred tax assets primarily relate to federal net operating loss carry-forwards. Management believes we will realize the benefit of existing deferred tax assets based on the scheduled reversal of U.S. deferred tax liabilities, related to depreciation and amortization expenses not deductible for tax purposes, which is ordinary income and therefore of the same character as the temporary differences giving rise to the deferred tax assets. This reversal will occur in substantially similar time periods and in the same jurisdictions as the deferred tax assets. As such, the deferred tax liabilities are considered a source of income sufficient to support our U.S. deferred tax assets; therefore, a valuation allowance is not required on July 31, 2016.

We recognize a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. Tax benefits recognized from such a position are measured based on whether the benefit has a greater than 50% likelihood of being realized upon ultimate resolution. We do not believe there will be any material unrecognized tax positions over the next 12 months.

We believe appropriate provisions for all outstanding issues have been made for all jurisdictions and all open years. However, due to the risk that audit outcomes and the timing of audit settlements are subject to significant uncertainty and as we continue to evaluate such uncertainties in light of current facts and circumstances, our current estimate of the total amounts of unrecognized tax benefits could increase or decrease for all open tax years. As of the date of this report, we do not anticipate that there will be any material change in the unrecognized tax benefits associated with these audits within the next twelve months.

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Note 12. Shareholder's Equity

Share-based Compensation

During June 2011, BCI Holdings adopted a share-based compensation plan, the BakerCorp International Holdings, Inc. 2011 Equity Incentive Plan (the "2011 Plan"). On September 12, 2013, the BCI Holdings' Board of Directors amended the 2011 Plan by resolution to increase the number of shares of BCI Holdings common stock authorized for issuance under the 2011 Plan to 1,001,339 shares. On July 31, 2016, there were 232,920 shares available for grant. The amended 2011 Plan permits the granting of BCI Holdings stock options, nonqualified stock options and restricted stock to eligible employees and non-employee directors and consultants.

The following table summarizes stock option activity during the six months ended July 31, 2016:

	Number of Options	Weighted Average Exercise Price	Aggregate Intrinsic Value (in thousands)(1)	Weighted Average Term Remaining (in years)	Weighted Average Grant Date Fair Value
Outstanding, January 31, 2016	731,736	$ 83.67	$ 1,830	7.0	
Granted	54,125	$ 85.00			$ 6.22
Exercised	(388)	$ 19.44	$ 1		
Forfeited/cancelled/expired	(19,375)	$ 96.61			
Outstanding, July 31, 2016	766,098	$ 83.47	$ —	6.7	
Vested and expected to vest, July 31, 2016	84,172	$ 71.06	$ —	3.3	
Exercisable, July 31, 2016	84,172	$ 71.06	$ —	2.9	

(1) Aggregate intrinsic value in the table above represents the total pre-tax value that option holders would have received had all option holders exercised their options on July 31, 2016. The aggregate intrinsic value is the difference between the estimated fair market value of the BCI Holdings common stock at the end of the period and the option exercise price, multiplied by the number of in-the-money options. This amount will change based on the fair market value of the BCI Holdings common stock.

As of July 31, 2016, there was $17.5 million of unrecognized pre-tax share-based compensation expense related to non-vested stock options of which $1.2 million we expect to recognize over a weighted average period of 0.8 years. We expect to recognize the remaining $16.3 million, which includes $8.1 million of unrecognized share-based compensation expense for the CEO's options, upon a Change in Control or initial public offering ("IPO") as defined in the 2011 Plan. During the six months ended July 31, 2016, we did not recognize any share-based compensation expense related to the CEO's options.

The total fair value of options vested during the three and six months ended July 31, 2016 is zero and $0.1 million, respectively. The total fair value of options vested during the three and six months ended July 31, 2015 is $0.5 million and $1.1 million, respectively.

The share-based compensation expense included within employee related expenses in our condensed consolidated statement of operations was the following:

	Three Months Ended July 31,		Six Months Ended July 31,	
(In thousands)	2016	2015	2016	2015
Non-cash share-based compensation (income) expense (1)	$ 233	$ 129	$ (39)	$ 517

(1) We remeasured certain options classified as liability awards and recorded decreases to non-cash share-based compensation expense of $0.0 million and $0.7 million during the three and six months ended July 31, 2016, respectively, and decreases to non-cash share-based compensation expense of $0.3 million and $0.4 million during the three and six months ended July 31, 2015, respectively.

The fair value of BCI Holdings stock options issued and classified as equity awards was determined using the Black-Scholes options pricing model utilizing the following weighted-average assumptions for each respective period:

	Six Months Ended July 31,	
	2016	2015
Expected volatility	56%	45%
Expected dividends	—%	—%
Expected term	7.2 years	6.4 years
Risk-free interest rate	1.5%	1.6%

Liability Awards

We account for certain option awards as liability awards, as we determined cash settlement upon exercise is probable. We remeasured the fair value of these options on July 31, 2016 and decreased our liability to $0.1 million from the $0.7 million recognized on January 31, 2016. The quarterly re-measurement resulted in a decrease to our non-cash share-based compensation expense of $0.0 million and $0.7 million during the three and six months ended July 31, 2016, respectively.

The fair value of BCI Holdings stock options accounted for as liability awards were determined using the Black-Scholes option pricing model utilizing the following assumption for each respective period:

	Six Months Ended July 31,	
	2016	2015
Expected volatility	60%	50%
Expected dividends	—%	—%
Expected term	1.1 years	3.0 years
Risk-free interest rate	0.5%	1.0%

Note 13. Segment Reporting

We conduct our operations through entities located in the United States, Canada, France, Germany, the Netherlands and the United Kingdom. We transact business using the local currency within each country where we perform the service or provide the rental equipment.

Our operating and reportable segments are North America and Europe. Within each operating segment, there are common customers, common pricing structures, the ability and history of sharing equipment and resources, operational compatibility, commonality among regulatory environments, and relative geographic proximity. Our operating segments consist of the following:

- the North American segment consists of branches located in the United States and Canada that provide equipment and services suitable across both of these North American countries.
- the European segment consists of branches located in France, Germany, the Netherlands and the United Kingdom that provide equipment and services to customers in a number of European countries.

Selected statement of operations information for our reportable segments is the following:

(In thousands)	Three Months Ended July 31, 2016	Three Months Ended July 31, 2015	Six Months Ended July 31, 2016	Six Months Ended July 31, 2015
Revenue				
United States	$ 51,105	$ 67,973	$ 106,169	$ 137,684
Canada	1,632	1,795	3,042	3,362
North America	52,737	69,768	109,211	141,046
Europe	10,463	8,439	19,021	15,930
Total revenue	$ 63,200	$ 78,207	$ 128,232	$ 156,976
Depreciation and amortization				
North America	$ 13,852	$ 15,251	$ 27,761	$ 30,451
Europe	1,223	1,148	2,423	2,267
Total depreciation and amortization	$ 15,075	$ 16,399	$ 30,184	$ 32,718
Interest expense, net				
North America	$ 10,627	$ 10,643	$ 21,143	$ 21,114
Europe	(1)	—	6	—
Total interest expense, net	$ 10,626	$ 10,643	$ 21,149	$ 21,114
Income tax (benefit) expense				
North America	$ (3,072)	$ (1,201)	$ (24,417)	$ (4,201)
Europe	820	370	1,276	532
Total income tax benefit	$ (2,252)	$ (831)	$ (23,141)	$ (3,669)
Net (loss) income				
North America (1)	$ (9,933)	$ (2,471)	$ (82,775)	$ (8,137)
Europe (1)	2,048	1,093	3,077	2,135
Total net loss	$ (7,885)	$ (1,378)	$ (79,698)	$ (6,002)

(1) During the three and six months ended July 31, 2016 and July 31, 2015, we included $1.1 million and $1.7 million, respectively, and $2.3 million and $2.8 million, respectively, of intersegment expense allocations from North America to Europe.

Total assets and long-liveds asset information are the following:

(In thousands)	July 31, 2016	January 31, 2016
Total assets		
United States	$ 759,793	$ 873,419
Canada	9,675	8,917
North America	769,468	882,336
Europe	118,072	112,758
Total assets	$ 887,540	$ 995,094
Long-lived assets		
United States	$ 279,596	$ 280,020
Canada	11,992	11,045
North America	291,588	291,065
Europe	45,372	45,570
Total long-lived assets	$ 336,960	$ 336,635

Note 14. Related Party Transactions

From time to time, we may enter into transactions with related parties. The accounting policies that we apply to our transactions with related parties are consistent with those applied in transactions with independent third parties.

Pursuant to a professional services agreement between us and Permira Advisers L.L.C. (the "Sponsor"), we agreed to pay the Sponsor an annual management fee of $0.5 million, payable quarterly, plus reasonable out-of-pocket expenses, in connection with the planning, strategy, and oversight support provided to management. We recorded aggregate management fees and expenses to the Sponsor of $0.1 million and $0.1 million during the three months ended July 31, 2016 and July 31, 2015, respectively, and $0.3 million and $0.3 million during the six months ended July 31, 2016 and July 31, 2015, respectively.

Note 15. Commitments and Contingencies

Litigation

We are involved in various legal actions arising in the ordinary course of conducting our business. These include claims relating to (i) personal injury or property damage involving equipment rented or sold by us, (ii) motor vehicle accidents involving our vehicles and our employees, (iii) employment-related matters, and (iv) environmental matters. We do not believe that the ultimate disposition of these matters will have a material adverse effect on our condensed consolidated financial position, results of operations, or cash flow. We expense legal fees in the period in which they are incurred.

Note 16. Condensed Consolidating Financial Information

Our Notes are guaranteed by all of our U.S. subsidiaries (the "guarantor subsidiaries"). This indebtedness is not guaranteed by BCI Holdings or our foreign subsidiaries (together, the "non-guarantor subsidiaries"). The guarantor subsidiaries are all one hundred percent owned, and the guarantees are made on a joint and several basis and are full and unconditional (subject to subordination provisions and subject to customary release provisions and a standard limitation, which provides that the maximum amount guaranteed by each guarantor will not exceed the maximum amount that may be guaranteed without making the guarantee void under fraudulent conveyance laws). The following condensed consolidating financial information presents the financial position, results of operations, and cash flows of the parent, guarantors, and non-guarantor subsidiaries of the Company and the eliminations necessary to arrive at the information on a consolidated basis for the periods indicated. The parent referenced in the condensed consolidating financial statements is BakerCorp International, Inc., the issuer.

