
**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 June 30, 2016

Commission file number 0-13292

McGRATH RENTCORP

(Exact name of registrant as specified in its Charter)

California
(State or other jurisdiction
of incorporation or organization)

94-2579843
(I.R.S. Employer
Identification No.)

5700 Las Positas Road, Livermore, CA 94551-7800
(Address of principal executive offices)

Registrant's telephone number: (925) 606-9200

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes 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. (Check one).

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

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

As of August 1, 2016, 23,907,760 shares of Registrant's Common Stock were outstanding.

FORWARD LOOKING STATEMENTS

Statements contained in this Quarterly Report on Form 10-Q (this “Form 10-Q”) which are not historical facts are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, regarding McGrath RentCorp’s (the “Company’s”) business strategy, future operations, financial position, estimated revenues or losses, projected costs, prospects, plans and objectives are forward-looking statements. These forward-looking statements appear in a number of places and can be identified by the use of forward-looking terminology such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “future,” “intend,” “hopes” or “certain” or the negative of these terms or other variations or comparable terminology.

Management cautions that forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause our actual results to differ materially from those projected in such forward-looking statements. Further, our future business, financial condition and results of operations could differ materially from those anticipated by such forward-looking statements and are subject to risks and uncertainties as set forth under “Risk Factors” in this form 10-Q.

Forward-looking statements are made only as of the date of this Form 10-Q and are based on management’s reasonable assumptions, however these assumptions can be wrong or affected by known or unknown risks and uncertainties. No forward-looking statement can be guaranteed and subsequent facts or circumstances may contradict, obviate, undermine or otherwise fail to support or substantiate such statements. Readers should not place undue reliance on these forward-looking statements and are cautioned that any such forward-looking statements are not guarantees of future performance. Except as otherwise required by law, we are under no duty to update any of the forward-looking statements after the date of this Form 10-Q to conform such statements to actual results or to changes in our expectations.

Item 1. Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
McGrath RentCorp

We have reviewed the accompanying condensed consolidated balance sheet of McGrath RentCorp and subsidiaries (the “Company”) as of June 30, 2016, and the related condensed consolidated statements of income and comprehensive income for the three-month and six-month periods ended June 30, 2016 and 2015, and cash flows for the six-month period ended June 30, 2016 and 2015. These interim financial statements are the responsibility of the Company’s management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated interim financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2015, and the related consolidated statements of income, comprehensive income, changes in shareholders’ equity, and cash flows for the year then ended (not presented herein); and we expressed an unqualified opinion on those consolidated financial statements in our report dated February 25, 2016. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2015, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ GRANT THORNTON LLP

San Jose, California
August 2, 2016

McGRATH RENTCORP
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

<i>(in thousands, except per share amounts)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues				
Rental	\$ 66,747	\$ 67,305	\$ 133,279	\$ 132,807
Rental related services	19,315	17,227	36,906	32,594
Rental operations	86,062	84,532	170,185	165,401
Sales	16,396	10,968	25,430	19,755
Other	647	526	1,189	1,058
Total revenues	103,105	96,026	196,804	186,214
Costs and Expenses				
Direct costs of rental operations:				
Depreciation of rental equipment	18,231	19,016	36,771	37,698
Rental related services	13,984	12,901	27,164	24,800
Other	16,713	16,226	32,540	31,437
Total direct costs of rental operations	48,928	48,143	96,475	93,935
Costs of sales	10,421	6,965	15,918	12,274
Total costs of revenues	59,349	55,108	112,393	106,209
Gross profit	43,756	40,918	84,411	80,005
Selling and administrative expenses	25,683	24,453	52,080	49,665
Income from operations	18,073	16,465	32,331	30,340
Other income (expense):				
Interest expense	(2,990)	(2,347)	(6,546)	(4,738)
Foreign currency exchange gain (loss)	(77)	(85)	74	(253)
Income before provision for income taxes	15,006	14,033	25,859	25,349
Provision for income taxes	5,927	5,543	10,214	10,013
Net income	\$ 9,079	\$ 8,490	\$ 15,645	\$ 15,336
Earnings per share:				
Basic	\$ 0.38	\$ 0.33	\$ 0.66	\$ 0.59
Diluted	\$ 0.38	\$ 0.32	\$ 0.65	\$ 0.58
Shares used in per share calculation:				
Basic	23,900	26,142	23,881	26,117
Diluted	23,949	26,273	23,931	26,272
Cash dividends declared per share	\$ 0.255	\$ 0.250	\$ 0.510	\$ 0.500

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

McGRATH RENTCORP
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

<i>(in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income	\$ 9,079	\$ 8,490	\$ 15,645	\$ 15,336
Other comprehensive income (loss):				
Foreign currency translation adjustment	5	6	(87)	89
Tax benefit (provision)	(1)	—	33	(16)
Comprehensive income	\$ 9,083	\$ 8,496	\$ 15,591	\$ 15,409

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

MCGRATH RENTCORP
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

<i>(in thousands)</i>	June 30, 2016	December 31, 2015
Assets		
Cash	\$ 1,238	\$ 1,103
Accounts receivable, net of allowance for doubtful accounts of \$2,087 in 2016 and 2015	95,860	95,263
Income taxes receivable	—	11,000
Rental equipment, at cost:		
Relocatable modular buildings	761,125	736,875
Electronic test equipment	251,080	262,945
Liquid and solid containment tanks and boxes	310,089	310,263
	1,322,294	1,310,083
Less accumulated depreciation	(453,872)	(440,482)
Rental equipment, net	868,422	869,601
Property, plant and equipment, net	114,241	109,753
Prepaid expenses and other assets	31,419	28,556
Intangible assets, net	9,030	9,465
Goodwill	27,808	27,808
Total assets	\$ 1,148,018	\$ 1,152,549
Liabilities and Shareholders' Equity		
Liabilities:		
Notes payable	\$ 363,121	\$ 381,281
Accounts payable and accrued liabilities	73,779	71,942
Deferred income	38,349	36,288
Deferred income taxes, net	289,456	283,351
Total liabilities	764,705	772,862
Shareholders' equity:		
Common stock, no par value - Authorized 40,000 shares		
Issued and outstanding - 23,907 shares as of June 30, 2016 and 23,851 shares as of December 31, 2015	101,313	101,046
Retained earnings	282,121	278,708
Accumulated other comprehensive loss	(121)	(67)
Total shareholders' equity	383,313	379,687
Total liabilities and shareholders' equity	\$ 1,148,018	\$ 1,152,549

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

MCGRATH RENTCORP
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<i>(in thousands)</i>	Six Months Ended June 30,	
	2016	2015
Cash Flows from Operating Activities :		
Net income	\$ 15,645	\$ 15,336
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	41,417	42,171
Provision for doubtful accounts	987	690
Share-based compensation	1,586	1,953
Gain on sale of used rental equipment	(6,282)	(5,565)
Foreign currency exchange loss (gain)	(74)	253
Change in:		
Accounts receivable	(1,584)	6,630
Income taxes receivable	11,000	—
Prepaid expenses and other assets	(2,863)	7,981
Accounts payable and accrued liabilities	5,232	1,715
Deferred income	2,061	587
Deferred income taxes	6,105	(6,514)
Net cash provided by operating activities	73,230	65,237
Cash Flows from Investing Activities:		
Purchase of rental equipment	(45,715)	(71,237)
Purchase of property, plant and equipment	(8,698)	(5,832)
Proceeds from sale of used rental equipment	13,059	11,815
Net cash used in investing activities	(41,354)	(65,254)
Cash Flows from Financing Activities:		
Net borrowings under bank lines of credit	1,814	34,699
Principal payments on Series A senior notes	(20,000)	(20,000)
Amortization of debt issuance costs	26	26
Proceeds from the exercise of stock options	37	1,458
Excess tax benefit (shortfall) from exercise of stock awards	(871)	313
Taxes paid related to net share settlement of stock awards	(486)	(584)
Repurchase of common stock	—	(3,132)
Payment of dividends	(12,253)	(13,176)
Net cash used in financing activities	(31,733)	(396)
Effect of exchange rate changes on cash	(8)	(15)
Net increase (decrease) in cash	135	(428)
Cash balance, beginning of period	1,103	1,167
Cash balance, end of period	\$ 1,238	\$ 739
Supplemental Disclosure of Cash Flow Information:		
Interest paid, during the period	\$ 6,646	\$ 4,896
Net income taxes paid, during the period	\$ 5,679	\$ 1,490
Dividends accrued during the period, not yet paid	\$ 6,135	\$ 6,588
Rental equipment acquisitions, not yet paid	\$ 3,935	\$ 8,390

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

McGRATH RENTCORP
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016

NOTE 1. CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The condensed consolidated financial statements for the three and six months ended June 30, 2016 and 2015 have not been audited, but in the opinion of management, all adjustments (consisting of normal recurring accruals, consolidating and eliminating entries) necessary for the fair presentation of the consolidated financial position, results of operations and cash flows of McGrath RentCorp (the “Company”) have been made. The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Certain information and note disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted pursuant to those rules and regulations. The consolidated results for the six months ended June 30, 2016 should not be considered as necessarily indicative of the consolidated results for the entire fiscal year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s latest Annual Report on Form 10-K filed with the SEC on February 25, 2016 for the year ended December 31, 2015 (the “2015 Annual Report”).