We conduct substantially all of our business through our subsidiaries. To make the required payments on our Notes and other indebtedness, and to satisfy our other liquidity requirements, we will rely, in large part, on cash flows from these subsidiaries, mainly in the form of dividends, royalties, and advances, or the payment of intercompany loan arrangements. The ability of these subsidiaries to make dividend payments to us will be affected by, among other factors, the obligations of these entities to their creditors, requirements of corporate and other law, and restrictions contained in agreements entered into by or relating to these entities.

The parent and the guarantor subsidiaries have each reflected investments in their respective subsidiaries under the equity method of accounting. There are no restrictions limiting the transfer of cash from guarantor subsidiaries and non-guarantor subsidiaries to the parent.

Condensed Consolidating Balance Sheet
July 31, 2016 (unaudited)
(In thousands)

	Parent	Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current assets					
Cash and cash equivalents	$ —	$ 21,684	$ 11,953	$ —	$ 33,637
Accounts receivable, net	—	45,173	12,336	—	57,509
Inventories, net	—	3,309	61	—	3,370
Prepaid expenses and other assets	63	3,373	1,813	—	5,249
Total current assets	63	73,539	26,163	—	99,765
Property and equipment, net	—	279,596	57,364	—	336,960
Goodwill	—	32,295	52,121	—	84,416
Other intangible assets, net	—	340,760	22,701	—	363,461
Deferred tax assets	38,744	76,869	123	(115,736)	—
Other assets	—	2,574	364	—	2,938
Investment in subsidiaries	342,995	113,165	—	(456,160)	—
Total assets	$ 381,802	$ 918,798	$ 158,836	$ (571,896)	$ 887,540
Liabilities and shareholder’s equity					
Current liabilities:					
Accounts payable	$ 19	$ 11,908	$ 2,014	$ —	$ 13,941
Accrued expenses	3,348	13,886	4,056	—	21,290
Current portion of long-term debt, net	1,171	—	—	—	1,171
Intercompany balances	(351,462)	319,389	32,073	—	—
Total current liabilities	(346,924)	345,183	38,143	—	36,402
Long-term debt, net of current portion	635,445	—	—	—	635,445
Deferred tax liabilities	1,112	227,483	7,472	(115,736)	120,331
Share-based compensation liability	—	66	—	—	66
Other long-term liabilities	—	3,071	56	—	3,127
Total liabilities	289,633	575,803	45,671	(115,736)	795,371
Total shareholder’s equity	92,169	342,995	113,165	(456,160)	92,169
Total liabilities and shareholder’s equity	$ 381,802	$ 918,798	$ 158,836	$ (571,896)	$ 887,540

Condensed Consolidating Balance Sheet
January 31, 2016
(In thousands)

	Parent	Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current assets					
Cash and cash equivalents	$ —	$ 34,014	$ 10,740	$ —	$ 44,754
Accounts receivable, net	—	53,271	9,149	—	62,420
Inventories, net	—	7,378	57	—	7,435
Prepaid expenses and other current assets	30	3,053	1,717	—	4,800
Total current assets	30	97,716	21,663	—	119,409
Property and equipment, net	—	280,020	56,615	—	336,635
Goodwill	—	98,041	50,956	—	148,997
Other intangible assets, net	—	366,788	22,557	—	389,345
Deferred tax assets	36,956	68,776	121	(105,853)	—
Other long-term assets	—	571	137	—	708
Investment in subsidiaries	411,895	107,700	—	(519,595)	—
Total assets	$ 448,881	$ 1,019,612	$ 152,049	$ (625,448)	$ 995,094
Liabilities and shareholder’s equity					
Current liabilities:					
Accounts payable	$ 57	$ 16,749	$ 1,921	$ —	$ 18,727
Accrued expenses	3,364	17,305	3,300	—	23,969
Current portion of long-term debt, net	1,248	—	—	—	1,248
Intercompany balances	(361,315)	329,503	31,812	—	—
Total current liabilities	(356,646)	363,557	37,033	—	43,944
Long-term debt, net of current portion	636,016	—	—	—	636,016
Deferred tax liabilities	1,112	241,564	7,267	(105,853)	144,090
Fair value of interest rate swap liabilities	951	—	—	—	951
Share-based compensation liability	—	736	—	—	736
Other long-term liabilities	—	1,860	49	—	1,909
Total liabilities	281,433	607,717	44,349	(105,853)	827,646
Total shareholder’s equity	167,448	411,895	107,700	(519,595)	167,448
Total liabilities and shareholder’s equity	$ 448,881	$ 1,019,612	$ 152,049	$ (625,448)	$ 995,094

Condensed Consolidating Statement of Operations
For the Three Months Ended July 31, 2016 (unaudited)
(In thousands)

	Parent	Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total
Revenue	$ —	$ 51,107	$ 12,093	$ —	$ 63,200
Operating expenses:					
Employee related expenses	14	21,169	3,084	—	24,267
Rental expense	—	5,822	1,018	—	6,840
Repair and maintenance	—	2,642	232	—	2,874
Cost of goods sold	—	2,133	167	—	2,300
Facility expense	3	5,971	675	—	6,649
Professional fees	9	921	196	—	1,126
Other operating expenses	136	1,614	1,648	—	3,398
Depreciation and amortization	—	13,561	1,514	—	15,075
Gain on sale of equipment	—	(969)	(7)	—	(976)
Impairment of long-lived assets	—	439	—	—	439
Total operating expenses	162	53,303	8,527	—	61,992
(Loss) income from operations	(162)	(2,196)	3,566	—	1,208
Other expenses:					
Interest expense, net	10,614	12	—	—	10,626
Foreign currency exchange loss, net	—	205	526	—	731
Other income, net	—	(12)	—	—	(12)
Total other expenses, net	10,614	205	526	—	11,345
(Loss) income before income tax (benefit) expense	(10,776)	(2,401)	3,040	—	(10,137)
Income tax (benefit) expense	(1,070)	(1,947)	765	—	(2,252)
(Loss) income before equity in net earnings of subsidiaries	(9,706)	(454)	2,275	—	(7,885)
Equity in net earnings of subsidiaries	1,821	2,275	—	(4,096)	—
Net (loss) income	$ (7,885)	$ 1,821	$ 2,275	$ (4,096)	$ (7,885)

Condensed Consolidating Statement of Operations
For the Three Months Ended July 31, 2015 (unaudited)
(In thousands)

	Parent	Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total
Revenue	$ —	$ 67,975	$ 10,232	$ —	$ 78,207
Operating expenses:					
Employee related expenses	35	23,313	2,854	—	26,202
Rental expense	—	9,303	984	—	10,287
Repair and maintenance	—	2,706	161	—	2,867
Cost of goods sold	—	2,649	95	—	2,744
Facility expense	8	6,078	761	—	6,847
Professional fees	9	924	20	—	953
Other operating expenses	154	1,158	2,428	—	3,740
Depreciation and amortization	—	14,950	1,449	—	16,399
Gain on sale of equipment	—	(582)	(60)	—	(642)
Total operating expenses	206	60,499	8,692	—	69,397
(Loss) income from operations	(206)	7,476	1,540	—	8,810
Other expenses:					
Interest expense, net	10,638	5	—	—	10,643
Foreign currency exchange loss (gain)	—	424	(48)	—	376
Total other expenses, net	10,638	429	(48)	—	11,019
(Loss) income before income tax (benefit) expense	(10,844)	7,047	1,588	—	(2,209)
Income tax (benefit) expense	(1,036)	(168)	373	—	(831)
(Loss) income before equity in net earnings of subsidiaries	(9,808)	7,215	1,215	—	(1,378)
Equity in net earnings of subsidiaries	8,430	1,215	—	(9,645)	—
Net (loss) income	$ (1,378)	$ 8,430	$ 1,215	$ (9,645)	$ (1,378)

Condensed Consolidating Statement of Operations
For the Six Months Ended July 31, 2016 (unaudited)
(In thousands)

	Parent	Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total
Revenue	$ —	$ 106,169	$ 22,063	$ —	$ 128,232
Operating expenses:					
Employee related expenses	46	42,553	6,358	—	48,957
Rental expense	—	12,536	1,814	—	14,350
Repair and maintenance	—	4,774	413	—	5,187
Cost of goods sold	—	5,088	274	—	5,362
Facility expense	11	12,226	1,368	—	13,605
Professional fees	61	1,828	329	—	2,218
Other operating expenses	294	3,551	3,137	—	6,982
Depreciation and amortization	—	27,194	2,990	—	30,184
Gain on sale of equipment	—	(1,617)	(17)	—	(1,634)
Impairment of goodwill and other intangible assets	—	84,046	—	—	84,046
Impairment of long-lived assets	—	439	—	—	439
Total operating expenses	412	192,618	16,666	—	209,696
(Loss) income from operations	(412)	(86,449)	5,397	—	(81,464)
Other expenses:					
Interest expense, net	21,131	12	6	—	21,149
Foreign currency exchange loss (gain), net	—	(404)	642	—	238
Other income, net	—	(12)	—	—	(12)
Total other expenses (income), net	21,131	(404)	648	—	21,375
(Loss) income before income tax (benefit) expense	(21,543)	(86,045)	4,749	—	(102,839)
Income tax (benefit) expense	(2,153)	(22,172)	1,184	—	(23,141)
(Loss) income before equity in net earnings of subsidiaries	(19,390)	(63,873)	3,565	—	(79,698)
Equity in net earnings of subsidiaries	(60,308)	3,565	—	56,743	—
Net (loss) income	$ (79,698)	$ (60,308)	$ 3,565	$ 56,743	$ (79,698)

Condensed Consolidating Statement of Operations
For the Six Months Ended July 31, 2015 (unaudited)
(In thousands)

	Parent	Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total
Revenue	$ —	$ 137,685	$ 19,291	$ —	$ 156,976
Operating expenses:					
Employee related expenses	71	51,505	5,890	—	57,466
Rental expense	—	18,859	1,888	—	20,747
Repair and maintenance	—	5,459	362	—	5,821
Cost of goods sold	—	5,561	168	—	5,729
Facility expense	15	12,798	1,462	—	14,275
Professional fees	18	1,848	101	—	1,967
Other operating expenses	289	3,630	4,019	—	7,938
Depreciation and amortization	—	29,840	2,878	—	32,718
(Gain) loss on sale of equipment	—	(1,088)	(75)	—	(1,163)
Impairment of long-lived assets	—	319	—	—	319
Total operating expenses	393	128,731	16,693	—	145,817
(Loss) income from operations	(393)	8,954	2,598	—	11,159
Other expenses:					
Interest expense, net	21,103	11	—	—	21,114
Foreign currency exchange loss (gain)	—	138	(422)	—	(284)
Total other expenses (income)	21,103	149	(422)	—	20,830
(Loss) income before income tax benefit	(21,496)	8,805	3,020	—	(9,671)
Income tax (benefit) expense	(2,025)	(2,141)	497	—	(3,669)
(Loss) income before equity in net earnings of subsidiaries	(19,471)	10,946	2,523	—	(6,002)
Equity in net earnings of subsidiaries	13,469	2,523	—	(15,992)	—
Net (loss) income	$ (6,002)	$ 13,469	$ 2,523	$ (15,992)	$ (6,002)

Condensed Consolidating Statement of Comprehensive (Loss) Income
For the Three Months Ended July 31, 2016 (unaudited)
(In thousands)

	Parent	Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total
Net (loss) income	$ (7,885)	$ 1,821	$ 2,275	$ (4,096)	$ (7,885)
Other comprehensive income (loss), net of tax:					
Unrealized gain on interest rate swap agreements, net of tax expense of $184	292	—	—	—	292
Change in foreign currency translation adjustments	—	—	(3,216)	—	(3,216)
Other comprehensive income (loss)	292	—	(3,216)	—	(2,924)
Total comprehensive (loss) income	$ (7,593)	$ 1,821	$ (941)	$ (4,096)	$ (10,809)

Condensed Consolidating Statement of Comprehensive (Loss) Income
For the Three Months Ended July 31, 2015 (unaudited)
(In thousands)

	Parent	Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total
Net (loss) income	$ (1,378)	$ 8,430	$ 1,215	$ (9,645)	$ (1,378)
Other comprehensive income (loss), net of tax:					
Unrealized gain on interest rate swap agreements, net of tax expense of $172	268	—	—	—	268
Change in foreign currency translation adjustments	—	—	(3,538)	—	(3,538)
Other comprehensive income (loss)	268	—	(3,538)	—	(3,270)
Total comprehensive (loss) income	$ (1,110)	$ 8,430	$ (2,323)	$ (9,645)	$ (4,648)

Condensed Consolidating Statement of Comprehensive (Loss) Income
For the Six Months Ended July 31, 2016 (unaudited)
(In thousands)

	Parent	Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total
Net (loss) income	$ (79,698)	$ (60,308)	$ 3,565	$ 56,743	$ (79,698)
Other comprehensive income, net of tax:					
Unrealized gain on interest rate swap agreements, net of tax expense of $365	586	—	—	—	586
Change in foreign currency translation adjustments	—	—	3,220	—	3,220
Other comprehensive income	586	—	3,220	—	3,806
Total comprehensive (loss) income	$ (79,112)	$ (60,308)	$ 6,785	$ 56,743	$ (75,892)

Condensed Consolidating Statement of Comprehensive (Loss) Income
For the Six Months Ended July 31, 2015 (unaudited)
(In thousands)

	Parent	Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total
Net (loss) income	$ (6,002)	$ 13,469	$ 2,523	$ (15,992)	$ (6,002)
Other comprehensive income (loss), net of tax:					
Unrealized gain on interest rate swap agreements, net of tax expense of $328	518	—	—	—	518
Change in foreign currency translation adjustments	—	—	(3,767)	—	(3,767)
Other comprehensive income (loss)	518	—	(3,767)	—	(3,249)
Total comprehensive (loss) income	$ (5,484)	$ 13,469	$ (1,244)	$ (15,992)	$ (9,251)

Condensed Consolidating Statement of Cash Flows
For the Six Months Ended July 31, 2016 (unaudited)
(In thousands)

	Parent	Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total
Operating activities					
Net (loss) income	$ (79,698)	$ (60,308)	$ 3,565	$ 56,743	$ (79,698)
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:					
Provision for doubtful accounts	—	510	(75)	—	435
Share-based compensation expense	46	(85)	—	—	(39)
Gain on sale of equipment	—	(1,617)	(17)	—	(1,634)
Depreciation and amortization	—	27,194	2,990	—	30,184
Amortization of deferred financing costs	1,432	—	—	—	1,432
Deferred income taxes	(2,152)	(22,174)	—	—	(24,326)
Amortization of above market lease	—	(76)	—	—	(76)
Impairment of goodwill and other intangible assets	—	84,046	—	—	84,046
Impairment of long-lived assets	—	439	—	—	439
Equity in net earnings of subsidiaries, net of taxes	60,308	(3,565)	—	(56,743)	—
Changes in assets and liabilities:					
Accounts receivable	—	7,588	(3,017)	—	4,571
Inventories	—	4,069	1	—	4,070
Prepaid expenses and other assets	(33)	(388)	37	—	(384)
Accounts payable and other liabilities	(54)	(6,982)	772	—	(6,264)
Net cash (used in) provided by operating activities	(20,151)	28,651	4,256	—	12,756
Investing activities					
Purchases of property and equipment	—	(22,201)	(2,478)	—	(24,679)
Proceeds from sale of equipment	—	2,401	113	—	2,514
Net cash used in investing activities	—	(19,800)	(2,365)	—	(22,165)
Financing activities					
Intercompany investments and loans	22,240	(21,181)	(480)	(579)	—
Repayments of long-term debt	(2,081)	—	—	—	(2,081)
Return of capital to BakerCorp International Holdings, Inc.	(8)	—	—	—	(8)
Net cash provided by (used in) financing activities	20,151	(21,181)	(480)	(579)	(2,089)
Effect of foreign currency translation on cash	—	—	(198)	579	381
Net (decrease) increase in cash and cash equivalents	—	(12,330)	1,213	—	(11,117)
Cash and cash equivalents, beginning of period	—	34,014	10,740	—	44,754
Cash and cash equivalents, end of period	$ —	$ 21,684	$ 11,953	$ —	$ 33,637

Condensed Consolidating Statement of Cash Flows
For the Six Months Ended July 31, 2015 (unaudited)
(In thousands)

	Parent	Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total
Operating activities					
Net (loss) income	$ (6,002)	$ 13,469	$ 2,523	$ (15,992)	$ (6,002)
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:					
Provision for doubtful accounts, net	—	570	12	—	582
Provision for excess and obsolete inventory, net	—	7	—	—	7
Share-based compensation expense	71	446	—	—	517
(Gain) loss on sale of equipment	—	(1,088)	(75)	—	(1,163)
Depreciation and amortization	—	29,840	2,878	—	32,718
Amortization of deferred financing costs	1,352	—	—	—	1,352
Deferred income taxes	(2,024)	(1,470)	—	—	(3,494)
Amortization of above market lease	—	(237)	—	—	(237)
Impairment of long-lived assets	—	319	—	—	319
Equity in net earnings of subsidiaries, net of taxes	(13,469)	(2,523)	—	15,992	—
Changes in assets and liabilities:					
Accounts receivable	—	2,582	(2,245)	—	337
Inventories	—	(2,153)	(73)		(2,226)
Prepaid expenses and other current assets	(55)	(1,271)	1,809	—	483
Accounts payable and other liabilities	(99)	(3,782)	(413)	—	(4,294)
Net cash (used in) provided by operating activities	(20,226)	34,709	4,416	—	18,899
Investing activities					
Purchases of property and equipment	—	(11,498)	(1,446)	—	(12,944)
Proceeds from sale of equipment	—	1,663	160	—	1,823
Net cash used in investing activities	—	(9,835)	(1,286)	—	(11,121)
Financing activities					
Intercompany investments and loans	22,358	(23,955)	843	754	—
Repayment of long-term debt	(2,081)	—	—	—	(2,081)
Return of capital to BakerCorp International Holdings, Inc.	(51)	—	—	—	(51)
Net cash provided by (used in) financing activities	20,226	(23,955)	843	754	(2,132)
Effect of foreign currency translation on cash	—	—	343	(754)	(411)
Net increase in cash and cash equivalents	—	919	4,316	—	5,235
Cash and cash equivalents, beginning of period	—	14,407	4,258	—	18,665
Cash and cash equivalents, end of period	$ —	$ 15,326	$ 8,574	$ —	$ 23,900

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

The following discussion and analysis includes historical and forward-looking information that should be read in conjunction with the accompanying condensed consolidated financial statements included in this quarterly report and our consolidated financial statements included in the Annual Report on Form 10-K for the fiscal year ended January 31, 2016. The following tables show our selected condensed consolidated historical financial data for the stated periods. The financial information presented may not be indicative of our future performance. The following discussion and analysis provides information we believe is relevant to assess and understand our condensed consolidated results of operations and financial condition. The discussion includes the following:

- Overview;
- Critical Accounting Policies, Estimates, and Judgments;
- Results of Operations; and
- Liquidity and Capital Resources.

Overview

Business

We are a provider of liquid and solid containment solutions operating within the specialty sector of the broader industrial services industry. We provide equipment rental, service and sales to our customers through a solution-oriented approach often involving multiple products. We provide our containment solutions within the United States through a national network with the capability to serve customers in all 50 states as well as a growing number of international customers in Europe and Canada. We maintain one of the largest and most diverse liquid and solid containment rental fleets in the industry consisting of more than 25,000 units, including steel tanks, polyethylene tanks, modular tanks, roll-off boxes, pumps, pipes, hoses and fittings, filtration, tank trailers, berms, and trench shoring equipment.

We serve customers in over 15 industries, including industrial and environmental services, environmental remediation, construction, chemicals, transportation, power, municipal works, and oil and gas. During the six months ended July 31, 2016, no single customer accounted for more than 10% of our total revenue.

The demand for our services in the upstream segment of the oil and gas industry, which comprised 8.1% and 9.3% of our total revenue for the three and six months ended July 31, 2016, respectively, depends on the continued demand for, and production of, oil and natural gas. Crude oil and natural gas prices historically have been volatile and the substantial reductions in crude oil prices that began in October 2014, and continued into 2015 and 2016, have resulted in a decline in the level of drilling and production activity, reducing the demand for fluid containment solutions and water management services in the basins in which we operate. During the fiscal year ended January 31, 2016, we recorded charges totaling $182.8 million associated with the impairment of a portion of our goodwill and other intangible assets within our North American segment as a result of the sustained decline in oil prices, together with the projected market expectations of a slow recovery of such prices, making it more likely than not that the fair value of these assets had decreased below their respective carrying values.