NOTE 2. NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers. The objective of this guidance is to establish the principles to report useful information to users of financial statements about the nature, timing and uncertainty of revenue from contracts with customers. In August 2015, the FASB issued an update to defer the effective date of this guidance by one year. The guidance in the update is effective for the interim and annual reporting periods beginning after December 15, 2017. The Company is evaluating the impact of the adoption of this accounting guidance on its consolidated financial statements.

In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2015-03, Imputation of Interest (Subtopic 835-30). The amendments in this update require that debt issuance costs related to a recognized debt liability be presented on the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with the presentation of debt discounts. The implementation of this update resulted in a reclassification of \$0.2 million of debt issuance costs from prepaid expenses and other assets to notes payable at December 31, 2015.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Subtopic 842-10). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: a) lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and b) right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company is evaluating the impact of the adoption of this guidance on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation – Stock Compensation (Topic 718). Under the new guidance, all excess tax benefits and tax deficiencies will be recognized in the income statement as they occur. This will replace the current guidance, which requires tax benefits that exceed compensation cost (windfalls) to be recognized in equity. It will also eliminate the need to maintain a “windfall pool,” and will remove the requirement to delay recognizing a windfall until it reduces current taxes payable. The new guidance will also change the cash flow presentation of excess tax benefits, classifying them as operating inflows, consistent with other cash flows related to income taxes. The amendments in this guidance are effective for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. The Company is evaluating the impact of the adoption of this new guidance on its consolidated financial statements.

In April 2016, the FASB issued ASU No. 2016-10, Revenue from Contract with Customers (Topic 606): Identifying Performance Obligations and Licensing. The amendments clarify the following two aspects of Topic 606: (a) identifying performance obligations; and (b) the licensing implementation guidance. The amendments do not change the core principle of the guidance in Topic 606. The amendments are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company is evaluating the impact of the adoption of this guidance on its consolidated financial statements.

In May 2016, the FASB issued ASU No. 2016-12, Revenue from Contract with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedient. The amendments do not change the core revenue recognition principle in Topic 606. The amendments provide clarifying guidance in certain narrow areas and add some practical expedient. The amendments are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company is evaluating the impact of the adoption of this guidance on its consolidated financial statements.

NOTE 3. EARNINGS PER SHARE

Basic earnings per share (“EPS”) is computed as net income divided by the weighted-average number of shares of common stock outstanding for the period. Diluted EPS is computed assuming conversion of all potentially dilutive securities including the dilutive effect of stock options, unvested restricted stock awards and other potentially dilutive securities. The table below presents the weighted-average number of shares of common stock used to calculate basic and diluted earnings per share:

<i>(in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Weighted-average number of shares of common stock for calculating basic earnings per share	23,900	26,142	23,881	26,117
Effect of potentially dilutive securities from equity-based compensation	49	131	50	155
Weighted-average number of shares of common stock for calculating diluted earnings per share	<u>23,949</u>	<u>26,273</u>	<u>23,931</u>	<u>26,272</u>

The following securities were not included in the computation of diluted earnings per share as their effect would have been anti-dilutive:

<i>(in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Options to purchase shares of common stock	<u>989</u>	<u>650</u>	<u>989</u>	<u>215</u>

In May 2008, the Company’s Board of Directors authorized the Company to repurchase an aggregate of 2,000,000 shares of the Company’s outstanding common stock. The Company has in the past made purchases of shares of its common stock from time to time in over-the-counter market (NASDAQ) transactions, through privately negotiated, large block transactions and through a share repurchase plan, in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934. In August 2015, the Company’s Board of Directors authorized the Company to repurchase an additional 2,000,000 shares of the Company’s outstanding common stock. The amount and time of the specific repurchases are subject to prevailing market conditions, applicable legal requirements and other factors, including management’s discretion. All shares repurchased by the Company are canceled and returned to the status of authorized but unissued shares of common stock. There can be no assurance that any shares authorized for repurchase will be repurchased and the repurchase program may be modified, extended or terminated by the Board of Directors at any time. The following table presents share repurchase activities during the three and six months ended June 30, 2016 and 2015.

<i>(in thousands, except share and per share amounts)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Number of shares repurchased	—	89	—	102
Aggregate purchase price	\$ —	\$ 2,754	\$ —	\$ 3,132
Average price per repurchased shares	\$ —	\$ 30.79	\$ —	\$ 30.81

As of June 30, 2016, 1,592,026 shares remain authorized for repurchase.

NOTE 4. 2016 STOCK INCENTIVE PLAN

The Company adopted the 2016 Stock Incentive Plan (the “2016 Plan”), effective June 8, 2016, under which 2,000,000 shares of common stock of the Company, plus the number of shares that remain available for grants of awards under the Company’s 2007 Stock

Option Plan (the “2007 Plan”) and become available as a result of forfeiture, termination, or expiration of awards previously granted under the 2007 Plan, were reserved for the grant of equity awards to its employees, directors and consultants. The equity awards have a maximum term of 7 years at an exercise price of not less than 100% of the fair market value of the Company’s common stock on the date the equity award is granted. The 2016 Plan replaces the Company’s 2007 Plan.

NOTE 5. INTANGIBLE ASSETS

Intangible assets consist of the following:

<i>(dollar amounts in thousands)</i>	<u>Estimated useful life in years</u>	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Trade name	Indefinite	\$ 5,700	\$ 5,700
Customer relationships	11	9,611	9,611
		<u>15,311</u>	<u>15,311</u>
Less accumulated amortization		<u>(6,281)</u>	<u>(5,846)</u>
		<u>\$ 9,030</u>	<u>\$ 9,465</u>

The Company assesses potential impairment of its goodwill and intangible assets when there is evidence that events or circumstances have occurred that would indicate the recovery of an asset’s carrying value is unlikely. The Company also assesses potential impairment of its goodwill and intangible assets on an annual basis regardless of whether there is evidence of impairment. If indicators of impairment were to be present in intangible assets used in operations and future discounted cash flows were not expected to be sufficient to recover the assets’ carrying amount, an impairment loss would be charged to expense in the period identified. The amount of an impairment loss that would be recognized is the excess of the asset’s carrying value over its fair value. Factors the Company considers important, which may cause impairment include, among others, significant changes in the manner of use of the acquired asset, negative industry or economic trends, and significant underperformance relative to historical or projected operating results.

The Company typically conducts its annual impairment analysis in the fourth quarter of its fiscal year. The impairment analysis did not result in an impairment charge for the fiscal year ended December 31, 2015. Determining the fair value of a reporting unit is judgmental and involves the use of significant estimates and assumptions. The Company bases its fair value estimates on assumptions that it believes are reasonable but are uncertain and subject to changes in market conditions.

Intangible assets with finite useful lives are amortized over their respective useful lives. Based on the carrying values at June 30, 2016 and assuming no subsequent impairment of the underlying assets, the amortization expense is expected to be \$0.5 million for the remainder of fiscal year 2016, \$0.9 million in each of the fiscal years 2017 through 2019 and \$0.2 million in 2020.

NOTE 6. SEGMENT REPORTING

The Company's four reportable segments are (1) its modular building and portable storage segment ("Mobile Modular"); (2) its electronic test equipment segment ("TRS-RenTelco"); (3) its containment solutions for the storage of hazardous and non-hazardous liquids and solids segment ("Adler Tanks"); and (4) its classroom manufacturing segment selling modular buildings used primarily as classrooms in California ("Enviroplex"). The operations of each of these segments are described in Part I – Item 1, "Business," and the accounting policies of the segments are described in "Note 2 – Significant Accounting Policies" in the Company's annual report on Form 10-K for the year ended December 31, 2015. Management focuses on several key measures to evaluate and assess each segment's performance, including rental revenue growth, gross profit, income from operations and income before provision for income taxes. Excluding interest expense, allocations of revenue and expense not directly associated with one of these segments are generally allocated to Mobile Modular, TRS-RenTelco and Adler Tanks based on their pro-rata share of direct revenues. Interest expense is allocated among Mobile Modular, TRS-RenTelco and Adler Tanks based on their pro-rata share of average rental equipment at cost, intangible assets, accounts receivable, deferred income and customer security deposits. The Company does not report total assets by business segment. Summarized financial information for the six months ended June 30, 2016 and 2015 for the Company's reportable segments is shown in the following table:

<i>(dollar amounts in thousands)</i>	<u>Mobile Modular</u>	<u>TRS- RenTelco</u>	<u>Adler Tanks</u>	<u>Enviroplex 1</u>	<u>Consolidated</u>
Six Months Ended June 30,					
2016					
Rental revenues	\$ 62,792	\$ 41,197	\$ 29,290	\$ —	\$ 133,279
Rental related services revenues	23,337	1,501	12,068	—	36,906
Sales and other revenues	8,634	13,194	644	4,147	26,619
Total revenues	94,763	55,892	42,002	4,147	196,804
Depreciation of rental equipment	10,347	18,386	8,038	—	36,771
Gross profit	41,287	22,558	19,077	1,489	84,411
Selling and administrative expenses	24,798	11,343	14,155	1,784	52,080
Income (loss) from operations	16,489	11,215	4,922	(295)	32,331
Interest (expense) income allocation	(3,602)	(1,340)	(1,719)	115	(6,546)
Income (loss) before provision for income taxes	12,887	9,949	3,203	(180)	25,859
Rental equipment acquisitions	26,448	15,373	550	—	42,371
Accounts receivable, net (period end)	52,362	23,098	15,757	4,643	95,860
Rental equipment, at cost (period end)	761,125	251,080	310,089		1,322,294
Rental equipment, net book value (period end)	544,132	94,320	229,970		868,422
Utilization (period end) ²	75.7%	59.7%	46.8%		
Average utilization ²	76.0%	59.5%	49.7%		
2015					
Rental revenues	\$ 54,088	\$ 44,000	\$ 34,719	\$ —	\$ 132,807
Rental related services revenues	19,591	1,450	11,553	—	32,594
Sales and other revenues	7,325	10,545	742	2,201	20,813
Total revenues	81,004	55,995	47,014	2,201	186,214
Depreciation of rental equipment	9,280	20,477	7,941	—	37,698
Gross profit	32,266	22,751	24,380	608	80,005
Selling and administrative expenses	22,642	11,611	13,819	1,593	49,665
Income (loss) from operations	9,624	11,140	10,561	(985)	30,340
Interest (expense) income allocation	(2,481)	(1,053)	(1,297)	93	(4,738)
Income (loss) before provision for income taxes	7,143	9,834	9,264	(892)	25,349
Rental equipment acquisitions	38,691	30,077	5,919	—	74,687
Accounts receivable, net (period end)	46,913	23,547	20,310	3,204	93,974
Rental equipment, at cost (period end)	699,781	269,668	307,795		1,277,244
Rental equipment, net book value (period end)	501,071	112,275	243,143		856,489
Utilization (period end) ²	74.3%	60.3%	61.7%		
Average utilization ²	74.3%	59.8%	60.9%		

1. Gross Enviroplex sales revenues were \$4,147 and \$2,208 for the six months ended June 30, 2016 and 2015, respectively, which include inter-segment sales to Mobile Modular of \$0 and \$7, respectively, which have been eliminated in consolidation.

2. Utilization is calculated each month by dividing the cost of rental equipment on rent by the total cost of rental equipment excluding accessory equipment and for Mobile Modular and Adler Tanks excluding new equipment inventory. The Average Utilization for the period is calculated using the average costs of rental equipment.

No single customer accounted for more than 10% of total revenues for the six months ended June 30, 2016 and 2015. Revenues from foreign country customers accounted for 5% and 6% of the Company's total revenues for the same periods, respectively.

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

This Form 10-Q, including the following Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”), contains forward-looking statements under federal securities laws. Forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties. Our actual results could differ materially from those indicated by forward-looking statements as a result of various factors. These factors include, but are not limited to, those set forth under this Item, those discussed in Part II—Item 1A, “Risk Factors” and elsewhere in this Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2015, as filed with the SEC on February 25, 2016 (the “2015 Annual Report”) and those that may be identified from time to time in our reports and registration statements filed with the SEC.

This discussion should be read in conjunction with the Condensed Consolidated Financial Statements and related Notes included in Part I—Item 1 of this Form 10-Q and the Consolidated Financial Statements and related Notes and the Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in our 2015 Annual Report. In preparing the following MD&A, we presume that readers have access to and have read the MD&A in our 2015 Annual Report, pursuant to Instruction 2 to paragraph (b) of Item 303 of Regulation S-K. We undertake no duty to update any of these forward-looking statements after the date of filing of this Form 10-Q to conform such forward-looking statements to actual results or revised expectations, except as otherwise required by law.

General

The Company, incorporated in 1979, is a leading rental provider of relocatable modular buildings for classroom and office space, electronic test equipment for general purpose and communications needs, and liquid and solid containment tanks and boxes. The Company’s primary emphasis is on equipment rentals. The Company is comprised of four reportable business segments: (1) its modular building and portable storage container rental segment (“Mobile Modular”); (2) its electronic test equipment segment (“TRS-RenTelco”); (3) its containment solutions for the storage of hazardous and non-hazardous liquids and solids segment (“Adler Tanks”); and (4) its classroom manufacturing segment selling modular buildings used primarily as classrooms in California (“Enviroplex”).

The Mobile Modular business segment includes the results of operations of Mobile Modular Portable Storage division, which represented approximately 7% of the Company’s total revenues in the six months ended June 30, 2016. Mobile Modular Portable Storage offers portable storage units and high security portable office units for rent, lease and purchase.

In the six months ended June 30, 2016, Mobile Modular, TRS-RenTelco, Adler Tanks and Enviroplex contributed 50%, 39%, 12% and negative 1% of the Company’s income before provision for taxes (the equivalent of “pretax income”), respectively, compared to 28%, 39%, 37% and negative 4% for the same period in 2015. Although managed as a separate business unit, Enviroplex’s revenues, pretax income contribution and total assets are not significant relative to the Company’s consolidated financial position. Accordingly, we have not presented a separate discussion of Enviroplex’s results of operations in this MD&A.

The Company generates its revenues primarily from the rental of its equipment on operating leases and from sales of equipment occurring in the normal course of business. The Company requires significant capital outlay to purchase its rental inventory and recovers its investment through rental and sales revenues. Rental revenues and certain other service revenues negotiated as part of lease agreements with customers and related costs are recognized on a straight-line basis over the terms of the leases. Sales revenues and related costs are recognized upon delivery and installation of the equipment to customers. Sales revenues are less predictable and can fluctuate from quarter to quarter and year to year depending on customer demands and requirements. Generally, rental revenues less cash operating costs recover the equipment’s capitalized cost in a shorter period of time relative to the equipment’s potential rental life and when sold, sale proceeds are usually above its net book value.

The Company’s modular revenues (consisting of revenues from Mobile Modular, Mobile Modular Portable Storage and Enviroplex) are derived from rentals and sales to education and commercial customers, with a majority of revenues generated by education customers. Modular revenues are primarily affected by demand for classrooms, which in turn is affected by shifting and fluctuating school populations, the levels of state funding to public schools, the need for temporary classroom space during reconstruction of older schools and changes in policies regarding class size. As a result of any reduced funding, lower expenditures by these schools may result in certain planned programs to increase the number of classrooms, such as those that the Company provides, to be postponed or terminated. However, reduced expenditures may also result in schools reducing their long-term facility construction projects in favor of using the Company’s modular classroom solutions. At this time, the Company can provide no assurances as to whether public schools will either reduce or increase their demand for the Company’s modular classrooms as a result of fluctuations in state funding of public schools. Looking forward, the Company believes that any interruption in the passage of facility bonds or contraction of class size reduction programs by public schools may have a material adverse effect on both rental and sales revenues of the Company. (For more information, see “Item 1. Business – Relocatable Modular Buildings – Classroom Rentals and Sales to Public Schools (K-12)” in the Company’s 2015 Annual Report and “Item 1A. Risk Factors – Significant reductions of, or delays in, funding to public schools have

caused the demand and pricing for our modular classroom units to decline, which has in the past caused, and may cause in the future, a reduction in our revenues and profitability” in Part II – Other Information of this Form 10-Q.)

Revenues of TRS-RenTelco are derived from the rental and sale of general purpose and communications test equipment to a broad range of companies, from Fortune 500 to middle and smaller market companies primarily in the aerospace, defense, communications, manufacturing and semiconductor industries. Electronic test equipment revenues are primarily affected by the business activity within these industries related to research and development, manufacturing, and communication infrastructure installation and maintenance.