During the three months ended April 30, 2016, we encountered a reduction in our operating results in comparison to our forecast, primarily due to greater weakness in upstream oil and gas than anticipated, slower rebound in our construction business, and the delay of capital projects by refinery and power plants which can be seen through our lower volume of work with industrial service customers. As a result of the recent decline in demand for our products and services, we re-assessed our revenue and EBITDA forecast beginning with fiscal year 2017 using a bottoms-up approach, having conversations with our key customers, and performing an analysis on current market conditions and industry spending behavior. Based on our assessment, we noted that despite the recent stabilization of oil prices during the first quarter of fiscal year 2017, there will be continued uncertainty in the energy market resulting in a slowdown in capital spend. As a result, we updated our projections to reflect the slowdown in activity for the remainder of fiscal year 2017, adjusted our forecast for the outer years to maintain similar growth rates as our previous forecast, and performed the first step of the goodwill impairment test. See Note 6, "Goodwill and Other Intangible Assets, Net" of the "Notes to the Condensed Consolidated Financial Statements" for additional details. We recorded non-cash charges totaling $84.0 million associated with the impairment of a portion of our goodwill and other intangible assets within the North American segment. Further volatility in oil and natural gas prices and secondary markets could result in the recognition of additional impairment charges on our goodwill, intangible assets and property and equipment associated with our North American operations.

We have the opportunity to capitalize on a number of growth initiatives to increase the breadth of the services we offer and differentiate our capabilities with respect to our people, products and solutions. Certain key elements of our long-term strategy include:

- *Commit to safety.* We focus on ensuring a safe and healthy working environment for our employees, customers and communities where we live and work. We execute this through a program called BakerZero. Through this program, we develop and implement policies and procedures to govern and promote workplace safety, including regular management safety reviews, daily branch safety training sessions and a disciplinary action program for incidents that result from non-compliance with our safety programs.
- *Increase our Penetration in Key Industries and Evaluate Opportunities for End Market Expansion.* Our low customer concentration, diversity of end markets, and long-standing relationships allow us to capitalize on market and macroeconomic trends while providing a hedge against more volatile industries.
- *Maintain Commercial Excellence Through Comprehensive Equipment Rental Solutions.* As the premier global specialty rental company in our market, we have one of the largest branch networks with a broad equipment and service offering. We distinguish ourselves from our competitors and build customer loyalty by leveraging our extensive network to provide integrated and differentiated rental solutions.
- *Achieve Operational Excellence by Continuously Developing our Systems and Processes.* We are focused on company-wide process improvements such as cost leverage initiatives, equipment rent ready optimization for the branch network, fleet optimization through our newly developed Asset Management System (“AMS”) and advanced Quality Management System (“QMS”).
- *Expand Geographically.* Historically, we have increased penetration in new geographic regions and generated profitable growth by opening new branches within North America and Europe and introducing our products and services. We believe there is an opportunity to continue to open new branches in Europe and in certain underserved regions of North America.
- *Retain the Most Talented Employees in the Industry*. Through our best in class training programs and new annual goal-setting and performance management process, we ensure that our workforce is aligned to deliver the highest value to our shareholders, customers, and employees.
- *Pursue Selected Acquisitions.* Our markets remain fragmented and have historically presented numerous attractive acquisition candidates. We intend to pursue potential acquisitions that offer complementary products and services or expand our geographic footprint.

Geographic Operations

Our branches and employees by reportable segment were the following:

	July 31, 2016	July 31, 2015	Change
Branches:			
Number of branches-North American Segment	48	52	(4)
Number of branches-European Segment	11	12	(1)
Total branches	59	64	(5)
Employees:			
Number of employees-North American Segment	770	883	(113)
Number of employees-European Segment	122	113	9
Total employees	892	996	(104)

Our operations are managed from our corporate headquarters, which is located in Plano, Texas. The majority of our operations, resources, property, and equipment are located in North America, and predominantly in the United States. The United States and Canada comprise our North American segment. Our equipment has the capability to be utilized for multiple applications within North America. We incentivize our local managers to maximize return on assets under their control and have provided systems to enable equipment and resource sharing. As a result, equipment in the U.S. and Canada is readily moved and shared by the local branch managers. The process of equipment and resource sharing within our reportable segments enables us to maximize our efficiency and respond to shifts in customer demand.

We serve customers in our European segment from branches located in the Netherlands, Germany, France and the United Kingdom. Our European operations are headquartered in the Netherlands. Our equipment is transferred between European countries to serve customers as demand dictates.

Rental Revenue Metrics

We evaluate rental revenue, the largest portion of our revenue, utilizing the following metrics:

- *Rental Activity* – The change in rental activity is measured by the impact of several items, including the utilization of rental equipment that we individually track which reflects the demand for our products in relation to the level of equipment, volume of rental revenue on bulk items not individually tracked (which includes primarily pipes, hoses, fittings, and shoring), and volume of re-rent revenue, resulting from the rental of equipment which we do not own.
- *Pricing* – The impact of changes in pricing is measured by the increase or decrease in the average daily, weekly or monthly rental rates on rental equipment that we specifically track.
- *Available Rental Fleet* – The available rental fleet, as we define it, is the average number of equipment items within our fleet that we individually track.

Seasonality

Demand from our customers has historically been higher during the second half of our fiscal year compared to the first half of the year. The peak demand period for our products and services typically occurs during the months of August through November. This peak demand period is driven by certain customers that need to complete maintenance work and other specific projects before the onset of colder weather. Because much of our revenue is derived from storing or moving liquids, the impact of weather may hinder the ability of our customers to fully utilize our equipment. This is particularly the case for customers with project locations in regions that are subject to freezing temperatures during winter.

Critical Accounting Policies, Estimates, and Judgments

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we evaluate our estimates, judgments and assumptions, including those related to revenue recognition, allowances for doubtful accounts, warranties, inventory valuation, customer rebates, sales returns and allowances, medical insurance claims, litigation accruals, impairment of long-lived assets, intangible assets and goodwill, depreciation, contingencies, income taxes, share-based compensation (expense and liability), and derivatives. We believe our estimates, judgments and assumptions are reasonable; however, actual results may differ from these judgments and estimates, and they may be adjusted as more information becomes available. Any adjustment may be significant.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably may have been used, or if changes in the estimate that are reasonably likely to occur may materially impact the financial statements. We do not believe that there have been any significant changes during the six months ended July 31, 2016 to the items that we disclosed as our critical accounting policies, estimates, and judgments included in the Annual Report on Form 10-K for the fiscal year ended January 31, 2016.

Recent Accounting Pronouncements

Refer to Note 2, "Accounting Pronouncements" of the notes to the condensed consolidated financial statements for a discussion of new accounting guidance.

Forward-Looking Statements

This quarterly report contains forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. Our expectations, beliefs, and projections are expressed in good faith, and we believe we have a reasonable basis to make these statements through our management's examination of historical operating trends, data contained in our records, and other data available from third parties, but there can be no assurance that our management's expectations, beliefs, or projections will be achieved.

The discussions of our financial condition and results of operations may include various forward-looking statements about future costs and prices of commodities, production volumes, industry trends, demand for our products and services, and projected results of operations and our projected capital resources and liquidity. Statements that are not historical in nature are considered to be forward-looking statements. They include statements regarding our expectations, hopes, beliefs, estimates, intentions, or strategies regarding the future. The words "believe," "expect," "anticipate," "intend," "estimate," "will," "look forward to," and similar expressions are intended to identify forward-looking statements.

The forward-looking statements set forth in this quarterly report regarding, among other things, achievement of revenue, profitability and net income in future quarters, future prices and demand for our products and services, estimated fair value for purposes of write-down of goodwill, and estimated cash flows and sufficiency of cash flows to fund capital expenditures, reflect only our expectations regarding these matters. Important factors that could cause actual results to differ materially from the forward-looking statements include, but are not limited to, the following.

- Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our debt obligations.
- Our debt agreements contain restrictions that limit our flexibility in operating our business.
- Our business is subject to the general health of the economy, and accordingly any slowdown in the current economy or decrease in general economic activity could materially adversely affect our revenue and operating results.
- Continuing or sustained decline in oil prices and/or natural gas prices at or below current levels could have a negative impact on our operating results.
- Ongoing government review of hydraulic fracturing and its environmental impact could lead to changes to this activity or its substantial curtailment, which could materially adversely affect our revenue and results of operations.
- We intend to expand our business into new geographic markets, and this expansion may be costly and may not be successful.
- Our growth strategy includes evaluating selective acquisitions, which entails certain risks to our business and financial performance.
- We intend to expand into new product lines, which may be costly and may not ultimately be successful.
- We depend on our suppliers for the equipment we rent to customers.
- As our rental equipment ages, we may face increased costs to maintain, repair, and replace that equipment and new equipment could become more expensive.
- The short term nature of our rental arrangements exposes us to redeployment risks and means that we could experience rapid fluctuations in revenue in response to market conditions.
- Our customers may decide to begin providing their own liquid and solid containment solutions rather than sourcing those products from us.
- Our industry is highly competitive, and competitive pressures could lead to a decrease in our market share or in the prices that we may charge.
- We lease all of our branch locations, and accordingly are subject to the risk of substantial changes to the real estate rental markets and our relationships with our landlords.
- Our business is subject to numerous environmental and safety regulations. If we are required to incur significant compliance or remediation costs, our liquidity and operating results could be materially adversely affected.
- Changes in the many laws and regulations to which we are subject in the United States, Europe and Canada, or our failure to comply with them, could materially adversely affect our business.
- We have operations outside the United States. As a result, we may incur losses from currency fluctuations.
- Turnover of our management and our ability to attract and retain other key personnel may affect our ability to efficiently manage our business and execute our strategy.
- If our employees should unionize, this could impact our costs and ability to administer our business.
- We are exposed to a variety of claims relating to our business, and our insurance may not fully cover them.
- Disruptions in our information technology systems could materially adversely affect our operating results by limiting our capacity to effectively monitor and control our operations and provide effective services to our customers.
- Fluctuations in fuel costs or reduced supplies of fuel could harm our business.
- If we are unable to collect on contracts with customers, our operating results would be materially adversely affected.
- Climate change, climate change regulations, and greenhouse effects may materially adversely impact our operations and markets.
- Existing trucking regulations and changes in trucking regulations may increase our costs and negatively impact our results of operations.
- We may be required to recognize additional impairment charges in the future which could have an adverse effect on our financial condition and results of operations.

For a more complete description of these and other possible risks and uncertainties, please refer to our Annual Report on Form 10-K for the year ended January 31, 2016. Our forward-looking statements herein speak only as of the date hereof, and we make no commitment to update or publicly release any revisions to forward-looking statements in order to reflect events, circumstances or changes in expectations.

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Condensed Consolidated Statements of Operations (unaudited)

The following table presents our results of operations as follows:

	Three Months Ended July 31,				Six Months Ended July 31,			
	2016		2015		2016		2015	
(In thousands, except percentages)	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
Revenue:								
Rental revenue	$ 51,444	81.4 %	$ 62,524	79.9 %	$ 103,765	80.9 %	$ 124,377	79.2 %
Sales revenue	3,762	6.0 %	4,518	5.8 %	8,696	6.8 %	9,461	6.0 %
Service revenue	7,994	12.6 %	11,165	14.3 %	15,771	12.3 %	23,138	14.8 %
Total revenue	63,200	100.0 %	78,207	100.0 %	128,232	100.0 %	156,976	100.0 %
Operating expenses:								
Employee related expenses	24,267	38.4 %	26,202	33.5 %	48,957	38.2 %	57,466	36.6 %
Rental expenses	6,840	10.8 %	10,287	13.2 %	14,350	11.2 %	20,747	13.2 %
Repair and maintenance	2,874	4.5 %	2,867	3.7 %	5,187	4.0 %	5,821	3.7 %
Cost of goods sold	2,300	3.6 %	2,744	3.5 %	5,362	4.2 %	5,729	3.6 %
Facility expenses	6,649	10.5 %	6,847	8.8 %	13,605	10.6 %	14,275	9.1 %
Professional fees	1,126	1.8 %	953	1.2 %	2,218	1.7 %	1,967	1.3 %
Other operating expenses	3,398	5.4 %	3,740	4.8 %	6,982	5.4 %	7,938	5.1 %
Depreciation and amortization	15,075	23.9 %	16,399	21.0 %	30,184	23.5 %	32,718	20.8 %
Gain on sale of equipment	(976)	(1.5)%	(642)	(0.8)%	(1,634)	(1.3)%	(1,163)	(0.7)%
Impairment of goodwill and other intangible assets	—	— %	—	— %	84,046	65.5 %	—	— %
Impairment of long-lived assets	439	0.7 %	—	— %	439	0.3 %	319	0.2 %
Total operating expenses	61,992	98.1 %	69,397	88.8 %	209,696	163.3 %	145,817	92.9 %
Income (loss) from operations	1,208	1.9 %	8,810	11.2 %	(81,464)	(63.3)%	11,159	7.1 %
Other expense:								
Interest expense, net	10,626	16.8 %	10,643	13.6 %	21,149	16.5 %	21,114	13.4 %
Foreign currency exchange loss (gain), net	731	1.2 %	376	0.5 %	238	0.2 %	(284)	(0.2)%
Other (income) expense, net	(12)	— %	—	— %	(12)	— %	—	— %
Total other expenses, net	11,345	18.0 %	11,019	14.1 %	21,375	16.7 %	20,830	13.2 %
Loss before income taxes	(10,137)	(16.1)%	(2,209)	(2.9)%	(102,839)	(80.0)%	(9,671)	(6.1)%
Income tax benefit	(2,252)	(3.6)%	(831)	(1.1)%	(23,141)	(18.0)%	(3,669)	(2.3)%
Net loss	$ (7,885)	(12.5)%	$ (1,378)	(1.8)%	$ (79,698)	(62.0)%	$ (6,002)	(3.8)%

Non-U.S. GAAP Financial Measures

The following is a reconciliation of our net loss to EBITDA and Adjusted EBITDA as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
(In thousands)	2016	2015	2016	2015
Net loss	$ (7,885)	$ (1,378)	$ (79,698)	$ (6,002)
Interest expense, net	10,626	10,643	21,149	21,114
Income tax benefit	(2,252)	(831)	(23,141)	(3,669)
Depreciation and amortization	15,075	16,399	30,184	32,718
EBITDA	$ 15,564	$ 24,833	$ (51,506)	$ 44,161
Foreign currency exchange loss (gain), net	731	376	238	(284)
Financing related costs	31	24	66	51
Severance related costs	535	—	584	712
Sponsor management fees	141	132	279	272
Share-based compensation expense (income)	233	129	(39)	517
Impairment of goodwill and other intangible assets	—	—	84,046	—
Impairment of long-lived assets	439	—	439	319
Branch closure and consolidation	(19)	236	85	508
Software license and other fees related to impaired asset	—	180	—	360
Other	371	327	308	721
Adjusted EBITDA (1)(2)	$ 18,026	$ 26,237	$ 34,500	$ 47,337
Adjusted EBITDA margin	28.5%	33.5%	26.9%	30.2%

(1) We define EBITDA as earnings before deducting interest, income taxes and depreciation and amortization. We define Adjusted EBITDA as EBITDA excluding certain expenses detailed within the net loss to Adjusted EBITDA reconciliation above. EBITDA and Adjusted EBITDA, which are used by management to measure performance, are non-GAAP financial measures. Management believes that EBITDA and Adjusted EBITDA are useful to investors. EBITDA is commonly utilized in our industry to evaluate operating performance, and Adjusted EBITDA is used to determine our compliance with financial covenants related to our debt instruments and is a key metric used to determine incentive compensation for certain of our employees, including members of our executive management team. Both EBITDA and Adjusted EBITDA are included as a supplemental measure of our operating performance because in the opinion of management they eliminate items that have less bearing on our operating performance and highlight trends in our core business that may not otherwise be apparent when relying solely on U.S. GAAP financial measures. In addition, Adjusted EBITDA is one of the primary measures management uses for the planning and budgeting processes and to monitor and evaluate our operating results. EBITDA and Adjusted EBITDA are not recognized items under U.S. GAAP and do not purport to be an alternative to measures of our financial performance as determined in accordance with U.S. GAAP, such as net loss. Because other companies may calculate EBITDA and Adjusted EBITDA differently than we do, EBITDA may not be, and Adjusted EBITDA as presented herein is not, comparable to similarly titled measures reported by other companies.

(2) Because EBITDA and Adjusted EBITDA are non-U.S. GAAP financial measures, as defined by the SEC, we include reconciliations of EBITDA and Adjusted EBITDA to the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP.

Results of Operations

Three Months Ended July 31, 2016 Compared to July 31, 2015

(In thousands, except Operating Data)	Three Months Ended July 31, 2016	2015	$ Change	% Change
North America				
Rental revenue	$ 41,759	$ 54,744	$ (12,985)	(23.7)%
Sales revenue	3,732	4,518	(786)	(17.4)%
Service revenue	7,246	10,506	(3,260)	(31.0)%
Total North America revenue	52,737	69,768	(17,031)	(24.4)%
Total operating expenses(3)	56,075	63,939	(7,864)	(12.3)%
(Loss) income from operations	(3,338)	5,829	(9,167)	(157.3)%
Europe				
Rental revenue	9,685	7,780	1,905	24.5 %
Sales revenue	30	—	30	100.0 %
Service revenue	748	659	89	13.5 %
Total European revenue	10,463	8,439	2,024	24.0 %
Total operating expenses(3)	$ 5,917	$ 5,458	$ 459	8.4 %
Income from operations	$ 4,546	$ 2,981	$ 1,565	52.5 %
Consolidated				
Total revenue	$ 63,200	$ 78,207	$ (15,007)	(19.2)%
Total operating expenses	$ 61,992	$ 69,397	$ (7,405)	(10.7)%
Total income from operations	$ 1,208	$ 8,810	$ (7,602)	(86.3)%
Operating Data:				
North America				
Average utilization (1)	41.8%	53.2%	(1,140bps)	
Average daily rental rate (2)	$ 30.32	$ 31.97	$ (1.65)	(5.2)%
Average number of rental units	23,515	23,280	235	1.0 %
Europe				
Average utilization (1)	55.0%	46.2%	880 bps	
Average daily rental rate (2)	$ 88.45	$ 90.97	$ (2.52)	(2.8)%
Average number of rental units	1,544	1,360	184	13.5 %
Consolidated				
Average utilization (1)	42.6%	52.9%	(1,030bps)	
Average daily rental rate (2)	$ 34.94	$ 34.79	$ 0.15	0.4 %
Average number of rental units	25,059	24,640	419	1.7 %

(1) The average utilization of rental fleet is a measure of efficiency used by management; it represents the percentage of time a unit of equipment is on-rent during a given period. It is not a U.S. GAAP financial measure.

(2) The average daily rental rate is used by management to gauge the daily rate of rental equipment that we specifically track during a given period. It is not a U.S. GAAP financial measure.

(3) Total operating expenses by reporting segment excludes inter-segment allocations from North America to Europe of $1.1 million and $1.7 million for the three months ended July 31, 2016 and 2015, respectively.

Revenue

North America

Our North American segment revenue decreased as a result of the decreases in rental, sales and service revenues of $13.0 million, $0.8 million, and $3.3 million, respectively. Revenue from oil and gas customers decreased by $6.6 million, or 58.4%. The decline in oil and gas revenue was due to the factors mentioned in the *Overview* section of *Management's Discussion and Analysis*.

Revenue, excluding oil and gas customers, decreased by $10.5 million, or 17.9%, primarily due to decreases in revenue related to our maintenance and environmental customers.

Rental Revenue

Rental revenue decreased primarily as a result of a 5.2% decrease in average daily rental rate, a 1,140 basis point decrease in average utilization, and a $3.8 million decrease in re-rent revenue, partially offset by a 1.0% increase in the average number of rental units. In addition to the decrease in revenue from oil and gas, maintenance and environmental customers, both utilization and rate declines were due to decreased capital spend at refineries and petrochemical plants, driving demand and pricing down across most product lines.

Sales Revenue

Sales revenue decreased as a result of lower pump, filtration media and bulk equipment sales.

Service Revenue

Service revenue decreased primarily due to less set-up revenue for pump-related projects and decreased hauling services.

Europe

Revenue from our European segment increased by $2.0 million, or 24.0%, due to increases in revenue from our maintenance and environmental customers.