Revenues of Adler Tanks are derived from the rental and sale of fixed axle tanks (“tanks”) and vacuum containers, dewatering containers and roll-off containers (collectively referred to as “boxes”). These tanks and boxes are rented to a broad range of industries and applications including oil and gas exploration and field services, refinery, chemical and industrial plant maintenance, environmental remediation and field services, infrastructure building construction, marine services, pipeline construction and maintenance, tank terminals services, wastewater treatment, and waste management and landfill services for the containment of hazardous and non-hazardous liquids and solids. The liquid and solid containment tanks and boxes rental business was acquired through the acquisition of Adler Tank Rentals, LLC on December 11, 2008.

The Company’s rental operations include rental and rental related service revenues which comprised approximately 86% and 89% of consolidated revenues in the six months ended June 30, 2016 and 2015, respectively. Of the total rental operations revenues for the six months ended June 30, 2016, Mobile Modular, TRS-RenTelco and Adler Tanks comprised 51%, 25% and 24%, respectively, compared to 45%, 27% and 28%, respectively, in the same period of 2015. The Company’s direct costs of rental operations include depreciation of rental equipment, rental related service costs, impairment of rental equipment (if any), and other direct costs of rental operations (which include direct labor, supplies, repairs, insurance, property taxes, license fees, cost of sub-rentals and amortization of certain lease costs).

The Company’s Mobile Modular, TRS-RenTelco and Adler Tanks business segments sell modular units, electronic test equipment and liquid and solid containment tanks and boxes, respectively, which are either new or previously rented. In addition, Enviroplex sells new modular buildings used primarily as classrooms in California. For the six months ended June 30, 2016 and 2015, sales and other revenues of modular, electronic test equipment and liquid and solid containment tanks and boxes comprised approximately 14% and 11% of the Company’s consolidated revenues, respectively. Of the total sales and other revenues for the six months ended June 30, 2016 and 2015, Mobile Modular and Enviroplex together comprised 48% and 46%, respectively, TRS-RenTelco comprised 50% and 51%, respectively, and Adler Tanks comprised 2% and 3%, respectively. The Company’s cost of sales includes the carrying value of the equipment sold and the direct costs associated with the equipment sold, such as delivery, installation, modifications and related site work.

Selling and administrative expenses primarily include personnel and benefit costs, which include share-based compensation, depreciation and amortization, bad debt expense, advertising costs, and professional service fees. The Company believes that sharing of common facilities, financing, senior management, and operating and accounting systems by all of the Company’s operations results in an efficient use of overhead. Historically, the Company’s operating margins have been impacted favorably to the extent its costs and expenses are leveraged over a large installed customer base. However, there can be no assurance as to the Company’s ability to maintain a large installed customer base or ability to sustain its historical operating margins.

Adjusted EBITDA

To supplement the Company’s financial data presented on a basis consistent with accounting principles generally accepted in the United States of America (“GAAP”), the Company presents “Adjusted EBITDA”, which is defined by the Company as net income before interest expense, provision for income taxes, depreciation, amortization, and share-based compensation. The Company presents Adjusted EBITDA as a financial measure as management believes it provides useful information to investors regarding the Company’s liquidity and financial condition and because management, as well as the Company’s lenders, use this measure in evaluating the performance of the Company.

Management uses Adjusted EBITDA as a supplement to GAAP measures to further evaluate period-to-period operating performance, compliance with financial covenants in the Company’s revolving lines of credit and senior notes and the Company’s ability to meet future capital expenditure and working capital requirements. Management believes the exclusion of non-cash charges, including share-based compensation, is useful in measuring the Company’s cash available for operations and performance of the Company. Because management finds Adjusted EBITDA useful, the Company believes its investors will also find Adjusted EBITDA useful in evaluating the Company’s performance.

Adjusted EBITDA should not be considered in isolation or as a substitute for net income, cash flows, or other consolidated income or cash flow data prepared in accordance with GAAP or as a measure of the Company's profitability or liquidity. Adjusted EBITDA is not in accordance with or an alternative for GAAP, and may be different from non-GAAP measures used by other companies. Unlike EBITDA, which may be used by other companies or investors, Adjusted EBITDA does not include share-based compensation charges. The Company believes that Adjusted EBITDA is of limited use in that it does not reflect all of the amounts associated with the Company's results of operations as determined in accordance with GAAP and does not accurately reflect real cash flow. In addition, other companies may not use Adjusted EBITDA or may use other non-GAAP measures, limiting the usefulness of Adjusted EBITDA for purposes of comparison. The Company's presentation of Adjusted EBITDA should not be construed as an inference that the Company will not incur expenses that are the same as or similar to the adjustments in this presentation. Therefore, Adjusted EBITDA should only be used to evaluate the Company's results of operations in conjunction with the corresponding GAAP measures. The Company compensates for the limitations of Adjusted EBITDA by relying upon GAAP results to gain a complete picture of the Company's performance. Because Adjusted EBITDA is a non-GAAP financial measure, as defined by the SEC, the Company includes in the tables below reconciliations of Adjusted EBITDA to the most directly comparable financial measures calculated and presented in accordance with GAAP.

Reconciliation of Net Income to Adjusted EBITDA

<i>(dollar amounts in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,		Twelve Months Ended June 30,	
	2016	2015	2016	2015	2016	2015
	Net income	\$ 9,079	\$ 8,490	\$ 15,645	\$ 15,336	\$ 40,779
Provision for income taxes	5,927	5,543	10,214	10,013	26,108	29,211
Interest	2,990	2,347	6,546	4,738	11,900	9,480
Depreciation and amortization	20,557	21,265	41,417	42,171	83,526	83,314
EBITDA	38,553	37,645	73,822	72,258	162,313	164,974
Share-based compensation	730	1,022	1,586	1,953	3,032	3,823
Adjusted EBITDA ¹	\$ 39,283	\$ 38,667	\$ 75,408	\$ 74,211	\$ 165,345	\$ 168,797
Adjusted EBITDA margin ²	38%	40%	38%	40%	40%	41%

Reconciliation of Adjusted EBITDA to Net Cash Provided by Operating Activities

<i>(dollar amounts in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,		Twelve Months Ended June 30,	
	2016	2015	2016	2015	2016	2015
	Adjusted EBITDA ¹	\$ 39,283	\$ 38,667	\$ 75,408	\$ 74,211	\$ 165,345
Interest paid	(3,660)	(2,888)	(6,646)	(4,896)	(11,791)	(9,772)
Net income taxes paid	(4,973)	(1,174)	(5,679)	(1,490)	(6,687)	(15,239)
Gain on sale of used rental equipment	(3,316)	(2,696)	(6,282)	(5,565)	(12,619)	(14,489)
Foreign currency exchange loss (gain)	77	65	(74)	253	161	574
Change in certain assets and liabilities:						
Accounts receivable, net	(3,977)	(4,613)	(597)	7,320	(1,886)	(4,890)
Income taxes receivable	—	—	11,000	—	—	—
Prepaid expenses and other assets	(4,812)	1,857	(2,863)	7,981	1,812	(3,410)
Accounts payable and other liabilities	13,451	1,032	6,902	(13,164)	9,535	7,811
Deferred income	1,525	367	2,061	587	8,623	3,643
Net cash provided by operating activities	\$ 33,598	\$ 30,617	\$ 73,230	\$ 65,237	\$ 152,493	\$ 133,025

1. Adjusted EBITDA is defined as net income before interest expense, provision for income taxes, depreciation, amortization, and share-based compensation.

2. Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by total revenues for the period.

Adjusted EBITDA is a component of two restrictive financial covenants for the Company's unsecured Credit Facility, and Series A Senior Notes, Series B Senior Notes and Series C Senior Notes (as defined and more fully described under the heading "Liquidity and Capital Resources" in this MD&A). These instruments contain financial covenants requiring the Company to not:

- Permit the Consolidated Fixed Charge Coverage Ratio (as defined in the Credit Facility and the Note Purchase Agreement (as defined and more fully described under the heading "Liquidity and Capital Resources" in this MD&A)) of Adjusted

EBITDA (as defined in the Credit Facility and the Note Purchase Agreement) to fixed charges as of the end of any fiscal quarter to be less than 2.50 to 1. At June 30, 2016, the actual ratio was 3.79 to 1.

· Permit the Consolidated Leverage Ratio of funded debt (as defined in the Credit Facility and the Note Purchase Agreement) to Adjusted EBITDA at any time during any period of four consecutive quarters to be greater than 2.75 to 1. At June 30, 2016, the actual ratio was 2.20 to 1.

At June 30, 2016, the Company was in compliance with each of the aforementioned covenants. There are no anticipated trends that the Company is aware of that would indicate non-compliance with these covenants, although, significant deterioration in our financial performance could impact the Company's ability to comply with these covenants.

Recent Developments

On June 8, 2016, the Company announced that the Board of Directors declared a quarterly cash dividend of \$0.255 per common share for the quarter ended June 30, 2016, an increase of 2% over the prior year's comparable quarter.