Rental Revenue

Rental revenue increased by $1.9 million, or 24.5%, primarily due to a 880 basis point increase in average utilization and a 13.5% increase in the average number of rental units, partially offset by a 2.8% decrease in the average daily rate. The increase in the average number of rental units is primarily due to the introduction of the pump and filtration product lines in Europe during the fourth quarter of fiscal year 2016. Utilization increased through continued demand for steel tanks.

Operating Expenses

North America

The decrease in operating expenses is primarily attributable to the following:

- $2.1 million decrease in employee related expenses primarily due to a $2.3 million decrease in payroll and payroll-related costs, partially offset by a $0.4 million increase in severance expense. The decrease in payroll and payroll-related costs was primarily driven by a 12.8% decrease in headcount from 883 as of July 31, 2015 to 770 as of July 31, 2016 and corporate cost reduction programs impacting certain employee benefits and overtime pay. The increase in severance expense is due to the termination of certain positions during the three months ended July 31, 2016.
- $3.4 million decrease in rental expense due to a $2.6 million decrease in re-rent expense driven by lower re-rent revenue, a $0.6 million decrease in fuel expenses and a $0.2 million decrease in the use of outside freight vendors.
- $1.4 million decrease in depreciation and amortization as we impaired certain aged equipment with limited utilization during the second quarter of fiscal year 2016 coupled with management efforts to dispose of aged equipment requiring significant maintenance costs and various assets becoming fully depreciated.
- $0.4 million decrease in cost of goods sold driven by the decrease in sales revenue.
- $0.4 million decrease in other operating expenses due to a $0.2 million decrease in bad debt expense and a $0.2 million decrease in various miscellaneous expenses.

The decrease in operating expenses is partially offset by the following:

- $0.4 million increase in impairment of long-lived assets due to the return of assets from long-term rentals that were beyond repair.

Europe

The increase in European operating expenses was primarily due to an increase of $0.1 million in employee related expenses, $0.2 million increase in professional fees and a $0.2 million increase in various other operating expenses. Employee related expenses increased primarily due to an increase in headcount of 9 employees, or 8.0%, from 113 employees on July 31, 2015 to 122 employees on July 31, 2016. Professional fees increased primarily due to higher legal costs.

Income Tax Benefit

Income tax benefit during the three months ended July 31, 2016 increased by $1.4 million to $2.3 million from $0.8 million during the three months ended July 31, 2015. The tax benefit increase was primarily due to an increase in book losses, partially offset by discrete items for each of the respective periods.

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Results of Operations

Six Months Ended July 31, 2016 Compared to July 31, 2015

(In thousands, except Operating Data)	Six Months Ended July 31, 2016	2015	$ Change	% Change
North America				
Rental revenue	$ 86,224	$ 109,767	$ (23,543)	(21.4)%
Sales revenue	8,658	9,454	(796)	(8.4)%
Service revenue	14,330	21,825	(7,495)	(34.3)%
Total North America revenue	109,212	141,046	(31,834)	(22.6)%
Total operating expenses(3)	197,979	134,873	63,106	46.8 %
(Loss) income from operations	(88,767)	6,173	(94,940)	(1,538.0)%
Europe				
Rental revenue	17,541	14,610	2,931	20.1 %
Sales revenue	38	7	31	442.9 %
Service revenue	1,441	1,313	128	9.7 %
Total European revenue	19,020	15,930	3,090	19.4 %
Total operating expenses(3)	$ 11,717	$ 10,944	$ 773	7.1 %
Income from operations	$ 7,303	$ 4,986	$ 2,317	46.5 %
Consolidated				
Total revenue	$ 128,232	$ 156,976	$ (28,744)	(18.3)%
Total operating expenses	209,696	145,817	63,879	43.8 %
Total (loss) income from operations	(81,464)	11,159	(92,623)	(830.0)%
Operating Data:				
North America				
Average utilization (1)	43.7%	54.1%	(1,040bps)	
Average daily rental rate (2)	$ 30.07	$ 31.81	$ (1.74)	(5.5)%
Average number of rental units	23,302	23,858	(556)	(2.3)%
Europe				
Average utilization (1)	50.8%	44.6%	620 bps	
Average daily rental rate (2)	$ 88.33	$ 90.47	$ (2.14)	(2.4)%
Average number of rental units	1,521	1,339	182	13.6 %
Consolidated				
Average utilization (1)	44.1%	53.6%	(950bps)	
Average daily rental rate (2)	$ 34.18	$ 34.43	$ (0.25)	(0.7)%
Average number of rental units	24,823	25,196	(373)	(1.5)%

(1) The average utilization of rental fleet is a measure of efficiency used by management; it represents the percentage of time a unit of equipment is on-rent during a given period. It is not a U.S. GAAP financial measure.

(2) The average daily rental rate is used by management to gauge the daily rate of rental equipment that we specifically track during a given period. It is not a U.S. GAAP financial measure.

(3) Total operating expenses by reporting segment excludes inter-segment allocations from North America to Europe of $2.3 million and $2.8 million for the six months ended July 31, 2016 and 2015, respectively.

Revenue

North America

Our North American segment revenue decreased as a result of decreases in rental, sales and service revenue of $23.5 million, $0.8 million and $7.5 million, respectively. Revenue from oil and gas customers decreased by $14.4 million, or 56.2%, during the six months ended July 31, 2016 compared to the six months ended July 31, 2015. The decline in oil and gas revenue was due to the factors mentioned in the *Overview* section of *Management's Discussion and Analysis*.

Revenue, excluding oil and gas customers, decreased by $17.4 million, or 15.1%, primarily due to a decrease in revenue related to our maintenance, environmental, construction and mining customers.

Rental Revenue

Rental revenue decreased primarily as a result of a 5.5% decrease in average daily rental rate, a 2.3% decrease in the average number of rental units, 1,040 basis point decrease in average utilization, and a $6.5 million decrease in re-rent revenue. The average number of rental units decreased primarily due to management efforts to dispose of aged equipment requiring significant maintenance costs. In addition to the decrease in revenue from oil and gas, maintenance, environmental, construction and mining customers, both utilization and rate declines were due to decreased capital spend at refineries and petrochemical plants, driving demand and pricing down across most product lines.

Sales Revenue

Sales revenue decreased as a result of decreases in pumps and bulk equipment sales.

Service Revenue

Service revenue decreased primarily due to less set-up revenue for pump-related projects and decreased hauling services.

Europe

Total revenue from our European segment increased by $3.1 million, or 19.4%, primarily due to increases in maintenance and environmental revenues.

Rental Revenue

Rental revenue increased by $2.9 million, or 20.1%, primarily due to a 13.6% increase in the average number of rental units and a 620 basis point increase in average utilization, partially offset by a 2.4% decrease in average daily rate. The increase in the average number of rental units and utilization is primarily due to the introduction of the pump and filtration product lines in Europe during the fourth quarter of fiscal year 2016.

Operating Expenses

North America

Total operating expenses increased primarily due to $84.0 million of goodwill and other intangible asset impairment charges recorded during the first quarter of fiscal year 2017. See Note 6, "Goodwill and Other Intangible Assets, Net" of the "Notes to the Condensed Consolidated Financial Statements." The increase in operating expenses were partially offset by the following:

- $9.0 million decrease in employee related expenses primarily due to a $5.7 million decrease in payroll and payroll-related costs, a $1.2 million decrease in insurance costs, a $0.7 million decrease in bonus expense, a $0.6 million decrease in share-based compensation expense, a $0.5 million decrease in temporary labor costs, and $0.3 million in severance expense. The decrease in payroll and payroll-related costs was driven primarily by the impact of corporate cost reduction programs which affected certain employee benefits and overtime pay and a decrease in average headcount of 121 employees, or 13.1%, from 922 employees during the six months ended July 31, 2015 to 801 employees during the six months ended July 31, 2016. The decrease in insurance expense was driven by lower costs during the six months ended July 31, 2015 due to a change from self-insured to fully-insured health plans on July 1, 2014 and the associated premium increase. We reverted to a self-insured employee medical program effective July 1, 2015. The decrease in bonus expense was the result of our operating results being less than plan. The decrease in share-based compensation expense was primarily due to a $0.7 million decrease in expense related to the remeasurement of our stock options accounted for as liability awards. The decrease in temporary labor costs was primarily due to less project staffing requirements as a result of corporate cost reduction programs. The decrease in severance cost is due to the termination of certain positions in the prior year.
- $6.3 million decrease in rental expense is primarily due to a $4.3 million decrease in re-rent expense driven by lower re-rent revenue, a $1.2 million decrease in fuel expenses, a $0.6 million decrease in the use of outside freight vendors, and a $0.2 million decrease in the rental equipment for branch use.
- $0.7 million decrease in repair and maintenance expenses primarily due to the reversal of a regulatory liability that is no longer required at the level we initially anticipated.
- $0.6 million decrease in facility expense due to reductions in data processing, property tax and miscellaneous office expenses.
- $0.9 million decrease in other operating expenses primarily due to decreases of $0.2 million in travel expense, $0.3 million in customer entertainment costs, and $0.4 million in various other expenses.
- $2.7 million decrease in depreciation and amortization as we impaired certain aged equipment with limited utilization in the third quarter of fiscal year 2016 coupled with management efforts to dispose of aged equipment requiring significant maintenance costs and various assets becoming fully depreciated.
- $0.5 million increase in the gain on sale of equipment as a result of higher equipment sales.

Europe

Operating expenses for the European segment during the six months ended July 31, 2016 were $11.7 million, an increase of $0.8 million, or 7.1%, compared to the six months ended July 31, 2015. The increase in European operating expenses was primarily due to increases of $0.5 million, $0.2 million, and $0.2 million in employee related expenses, professional fees, and depreciation and amortization, respectively. Employee related expenses increased primarily due to a $0.3 million increase in payroll and payroll-related costs and a $0.2 million increase in bonus expense. The increase in payroll and payroll-related costs was driven by an increase in average headcount of 11 employees, or 9.9%, from 111 employees during the six months July 31, 2015 to 122 employees during the six months ended July 31, 2016. The increase in bonus expense was due to our improved operating results. Professional fees increased primarily due to higher legal and accounting costs. Depreciation and amortization increased due to an increase in capital expenditures.

Income Tax Benefit

Income tax benefit during the six months ended July 31, 2016 increased by $19.5 million primarily due to an increase in book losses, partially offset by an impairment of non-deductible goodwill recorded during the six months ended July 31, 2016.