**Three Months Ended June 30, 2016 Compared to
Three Months Ended June 30, 2015**

Overview

Consolidated revenues for the three months ended June 30, 2016 increased 7% to \$103.1 million from \$96.0 million in the same period in 2015. Consolidated net income for the three months ended June 30, 2016 increased 7% to \$9.1 million, from \$8.5 million for the same period in 2015. Earnings per diluted share for the three months ended June 30, 2016 increased 19% to \$0.38 from \$0.32 for the same period in 2015.

For the three months ended June 30, 2016, on a consolidated basis:

- Gross profit increased \$2.8 million, or 7%, to \$43.8 million in 2016. Mobile Modular's gross profit increased \$4.1 million, or 25%, due to higher gross profit on rental, rental related services and sales revenues. Enviroplex's gross profit increased \$0.9 million, or 167%, primarily due to higher sales revenues. TRS-RenTelco's gross profit increased \$0.1 million, or 1%, primarily due to higher gross profit on sales revenues, partly offset by lower gross profit on rental revenues. Adler Tanks' gross profit decreased \$2.2 million, or 18%, primarily due to lower gross profit on rental revenues, partly offset by higher gross profit on rental related services and sales revenues.
- Selling and administrative expenses increased \$1.2 million, or 5%, to \$25.7 million, primarily due to increased employee headcount, salaries and employee benefit costs.
- Interest expense increased \$0.6 million, or 27%, to \$3.0 million in 2016 compared to the same period in 2015, due to 10% higher average debt levels of the Company and 16% higher net average interest rates of 3.27% in 2016 compared to 2.82% in 2015.
- Pre-tax income contribution by Mobile Modular, TRS-RenTelco and Adler Tanks was 44%, 35% and 16%, respectively, compared to 29%, 38% and 34%, respectively, for the comparable 2015 period. These results are discussed on a segment basis below. Enviroplex pre-tax income contribution was 5% in 2016 compared to a negative 1% in 2015.
- Adjusted EBITDA increased \$0.6 million, or 2%, to \$39.3 million in 2016.

Mobile Modular

For the three months ended June 30, 2016, Mobile Modular's total revenues increased \$7.6 million, or 18%, to \$49.7 million compared to the same period in 2015, primarily due to higher rental, rental related services and sales revenues. The revenue increase, together with higher gross margin on rental and rental related services, partly offset by higher selling and administrative expenses, resulted in a 64% increase in pre-tax income to \$6.6 million for the three months ended June 30, 2016, from \$4.0 million for the same period in 2015.

The following table summarizes quarterly results for each revenue and gross profit category, income from operations, pre-tax income and other selected information.

Mobile Modular – Three Months Ended 6/30/16 compared to Three Months Ended 6/30/15 (Unaudited)

	Three Months Ended June 30,		Increase (Decrease)	
	2016	2015	\$	%
<i>(dollar amounts in thousands)</i>				
Revenues				
Rental	\$ 31,637	\$ 27,680	\$ 3,957	14%
Rental related services	12,132	10,488	1,644	16%
Rental operations	43,769	38,168	5,601	15%
Sales	5,785	3,831	1,954	51%
Other	125	121	4	3%
Total revenues	49,679	42,120	7,559	18%
Costs and Expenses				
Direct costs of rental operations:				
Depreciation of rental equipment	5,221	4,719	502	11%
Rental related services	8,331	7,388	943	13%
Other	11,229	10,740	489	5%
Total direct costs of rental operations	24,781	22,847	1,934	8%
Costs of sales	4,264	2,711	1,553	57%
Total costs of revenues	29,045	25,558	3,487	14%
Gross Profit				
Rental	15,188	12,221	2,967	24%
Rental related services	3,801	3,100	701	23%
Rental operations	18,989	15,321	3,668	24%
Sales	1,520	1,120	400	36%
Other	125	121	4	3%
Total gross profit	20,634	16,562	4,072	25%
Selling and administrative expenses	12,336	11,286	1,050	9%
Income from operations	8,298	5,276	3,022	57%
Interest expense allocation	(1,655)	(1,228)	427	35%
Pre-tax income	\$ 6,643	\$ 4,048	\$ 2,595	64%
Other Selected Information				
Average rental equipment ¹	\$ 717,755	\$ 655,479	\$ 62,276	10%
Average rental equipment on rent	\$ 543,761	\$ 487,706	\$ 56,055	11%
Average monthly total yield ²	1.47%	1.41%		4%
Average utilization ³	75.8%	74.4%		2%
Average monthly rental rate ⁴	1.94%	1.89%		3%
Period end rental equipment ¹	\$ 722,237	\$ 668,176	\$ 54,061	8%
Period end utilization ³	75.7%	74.3%		2%

1. Average and Period end rental equipment represents the cost of rental equipment excluding new equipment inventory and accessory equipment.

2. Average monthly total yield is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment, for the period.

3. Period end utilization is calculated by dividing the cost of rental equipment on rent by the total cost of rental equipment excluding new equipment inventory and accessory equipment.

Average utilization for the period is calculated using the average month end costs of rental equipment.

4. Average monthly rental rate is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment on rent, for the period.

Mobile Modular's gross profit for the three months ended June 30, 2016 increased \$4.1 million, or 25%, to \$20.6 million. For the three months ended June 30, 2016 compared to the same period in 2015:

- **Gross Profit on Rental Revenues** – Rental revenues increased \$4.0 million, or 14%, primarily due to 11% higher average rental equipment on rent and 3% higher average monthly rental rates in 2016. As a percentage of rental revenues, depreciation was 17% in 2016 and 2015, and other direct costs were 36% in 2016 compared to 39% in 2015, which resulted in gross margin percentages of 48% in 2016 compared 44% in 2015. The higher rental revenues, together with higher rental margins resulted in gross profit on rental revenues increasing \$3.0 million, or 24%, to \$15.2 million in 2016.
- **Gross Profit on Rental Related Services** – Rental related services revenues increased \$1.6 million, or 16%, compared to 2015. Most of these service revenues are negotiated with the initial modular building lease and are recognized on a straight-line basis with the associated costs over the initial term of the lease. The increase in rental related services revenues was primarily attributable to higher amortization of delivery and return delivery and dismantle revenues and higher services provided during the lease. The higher revenues, together with higher gross margin percentage of 31% in 2016 compared to 30% in 2015, resulted in rental related services gross profit increasing \$0.7 million, or 23%, to \$3.8 million in 2016.
- **Gross Profit on Sales** – Sales revenues increased \$2.0 million, or 51%, compared to 2015, primarily due to higher new equipment sales. Higher sales revenues, partly offset by lower gross margin percentage of 26% in 2016 compared with 29% in 2015, resulted in gross profit on sales increasing \$0.4 million, or 36%, to \$1.5 million. Sales occur routinely as a normal part of Mobile Modular's rental business; however, these sales and related gross margins can fluctuate from quarter to quarter and year to year depending on customer requirements, equipment availability and funding.

For the three months ended June 30, 2016, selling and administrative expenses increased \$1.0 million, or 9%, to \$12.3 million, primarily due to increased salaries and employee benefit costs and higher allocated corporate expenses.

TRS-RenTelco

For the three months ended June 30, 2016, TRS-RenTelco's total revenues were flat at \$27.9 million compared to the same period in 2015, primarily due to higher sales revenues, offset by lower rental revenues. Pre-tax income was also flat at \$5.3 million for the three months ended June 30, 2016 compared to the same period in 2015, as higher gross profit on sales revenues was offset by lower gross profit on rental revenues.

The following table summarizes quarterly results for each revenue and gross profit category, income from operations, pre-tax income and other selected information.

TRS-RenTelco – Three Months Ended 6/30/16 compared to Three Months Ended 6/30/15 (Unaudited)

	Three Months Ended June 30,		Increase (Decrease)	
	2016	2015	\$	%
<i>(dollar amounts in thousands)</i>				
Revenues				
Rental	\$ 20,269	\$ 21,889	\$ (1,620)	-7%
Rental related services	717	794	(77)	-10%
Rental operations	20,986	22,683	(1,697)	-7%
Sales	6,428	4,832	1,596	33%
Other	494	386	108	28%
Total revenues	27,908	27,901	7	0%
Costs and Expenses				
Direct costs of rental operations:				
Depreciation of rental equipment	8,998	10,325	(1,327)	-13%
Rental related services	629	692	(63)	-9%
Other	3,337	3,278	59	2%
Total direct costs of rental operations	12,964	14,295	(1,331)	-9%
Costs of sales	3,402	2,165	1,237	57%
Total costs of revenues	16,366	16,460	(94)	-1%
Gross Profit				
Rental	7,933	8,286	(353)	-4%
Rental related services	88	102	(14)	-14%
Rental operations	8,021	8,388	(367)	-4%
Sales	3,027	2,667	360	13%
Other	494	386	108	28%
Total gross profit	11,542	11,441	101	1%
Selling and administrative expenses	5,546	5,493	53	1%
Income from operations	5,996	5,948	48	1%
Interest expense allocation	(610)	(524)	86	16%
Foreign currency exchange gain (loss)	(77)	(85)	(8)	-9%
Pre-tax income	\$ 5,309	\$ 5,339	\$ (30)	-1%
Other Selected Information				
Average rental equipment ¹	\$ 254,970	\$ 269,225	\$ (14,255)	-5%
Average rental equipment on rent	\$ 151,700	\$ 160,157	\$ (8,457)	-5%
Average monthly total yield ²	2.65%	2.71%		-2%
Average utilization ³	59.5%	59.5%		0%
Average monthly rental rate ⁴	4.45%	4.56%		-2%
Period end rental equipment ¹	\$ 252,553	\$ 268,431	\$ (15,878)	-6%
Period end utilization ³	59.7%	60.3%		-1%

1. Average and Period end rental equipment represents the cost of rental equipment excluding accessory equipment.

2. Average monthly total yield is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment, for the period.

3. Period end utilization is calculated by dividing the cost of rental equipment on rent by the total cost of rental equipment excluding accessory equipment. Average utilization for the period is calculated using the average month end costs of rental equipment.

4. Average monthly rental rate is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment on rent, for the period.

TRS-RenTelco's gross profit for the three months ended June 30, 2016 increased \$0.1 million, or 1%, to \$11.5 million. For the three months ended June 30, 2016 compared to the same period in 2015:

- **Gross Profit on Rental Revenues** – Rental revenues decreased \$1.6 million, or 7%, and depreciation expense decreased \$1.3 million, or 13%, resulting in decreased gross profit on rental revenues of \$0.4 million, or 4%, to \$7.9 million. As a percentage of rental revenues, depreciation was 44% in 2016 compared to 47% in 2015 and other direct costs were 17% in 2016 and 15% in 2015, which resulted in a gross margin percentage of 39% in 2016 compared to 38% in 2015. The rental revenues decrease was due to 5% lower average rental equipment on rent and 2% lower monthly rental rates in 2016 as compared to 2015.
- **Gross Profit on Sales** – Sales revenues increased \$1.6 million, or 33%, to \$6.4 million in 2016. Gross profit on sales increased 13% to \$3.0 million with gross margin percentage decreasing to 47% from 55% in 2015, due to lower gross margins on new and used equipment sales. Sales occur as a normal part of TRS-RenTelco's rental business; however, these sales and related gross margins can fluctuate from quarter to quarter depending on customer requirements and related mix of equipment sold, equipment availability and funding.

For the three months ended June 30, 2016, selling and administrative expenses increased 1% to \$5.5 million.

Adler Tanks

For the three months ended June 30, 2016, Adler Tanks' total revenues decreased \$2.6 million, or 11%, to \$21.5 million compared to the same period in 2015, primarily due to lower rental and sales revenues, partly offset by higher rental related services revenues. The revenue decrease, together with lower gross margin on rental revenues, partly offset by higher gross margin on rental related services and sales revenues, resulted in a \$2.4 million, or 49%, decrease in pre-tax income to \$2.5 million for the three months ended June 30, 2016, compared to the same period in 2015.

The following table summarizes quarterly results for each revenue and gross profit category, income from operations, pre-tax income and other selected information.

Adler Tanks – Three Months Ended 6/30/16 compared to Three Months Ended 6/30/15 (Unaudited)

	Three Months Ended June 30,		Increase (Decrease)	
	2016	2015	\$	%
<i>(dollar amounts in thousands)</i>				
Revenues				
Rental	\$ 14,841	\$ 17,736	\$ (2,895)	-16%
Rental related services	6,466	5,945	521	9%
Rental operations	21,307	23,681	(2,374)	-10%
Sales	184	416	(232)	-56%
Other	28	19	9	47%
Total revenues	21,519	24,116	(2,597)	-11%
Costs and Expenses				
Direct costs of rental operations:				
Depreciation of rental equipment	4,012	3,972	40	1%
Rental related services	5,024	4,821	203	4%
Other	2,147	2,208	(61)	-3%
Total direct costs of rental operations	11,183	11,001	182	2%
Costs of sales	201	742	(541)	-73%
Total costs of revenues	11,384	11,743	(359)	-3%
Gross Profit (Loss)				
Rental	8,682	11,556	(2,874)	-25%
Rental related services	1,442	1,124	318	28%
Rental operations	10,124	12,680	(2,556)	-20%
Sales	(17)	(326)	309	-95%
Other	28	19	9	47%
Total gross profit	10,135	12,373	(2,238)	-18%
Selling and administrative expenses	6,893	6,901	(8)	0%
Income from operations	3,242	5,472	(2,230)	-41%
Interest expense allocation	(785)	(640)	145	23%
Pre-tax income	\$ 2,457	\$ 4,832	\$ (2,375)	-49%
Other Selected Information				
Average rental equipment ¹	\$ 307,868	\$ 302,697	\$ 5,171	2%
Average rental equipment on rent	\$ 152,050	\$ 183,292	\$ (31,242)	-17%
Average monthly total yield ²	1.61%	1.95%		-17%
Average utilization ³	49.4%	60.6%		-18%
Average monthly rental rate ⁴	3.25%	3.23%		1%
Period end rental equipment ¹	\$ 308,051	\$ 304,036	\$ 4,015	1%
Period end utilization ³	46.8%	61.7%		-24%

1. Average and Period end rental equipment represents the cost of rental equipment excluding new equipment inventory and accessory equipment.

2. Average monthly total yield is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment, for the period.

3. Period end utilization is calculated by dividing the cost of rental equipment on rent by the total cost of rental equipment excluding new equipment inventory and accessory equipment. Average utilization for the period is calculated using the average month end costs of rental equipment.

4. Average monthly rental rate is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment on rent, for the period.

Adler Tanks' gross profit for the three months ended June 30, 2016 decreased \$2.2 million, or 18%, to \$10.1 million. For the three months ended June 30, 2016 compared to the same period in 2015:

- **Gross Profit on Rental Revenues** – Rental revenues decreased \$2.9 million, or 16%, due to 17% lower average rental equipment on rent, partly offset by 1% higher average rental rates in 2016 compared to 2015. As a percentage of rental revenues, depreciation was 27% and 22% in 2016 and 2015, respectively, and other direct costs were 14% and 12% in 2016 and 2015, respectively, which resulted in gross margin percentages of 59% and 65% in 2016 and 2015, respectively. The lower rental revenues, together with lower rental margins resulted in gross profit on rental revenues decreasing \$2.9 million, or 25%, to \$8.7 million in 2016.
- **Gross Profit on Rental Related Services** – Rental related services revenues increased \$0.5 million, or 9%, to \$6.5 million compared to 2015. Higher gross margin percentage of 22% in 2016 compared to 19% in 2015 and higher rental related services revenues resulted in rental related services gross profit increasing 28% to \$1.4 million in 2016.

For the three months ended June 30, 2016, selling and administrative were flat at \$6.9 million Compared to the same period in 2015.

**Six Months Ended June 30, 2016 Compared to
Six Months Ended June 30, 2015**

Overview

Consolidated revenues for the six months ended June 30, 2016 increased 6% to \$196.8 million from \$186.2 million for the same period in 2015. Consolidated net income for the six months ended June 30, 2016 increased 2% to \$15.6 million, from \$15.3 million for the same period in 2015. Earnings per diluted share for the six months ended June 30, 2016 increased 12% to \$0.65 from \$0.58 for the same period in 2015.

For the six months ended June 30, 2016, on a consolidated basis:

- Gross profit increased \$4.4 million, or 6%, to \$84.4 million from \$80.0 million for the same period in 2015. Mobile Modular's gross profit increased \$9.0 million, or 28%, primarily due to higher gross profit on rental, rental related services and sales revenues. Enviroplex's gross profit increased \$0.9 million, primarily due to higher sales revenues. TRS-RenTelco's gross profit decreased \$0.2 million, or 1%, primarily due to lower gross profit on rental revenues, partly offset by higher gross profit on sales and rental related services revenues. Adler Tanks' gross profit decreased \$5.3 million, or 22%, primarily due to lower gross profit on rental revenues, partly offset by higher gross profit on rental related services and sales revenues.
- Selling and administrative expenses increased 5% to \$52.1 million from \$49.7 million for the same period in 2015, primarily due to increased employee headcount, salaries and employee benefit costs.
- Interest expense increased 38% to \$6.5 million, due to 13% higher average debt levels of the Company and 22% higher net average interest rates of 3.53% in 2016 compared to 2.89% in 2015. In March 2016, the Company secured a new line of credit with a syndicate of banks. This new line of credit replaced the Company's prior \$420.0 million line of credit. As a result, the remaining \$0.5 million of prepaid debt issuance costs related to the prior line of credit were charged to interest expense during the three months ended March 31, 2016.
- Pre-tax income contribution by Mobile Modular, TRS-RenTelco and Adler Tanks was 50%, 39% and 12%, respectively, compared to 28%, 39% and 37%, respectively, for the comparable 2015 period. These results are discussed on a segment basis below. Pre-tax income contribution by Enviroplex was negative 1% compared to negative 4% in 2015.
- Adjusted EBITDA increased \$1.2 million, or 2%, to \$75.4 million compared to \$74.2 million in 2015.