Liquidity and Capital Resources

Liquidity Summary

We have a history of generating higher cash flow from operations than net income recorded during the same period. The cash flow to fund our business has historically been generated from operations. We utilize this cash flow to invest in property and equipment that are core to our business and to reduce debt. We invest in assets that have relatively long useful lives. The Internal Revenue Code allows us to accelerate the depreciation of these assets for tax purposes over a much shorter period allowing us to defer the payment of income taxes.

Cash and cash equivalents by geography were the following:

(In thousands)	July 31, 2016	January 31, 2016	$ Change	% Change
United States	$ 21,685	$ 34,014	$ (12,329)	(36.2)%
Europe	11,038	9,738	1,300	13.3 %
Canada	914	1,002	(88)	(8.8)%
Total cash and cash equivalents	$ 33,637	$ 44,754	$ (11,117)	(24.8)%

Our cash held outside the United States may be repatriated to the United States but, under current law, may be subject to United States federal income taxes, less applicable foreign tax credits. We do not plan to repatriate cash balances from our foreign subsidiaries to fund our operations within the United States. We have not provided for the United States federal tax liability on these amounts as this cash is considered permanently reinvested outside of the United States. We utilize a variety of cash planning strategies in an effort to ensure that our worldwide cash is available in the locations in which it is needed. Our intent is to meet our domestic liquidity needs through ongoing cash flow, external borrowings, or both.

Our business requires ongoing investment in equipment to maintain the size of our rental fleet. Most of our assets, if properly maintained, may generate a level of revenue similar to new assets of the same type over the assets' useful lives. There is not a well-defined secondary or resale market for the majority of our assets; therefore, we rent our assets for as long as they may safely be employed to meet our customers' needs. We invest capital in additional equipment with the expectation of generating revenue on that investment within a relatively short period of time.

We invest in new equipment for several reasons, including:

- to expand our current product lines within markets where we already operate;
- to enter new geographic regions;
- to add additional product offerings in response to customer or market demands; and
- to replace equipment that has been retired because it is no longer functional.

We have not made long-term commitments to purchase equipment. Additionally, the period of time between when we place an order for equipment and when we begin to receive it is typically two to four months. This ordering process enables us to quickly reduce our capital spending during periods of economic slowdown. During periods of expansion, we fund our investments in equipment utilizing our cash flow from operations or borrowings. Management believes our cash flow from operations and our Credit Facility will be sufficient to fund our current operating needs and capital expenditures for at least the next 12 months.

We may use funds to repurchase our outstanding indebtedness from time to time, including outstanding indebtedness under our Credit Facility and Notes. Repurchases may be made in the open market, or through privately negotiated transactions or otherwise, in compliance with applicable laws, rules and regulations, at prices and on terms we deem appropriate and subject to our cash requirements for other purposes, compliance with the covenants under our debt agreements, and other factors management deems relevant.

Debt

On June 1, 2011, we (i) entered into a $435.0 million senior secured credit facility (the "Credit Facility"), consisting of a $390.0 million term loan facility (the "Senior Term Loan") and a $45.0 million revolving credit facility (the "Revolving Credit Facility") ($45.0 million available on July 31, 2016) and (ii) issued $240.0 million in aggregate principal amount of senior unsecured notes due 2019 (the "Notes"). (Refer to Note 9, "Debt" of the notes to the condensed consolidated financial statements for further details.)

Credit Facility

On February 7, 2013, we entered into a first amendment to refinance our Credit Facility (the "First Amendment"). Pursuant to the First Amendment, we borrowed $384.2 million of term loans (the "Amended Senior Term Loan") to refinance a like amount of term loans (the "Original Term Loan") under the Credit Facility. Borrowings under the Credit Facility bear interest at a rate equal to LIBOR plus an applicable margin, subject to a LIBOR floor of 1.25%. The LIBOR margin applicable to the Amended Senior Term Loan is 3.00%, which is 0.75% less than the LIBOR margin applicable to the Original Term Loan. In addition, (i) the Senior Term Loan maturity date was extended to February 7, 2020, provided that the maturity will be March 2, 2019 if the Amended Senior Term Loan is not repaid or refinanced on or prior to March 2, 2019, (ii) the Revolving Credit Facility maturity date was extended to February 7, 2018, and (iii) we obtained increased flexibility with respect to certain covenants and restrictions relating to the Company's ability to incur additional debt, make investments, debt prepayments, and acquisitions. Principal on the Senior Term Loan is payable in quarterly installments of $1.0 million. Furthermore, the excess cash flow prepayment requirement is in effect until the maturity date.

On November 13, 2013, we entered into a second amendment to the Credit Facility (the "Second Amendment"). Pursuant to the Second Amendment, the Company borrowed $35.0 million of incremental term loans (the "Incremental Term Loans"), which may be used for general corporate purposes, including to finance permitted acquisitions. The terms applicable to the Incremental Term Loans are the same as those applicable to the term loans under the Credit Facility.

The Credit Facility, as amended in February 2013 and November 2013, places certain limitations on our (and all of our U.S. subsidiaries') ability to incur additional indebtedness, pay dividends or make other distributions, repurchase capital stock, make certain investments, enter into certain types of transactions with affiliates, utilize assets as security in other transactions, and sell certain assets or merge with or into other companies.

Under the Credit Facility, we may be required to satisfy and maintain a total leverage ratio not in excess of the leverage ratio 6.00:1.00 if there is an outstanding balance on the Revolving Credit Facility of 25% or more of the committed amount on any quarter end. The total leverage ratio is calculated as our net debt (total debt less cash and cash equivalents) divided by our trailing twelve months' adjusted EBITDA. On July 31, 2016, we did not have an outstanding balance on the Revolving Credit Facility; therefore, on July 31, 2016, we were not subject to a leverage test. Additionally, on July 31, 2016, we were in compliance with all of our requirements and covenant tests under the Credit Facility.

The Credit Facility, as amended during February 2013 and November 2013, contains certain restrictive covenants (in each case, subject to exclusions) that limit, among other things, our ability and the ability of our restricted subsidiaries to: (1) create, incur, assume, or permit to exist, any liens; (2) create, incur, assume, or permit to exist, directly or indirectly, any additional indebtedness; (3) consolidate, merge, amalgamate, liquidate, wind up, or dissolve themselves; (4) convey, sell, lease, license, assign, transfer, or otherwise dispose of assets; (5) make certain restricted payments; (6) make certain investments; (7) make any optional prepayment, repayment, or redemption with respect to, or amend or otherwise alter the terms of documents related to, certain subordinated indebtedness; (8) enter into sale leaseback transactions; (9) enter into transactions with affiliates; (10) change our fiscal year end date or the method of determining fiscal quarters; (11) enter into contracts that limit our ability to incur any lien to secure our obligations under the Credit Facility; (12) create any encumbrance or restriction on the ability of any restricted subsidiary to make certain distributions; and (13) engage in certain lines of business. The Credit Facility also contains other customary restrictive covenants. The covenants are subject to various baskets and materiality thresholds.

Costs related to debt financing are deferred and amortized to interest expense over the term of the underlying debt instruments utilizing the straight-line method for our revolving credit facility and the effective interest method for our senior term and revolving loan facilities. We amortized $0.7 million of deferred financing costs during the three months ended July 31, 2016 and July 31, 2015, and $1.4 million during the six months ended July 31, 2016 and July 31, 2015, respectively.

Senior Unsecured Notes due 2019

On June 1, 2011, we issued $240.0 million of fixed rate 8.25% senior unsecured notes due June 1, 2019. We may redeem all or any portion of the Notes at the redemption prices set forth in the applicable indenture, plus accrued and unpaid interest. Upon a change of control, we are required to make an offer to redeem all of the Notes from the holders at a redemption price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest, if any, to the date of the repurchase. The Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by our direct and indirect existing and future wholly-owned domestic restricted subsidiaries.

Interest and Fees

Interest and fees related to our Credit Facility and the Notes were as follows:

(In thousands)	Three Months Ended July 31, 2016	Three Months Ended July 31, 2015	Six Months Ended July 31, 2016	Six Months Ended July 31, 2015
Credit Facility interest and fees(1)	$ 4,867	$ 4,901	$ 9,637	$ 9,651
Notes interest and fees (2)	5,274	5,246	10,541	10,486
Total interest and fees	$ 10,141	$ 10,147	$ 20,178	$ 20,137

(1) Interest on the Amended Term Loan is payable quarterly based upon an interest rate of 4.25%.
(2) Interest on the Notes is payable semi-annually based upon a fixed annual rate of 8.25%.

Principal Payments on Debt

On July 31, 2016, the schedule of minimum required principal payments relating to the Credit Facility and the Notes for each of the twelve months ending January 31 are due according to the table below:

(In thousands)	Principal Payments on Debt
Remainder of the fiscal year ending January 31, 2017	$ 2,081
2018	4,163
2019	4,163
2020	634,414
Total	$ 644,821

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Sources and Uses of Cash

Our sources and uses of cash for selected line items in our condensed consolidated statements of cash flows were as follows:

	Six Months Ended July 31,		
(In thousands)	2016	2015	$ Change
Net loss	$ (79,698)	$ (6,002)	$ (73,696)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Provision for doubtful accounts	435	582	(147)
Provision for excess and obsolete inventory, net	—	7	(7)
Share-based compensation expense	(39)	517	(556)
Gain on sale of equipment	(1,634)	(1,163)	(471)
Depreciation and amortization	30,184	32,718	(2,534)
Amortization of deferred financing costs	1,432	1,352	80
Deferred income taxes	(24,326)	(3,494)	(20,832)
Amortization of above-market lease	(76)	(237)	161
Impairment of goodwill and other intangible assets	84,046	—	84,046
Impairment of long-lived assets	439	319	120
Changes in assets and liabilities:			
Accounts receivable	4,571	337	4,234
Inventories	4,070	(2,226)	6,296
Prepaid expenses and other assets	(384)	483	(867)
Accounts payable and other liabilities	(6,264)	(4,294)	(1,970)
Cash provided by operating activities	12,756	18,899	(6,143)
Cash used in investing activities	(22,165)	(11,121)	(11,044)
Cash used in financing activities	(2,089)	(2,132)	43
Effect of foreign currency translation on cash	381	(411)	792
Net increase (decrease) in cash and cash equivalents	$ (11,117)	$ 5,235	$ (16,352)

Cash Provided by Operating Activities

Cash flow from operations during the six months ended July 31, 2016 totaled $12.8 million, a decrease of $6.1 million compared to the six months ended July 31, 2015. This decrease was primarily related to the following:

- Net loss increased $73.7 million from a net loss of $6.0 million during the six months ended July 31, 2015 to a net loss of $79.7 million during the six months ended July 31, 2016.
- The change in share-based compensation expense resulted in a $0.6 million decrease, primarily due to the remeasurement of our stock options accounted for as liability awards.
- The change in gain on sale of equipment resulted in a $0.5 million decrease due to higher sales of equipment in the current fiscal period.
- The change in depreciation and amortization resulted in a $2.5 million decrease, primarily due to the disposition of aged equipment requiring significant maintenance costs and the impairment of long-lived assets in the third quarter of fiscal year 2016.
- The change in deferred income taxes resulted in a $20.8 million decrease to cash provided by operating activities.
- The change in prepaid expenses and other assets resulted in a $0.9 million decrease, primarily due to a decrease in miscellaneous vendor credits in the current year and an increase in the payment of software support subscriptions, partially offset by higher prepaid insurance in the prior year.

The decreases above are partially offset by the following:

- The impairment of goodwill and other intangible assets resulted in a $84.0 million increase.
- The change in accounts receivable resulted in a $4.2 million increase to cash provided by operating activities primarily due to an increase in accounts receivable due to higher sales during the prior fiscal period.

- The change in inventories resulted in a $6.3 million increase to cash provided by operating activities due to the completion and transfer of assembled equipment to our rental fleet.
- The change in accounts payable and other liabilities resulted in a $(2.0) million increase to cash provided by operating activities primarily due to cost saving initiatives implemented in the current year.

Cash Used In Investing Activities

Cash used in investing activities consists of cash used to purchase property and equipment, partially offset by proceeds from the sale of equipment from our rental fleet. Purchases of property and equipment totaled $24.7 million and $12.9 million during the six months ended July 31, 2016 and July 31, 2015, respectively. Proceeds from equipment sales totaled $2.5 million and $1.8 million during the six months ended July 31, 2016 and July 31, 2015, respectively. The increase in capital expenditures was to support new projects and refurbish our existing fleet during the six months ended July 31, 2016.

Effect of Exchange Rate Changes on Cash

The effect of foreign currency translation on cash resulted an increase of $0.4 million and a decrease of $0.4 million to cash and cash equivalents during the six months ended July 31, 2016 and the six months ended July 31, 2015, respectively. The Euro/USD, the British Pound Sterling/USD and Canadian dollar/USD spot rates increased from 1.097, 1.558, and 0.766, respectively, on July 31, 2015 to 1.117, 1.322, and 0.767, respectively, on July 31, 2016.

Hedging Activities

From time to time, we may use interest rate swap agreements to effectively convert a portion of our debt with variable interest rates into a fixed interest rate obligation. Under our interest rate swap agreements, we typically agree to pay the counterparty a fixed interest rate in exchange for receiving interest payments based on an interest rate that will vary similarly to the rate on the debt that we are attempting to hedge. We have historically conducted our swaps with large well-capitalized counterparties whom we determined to be creditworthy.

We document all relationships between hedging instruments and hedged items, the risk management objective and strategy for undertaking various hedge transactions, the forecasted transaction that has been designated as the hedged item, and how the hedging instrument is expected to reduce the risks related to the hedged item. We analyze our interest rate swaps quarterly to determine if the hedged transaction remains effective or ineffective. We may discontinue hedge accounting for interest rate swaps prospectively if certain criteria are no longer met, the interest rate swap is terminated or exercised, or if we elect to remove the cash flow hedge designation. If hedge accounting is discontinued and the forecasted hedged transaction remains probable of occurring, the previously recognized gain or loss on the interest rate swaps will remain in accumulated other comprehensive loss and will be reclassified into earnings during the same period the forecasted hedged transaction affects earnings. Our determination of the fair value of our interest rate swaps was calculated using a discounted cash flow analysis based on the terms of the swap contracts and the observable interest rate curve. We adjust a liability on our balance sheet when the market value of the interest rate swap is different from our basis in the interest rate swap agreements. When an interest rate swap agreement qualifies for hedge accounting under generally accepted accounting principles, we record a charge or credit to other comprehensive loss. When an interest rate swap agreement has not been designated as a hedge, or does not meet all of the criteria to be classified as a hedge, we record a net unrealized gain or loss within our condensed consolidated statements of operations.

During the three months ended July 31, 2016, our three swap agreements, with a total notional amount of $214.0 million, expired. No unrealized gain or loss was recorded in the condensed consolidated statements of operations for the ineffective portion of the change in fair value of the interest rate swap agreements. We did not enter into any new interest rate swap agreements during the three and six months ended July 31, 2016.

Contractual Obligations

There has been no material change to our contractual obligations as disclosed in our 2016 Annual Report.

Off-Balance Sheet Arrangements

On July 31, 2016, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K promulgated by the SEC, that have or are reasonably likely to have a material current or future effect on our financial condition, changes in our financial condition, revenues, or expenses, results of operations, liquidity, capital expenditures, or capital resources.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rates

From time to time, we may use interest rate swaps, collars or options to manage our exposure to fluctuations in interest rates. As of July 31, 2016, we no longer had any outstanding interest rate swaps. As of July 31, 2016, our total indebtedness was $644.8 million (including $240.0 million aggregate principal amount of 8.25% senior notes due 2019 and $404.8 million aggregate principal amount outstanding of LIBOR term loans (subject to a 1.25% floor) under our term loan facility). A 100 basis point increase or decrease in the assumed interest rates on the credit facilities would result in a $3.3 million increase or decrease in reported net loss for the six months ended July 31, 2016.

See Note 8, "Fair Value Measurements," for details of methodology and inputs used to determine the fair value of our debt. Generally, the fair value of debt will increase as interest rates fall and decrease as interest rates rise. These changes in the fair value of our fixed rate debt do not alter our obligations to repay the outstanding principal amount or any related interest of such debt.

Impact of Foreign Currency Rate Changes

We currently have branch operations outside the United States, and our foreign subsidiaries conduct their business in local currency. Our operations in Canada are denominated in the Canadian dollar, operations in the Netherlands, Germany and France are denominated in the Euro, and operations in the United Kingdom are denominated in the British Pound Sterling. Likewise, we pay our expenses in the local currencies, described above, in the areas in which we operate. We are exposed to foreign exchange rate fluctuations as the financial results of our non-United States operations are translated into U.S. dollars. Based upon the financial results of our international operations during the period relative to the Company as a whole, a 10% change in the exchange rates would not have a material impact on our after-tax earnings.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company under the supervision and with the participation of the Company's management, including the Chief Executive Officer (its principal executive officer) and the Chief Financial Officer (its principal financial officer), evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based upon that evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective as of July 31, 2016.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the three months ended July 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth above under Note 15, "Commitments and Contingencies – Litigation," contained in the notes to the condensed consolidated financial statements is incorporated herein by reference.

Item 1A. Risk Factors

The reader should carefully consider, in connection with the other information in this report, the factors discussed in Part I, "Item 1A: Risk Factors" of the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2016. These factors may cause our actual results to differ materially from those stated in forward-looking statements or otherwise contained in this document and elsewhere. Except as described below, there have been no material changes from our risk factors as disclosed in our Annual Report on Form 10-K for the fiscal year ended January 31, 2016.

The affirmative vote in the United Kingdom ("UK") to withdraw from the European Union ("EU") may adversely affect our business.

On June 23, 2016, the UK held a referendum in which voters approved an exit from the EU, commonly referred to as "Brexit." As a result of the referendum, it is expected that the British government will begin negotiating the terms of the UK's future relationship with the EU. The Brexit vote may result in regulatory uncertainty throughout the region and could adversely affect business activity, political stability and economic conditions throughout Europe. The uncertainty concerning the timing and terms of the exit could also have a negative impact on the growth of the UK and/or EU economies and cause the strengthening of the US dollar against foreign currencies in which we conduct business. The strengthening of the US dollar relative to the British pound and euro may adversely affect our results of operations as we translate sales and other results denominated in foreign currency into US dollars for our financial statements. During periods of strengthening dollar, our reported international sales and earnings could be reduced because foreign currencies may translate into fewer US dollars.

Variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Certain of our borrowings, primarily borrowings under our credit facilities, are at variable rates of interest and expose us to interest rate risk. As such, our net income is sensitive to movements in interest rates. There are many economic factors outside our control that have in the past, and may in the future, impact rates of interest, including publicly announced indices that underlie the interest obligations to a certain portion of our debt. Factors that impact interest rates include governmental monetary policies, inflation, recession, changes in unemployment, the money supply, international disorder and instability in domestic and foreign financial markets. Such increases in interest rates could have a material adverse effect on our financial condition and results of operations.

As of July 31, 2016, we no longer have any outstanding interest rate swaps. In the future, we may enter into interest rate swaps that involve the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility. However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk.

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

Not applicable

Item 3. Defaults upon Senior Securities

Not applicable

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

Not applicable

Item 6. Exhibits

See the Exhibit Index following the signature page to this Quarterly Report on Form 10-Q for a list of exhibits filed or furnished with this report, which Exhibit Index is incorporated herein by reference.

SIGNATURE

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.

BAKERCORP INTERNATIONAL, INC.

Date: September 9, 2016

By: /s/ Robert Craycraft
Robert Craycraft
President and Chief Executive Officer

By: /s/ Raymond Aronoff
Raymond Aronoff
Chief Operating Officer and Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

EXHIBIT 31.1

Certification of Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Robert Craycraft, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended July 31, 2016 of BakerCorp International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant on, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

September 9, 2016

/s/ Robert Craycraft

Robert Craycraft
President and Chief Executive Officer

EXHIBIT 31.2

Certification of Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Raymond Aronoff, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended July 31, 2016 of BakerCorp International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

September 9, 2016

/s/ Raymond Aronoff

Raymond Aronoff

Vice President, Chief Operating Officer and
Chief Financial Officer

EXHIBIT 32

Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), Robert Craycraft, President and Chief Executive Officer, and Raymond Aronoff, Vice President, Chief Operating Officer and Chief Financial Officer of BakerCorp International, Inc. (the "Company"), each certifies with respect to the Quarterly Report of the Company on Form 10-Q for the period ended July 31, 2016 (the "Report") that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

September 9, 2016

/s/ Robert Craycraft

Robert Craycraft

President and Chief Executive Officer

September 9, 2016

/s/ Raymond Aronoff

Raymond Aronoff

Vice President, Chief Operating Officer and
Chief Financial Officer