Mobile Modular

For the six months ended June 30, 2016, Mobile Modular's total revenues increased \$13.8 million, or 17%, to \$94.8 million compared to the same period in 2015, primarily due to higher rental, rental related services and sales revenues during the period. The revenue increase, together with higher gross margin on rental and rental related services revenues, partly offset by higher selling and administrative expenses, resulted in an 80% increase in pre-tax income to \$12.9 million for the six months ended June 30, 2016, from \$7.1 million for the same period in 2015.

The following table summarizes quarterly results for each revenue and gross profit category, income from operations, pre-tax income, and other selected information.

Mobile Modular – Six Months Ended 6/30/16 compared to Six Months Ended 6/30/15 (Unaudited)

	Six Months Ended June 30,		Increase (Decrease)	
	2016	2015	\$	%
<i>(dollar amounts in thousands)</i>				
Revenues				
Rental	\$ 62,792	\$ 54,088	\$ 8,704	16%
Rental related services	23,337	19,591	3,746	19%
Rental operations	86,129	73,679	12,450	17%
Sales	8,432	7,091	1,341	19%
Other	202	234	(32)	-14%
Total revenues	94,763	81,004	13,759	17%
Costs and Expenses				
Direct costs of rental operations:				
Depreciation of rental equipment	10,347	9,280	1,067	11%
Rental related services	16,321	14,169	2,152	15%
Other	20,790	20,265	525	3%
Total direct costs of rental operations	47,458	43,714	3,744	9%
Costs of sales	6,018	5,024	994	20%
Total costs of revenues	53,476	48,738	4,738	10%
Gross Profit				
Rental	31,656	24,543	7,113	29%
Rental related services	7,016	5,422	1,594	29%
Rental operations	38,672	29,965	8,707	29%
Sales	2,413	2,067	346	17%
Other	202	234	(32)	-14%
Total gross profit	41,287	32,266	9,021	28%
Selling and administrative expenses	24,798	22,642	2,156	10%
Income from operations	16,489	9,624	6,865	71%
Interest expense allocation	(3,602)	(2,481)	1,121	45%
Pre-tax income	\$ 12,887	\$ 7,143	\$ 5,744	80%
Other Selected Information				
Average rental equipment ¹	\$ 713,503	\$ 648,446	\$ 65,057	10%
Average rental equipment on rent	\$ 542,077	\$ 481,724	\$ 60,353	13%
Average monthly total yield ²	1.47%	1.39%		6%
Average utilization ³	76.0%	74.3%		2%
Average monthly rental rate ⁴	1.93%	1.87%		3%
Period end rental equipment ¹	\$ 722,237	\$ 668,176	\$ 54,061	8%
Period end utilization ³	75.7%	74.3%		2%

1. Average and Period end rental equipment represents the cost of rental equipment excluding new equipment inventory and accessory equipment.

2. Average monthly total yield is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment, for the period.

3. Period end utilization is calculated by dividing the cost of rental equipment on rent by the total cost of rental equipment excluding new equipment inventory and accessory equipment.

Average utilization for the period is calculated using the average month end costs of rental equipment.

4. Average monthly rental rate is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment on rent, for the period.

Mobile Modular's gross profit for the six months ended June 30, 2016 increased 28% to \$41.3 million from \$32.3 million for the same period in 2015. For the six months ended June 30, 2016 compared to the same period in 2015:

- **Gross Profit on Rental Revenues** - Rental revenues increased \$8.7 million, or 16%, primarily due to 13% higher average rental equipment on rent and 3% higher average monthly rental rates in 2016 as compared to 2015. As a percentage of rental revenues, depreciation was 16% in 2016 compared to 17% in 2015 and other direct costs were 33% in 2016 and 37% in 2015, which resulted in gross margin percentage of 50% in 2016 and 45% in 2015. The higher rental revenues, together with higher rental margins, resulted in gross profit on rental revenues increasing \$7.1 million, or 29%, to \$31.7 million in 2016.
- **Gross Profit on Rental Related Services** – Rental related services revenues increased \$3.7 million, or 19%, compared to 2015. Most of these service revenues are negotiated with the initial lease and are recognized on a straight-line basis with the associated costs over the initial term of the lease. The increase in rental related services revenues was primarily attributable to higher amortization of delivery and return delivery and dismantle revenues and higher services performed during the lease. The higher revenues and higher gross margin percentage of 30% in 2016 compared to 28% in 2015 resulted in rental related services gross profit increasing 29% to \$7.0 million from \$5.4 million in 2015.
- **Gross Profit on Sales** – Sales revenues increased \$1.3 million, or 19%, primarily due to higher new equipment sales compared to 2015. Higher sales revenues and a comparable gross margin percentage of 29% in 2016 and 2015 resulted in sales gross profit increasing 17% to \$2.4 million from \$2.1 million in 2015. Sales occur routinely as a normal part of Mobile Modular's rental business; however, these sales and related gross margins can fluctuate from quarter to quarter and year to year depending on customer requirements, equipment availability and funding.

For the six months ended June 30, 2016, selling and administrative expenses increased \$2.2 million, or 10%, to \$24.8 million from \$22.6 million in the same period in 2015, primarily due to increased employee headcount, salaries and benefit cost and higher corporate allocated expenses.

TRS-RenTelco

For the six months ended June 30, 2016, TRS-RenTelco's total revenues decreased \$0.1 million to \$55.9 million compared to the same period in 2015, due to lower rental revenues, partly offset by higher sales revenues. Pre-tax income increased 1%, to \$9.9 million for the six months ended June 30, 2016 compared to \$9.8 million for the same period in 2015, primarily due to higher gross profit on sales revenues and lower general and administrative expenses, partly offset by lower gross profit on rental revenues.

The following table summarizes quarterly results for each revenue and gross profit category, income from operations, pre-tax income, and other selected information.

TRS-RenTelco – Six Months Ended 6/30/16 compared to Six Months Ended 6/30/15 (Unaudited)

	Six Months Ended June 30,		Increase (Decrease)	
	2016	2015	\$	%
<i>(dollar amounts in thousands)</i>				
Revenues				
Rental	\$ 41,197	\$ 44,000	\$ (2,803)	-6%
Rental related services	1,501	1,450	51	4%
Rental operations	42,698	45,450	(2,752)	-6%
Sales	12,262	9,772	2,490	25%
Other	932	773	159	21%
Total revenues	55,892	55,995	(103)	0%
Costs and Expenses				
Direct costs of rental operations:				
Depreciation of rental equipment	18,386	20,477	(2,091)	-10%
Rental related services	1,265	1,390	(125)	-9%
Other	6,976	6,673	303	5%
Total direct costs of rental operations	26,627	28,540	(1,913)	-7%
Costs of sales	6,707	4,704	2,003	43%
Total costs of revenues	33,334	33,244	90	0%
Gross Profit				
Rental	15,834	16,850	(1,016)	-6%
Rental related services	236	60	176	293%
Rental operations	16,070	16,910	(840)	-5%
Sales	5,556	5,068	488	10%
Other	932	773	159	21%
Total gross profit	22,558	22,751	(193)	-1%
Selling and administrative expenses	11,343	11,611	(268)	-2%
Income from operations	11,215	11,140	75	1%
Interest expense allocation	(1,340)	(1,053)	287	27%
Foreign currency exchange gain (loss)	74	(253)	327	-129%
Pre-tax income	\$ 9,949	\$ 9,834	\$ 115	1%
Other Selected Information				
Average rental equipment ¹	\$ 257,767	\$ 266,528	\$ (8,761)	-3%
Average rental equipment on rent	\$ 153,378	\$ 159,424	\$ (6,046)	-4%
Average monthly total yield ²	2.66%	2.75%		-3%
Average utilization ³	59.5%	59.8%		-1%
Average monthly rental rate ⁴	4.48%	4.60%		-3%
Period end rental equipment ¹	\$ 252,553	\$ 268,431	\$ (15,878)	-6%
Period end utilization ³	59.7%	60.3%		-1%

1. Average and Period end rental equipment represents the cost of rental equipment excluding accessory equipment.

2. Average monthly total yield is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment, for the period.

3. Period end utilization is calculated by dividing the cost of rental equipment on rent by the total cost of rental equipment excluding accessory equipment. Average utilization for the period is calculated using the average month end costs of rental equipment.

4. Average monthly rental rate is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment on rent, for the period.

TRS-RenTelco's gross profit for the six months ended June 30, 2016 decreased 1% to \$22.6 million from \$22.8 million for the same period in 2015. For the six months ended June 30, 2016 compared to the same period in 2015:

- **Gross Profit on Rental Revenues** – Rental revenues decreased \$2.8 million, or 6%, with depreciation expenses decreasing \$2.1 million, or 10%, to \$18.4 million and other direct costs increasing \$0.3 million, or 5%, to \$7.0 million, resulting in decreased gross profit on rental revenues of \$1.0 million, or 6%, to \$15.8 million. As a percentage of rental revenues, depreciation was 45% and 47% in 2016 and 2015, respectively, and other direct costs were 17% and 15% in 2016 and 2015, respectively, which resulted in a gross margin percentage of 38% in 2016 and 2015. The rental revenues decrease was due to 4% lower average rental equipment on rent and 3% lower average monthly rental rates compared to 2015.
- **Gross Profit on Sales** – Sales revenues increased \$2.5 million, or 25%, to \$12.3 million in 2016, compared to \$9.8 million in 2015. Higher sales revenues, partly offset by lower gross margin percentage of 45% in 2016 compared to 52% in 2015, due to lower gross margins on new and used equipment sales, resulted in gross profit on sales increasing 10%, to \$5.6 million from \$5.1 million in 2015. Sales occur routinely as a normal part of TRS-RenTelco's rental business; however, these sales and related gross margins can fluctuate from quarter to quarter depending on customer requirements, equipment availability and funding.

For the six months ended June 30, 2016, selling and administrative expenses decreased \$0.3 million, or 2%, to \$11.3 million from \$11.6 million in the same period in 2015, primarily due to lower allocated corporate expenses.

Adler Tanks

For the six months ended June 30, 2016, Adler Tanks' total revenues decreased \$5.0 million, or 11%, to \$42.0 million compared to the same period in 2015, primarily due to lower rental and sales revenues, partly offset by higher rental related services revenues during the period. The revenue decrease and higher selling and administrative expenses resulted in pre-tax income of \$3.2 million for the six months ended June 30, 2016, a decrease of 65% compared to 2015.

The following table summarizes quarter results for each revenue and gross profit category, income from operations, pre-tax income, and other selected information.

Adler Tanks – Six Months Ended 6/30/16 compared to Six Months Ended 6/30/15 (Unaudited)

	Six Months Ended June 30,		Increase (Decrease)	
	2016	2015	\$	%
<i>(dollar amounts in thousands)</i>				
Revenues				
Rental	\$ 29,290	\$ 34,719	\$ (5,429)	-16%
Rental related services	12,068	11,553	515	4%
Rental operations	41,358	46,272	(4,914)	-11%
Sales	589	691	(102)	-15%
Other	55	51	4	8%
Total revenues	42,002	47,014	(5,012)	-11%
Costs and Expenses				
Direct costs of rental operations:				
Depreciation of rental equipment	8,038	7,941	97	1%
Rental related services	9,578	9,241	337	4%
Other	4,774	4,499	275	6%
Total direct costs of rental operations	22,390	21,681	709	3%
Costs of sales	535	953	(418)	-44%
Total costs of revenues	22,925	22,634	291	1%
Gross Profit (Loss)				
Rental	16,478	22,279	(5,801)	-26%
Rental related services	2,490	2,312	178	8%
Rental operations	18,968	24,591	(5,623)	-23%
Sales	54	(262)	316	-121%
Other	55	51	4	8%
Total gross profit	19,077	24,380	(5,303)	-22%
Selling and administrative expenses	14,155	13,819	336	2%
Income from operations	4,922	10,561	(5,639)	-53%
Interest expense allocation	(1,719)	(1,297)	422	33%
Pre-tax income	\$ 3,203	\$ 9,264	\$ (6,061)	-65%
Other Selected Information				
Average rental equipment ¹	\$ 307,752	\$ 301,580	\$ 6,172	2%
Average rental equipment on rent	\$ 152,921	\$ 183,568	\$ (30,647)	-17%
Average monthly total yield ²	1.60%	1.92%		-17%
Average utilization ³	49.7%	60.9%		-18%
Average monthly rental rate ⁴	3.19%	3.15%		1%
Period end rental equipment ¹	\$ 308,051	\$ 304,036	\$ 4,015	1%
Period end utilization ³	46.8%	61.7%		-24%

1. Average and Period end rental equipment represents the cost of rental equipment excluding new equipment inventory and accessory equipment.

2. Average monthly total yield is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment, for the period.

3. Period end utilization is calculated by dividing the cost of rental equipment on rent by the total cost of rental equipment excluding new equipment inventory accessory equipment. Average utilization for the period is calculated using the average month end costs of rental equipment.

4. Average monthly rental rate is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment on rent, for the period.

Adler Tanks' gross profit for the six months ended June 30, 2016 decreased 22% to \$19.1 million from \$24.4 million for the same period in 2015. For the six months ended June 30, 2016 compared to the same period in 2015:

- **Gross Profit on Rental Revenues** – Rental revenues decreased \$5.4 million, or 16%, primarily due to 17% lower average rental equipment on rent, partly offset by 1% higher average monthly rental rates in 2016 as compared to 2015. As a percentage of rental revenues, depreciation was 27% and 23% in 2016 and 2015, respectively, and other direct costs were 16% and 13%, respectively, in 2016 and 2015, which resulted in gross margin percentages of 56% and 64% in 2016 and 2015, respectively. The lower rental revenues and lower rental margins resulted in gross profit on rental revenues decreasing \$5.8 million, or 26%, to \$16.5 million in 2016.
- **Gross Profit on Rental Related Services** – Rental related services revenues increased \$0.5 million, or 4%, compared to 2015. The higher revenues and higher gross margin percentage of 21% in 2016 compared to 20% in 2015, resulted in rental related services gross profit increasing \$0.2 million, or 8%, to \$2.5 million from \$2.3 million in 2015.

For the six months ended June 30, 2016, selling and administrative expenses increased \$0.3 million, or 2%, to \$14.2 million compared to the same period in 2015, primarily due to increased employee headcount and higher salaries and employee benefit costs.

Liquidity and Capital Resources

The Company's rental businesses are capital intensive and generate significant cash flows. Cash flows for the Company for the six months ended June 30, 2016 compared to the same period in 2015 are summarized as follows:

Cash Flows from Operating Activities: The Company's operations provided net cash of \$73.2 million in 2016 compared to \$65.2 million in 2015. The 12% increase in net cash provided by operating activities was primarily attributable to an income tax refund received, partly offset by an increase in prepaid expenses and other assets and other balance sheet changes.

Cash Flows from Investing Activities: Net cash used in investing activities was \$41.4 million in 2016, compared to \$65.3 million in 2015. The \$23.9 million decrease was primarily due to \$25.5 million lower purchases of rental equipment of \$45.7 million in 2016, compared to \$71.2 million in 2015, partly offset by \$2.9 million higher purchases of property, plant and equipment in 2016.

Cash Flows from Financing Activities: Net cash used in financing activities was \$31.7 million in 2016, compared to \$0.4 million in 2015. The \$31.3 million increase was primarily due to \$32.9 million lower borrowings on bank lines of credit in 2016.

Significant capital expenditures are required to maintain and grow the Company's rental assets. During the last three years, the Company has financed its working capital and capital expenditure requirements through cash flow from operations, proceeds from the sale of rental equipment and from borrowings. Sales occur routinely as a normal part of the Company's rental business. However, these sales can fluctuate from period to period depending on customer requirements and funding. Although the net proceeds received from sales may fluctuate from period to period, the Company believes its liquidity will not be adversely impacted from lower sales in any given year because it believes it has the ability to increase its bank borrowings and conserve its cash in the future by reducing the amount of cash it uses to purchase rental equipment, pay dividends, or repurchase the Company's common stock.

Unsecured Revolving Lines of Credit

In March 2016, the Company renewed its credit agreement with a syndicate of banks (the "Credit Facility"). The five-year facility matures on March 31, 2021 and replaced the Company's prior \$420.0 million unsecured revolving credit facility. The Credit Facility provides for a \$420.0 million unsecured revolving credit facility (which may be increased to \$620.0 million with \$200.0 million of additional commitments), which includes a \$25.0 million sublimit for the issuance of standby letters of credit and a \$10.0 million sublimit for swingline loans.

In March 2016, the Company entered into a Credit Facility Letter Agreement and a Credit Line Note in favor of MUFG Union Bank, N.A., extending its line of credit facility related to its cash management services ("Sweep Service Facility") and increasing the facility size from \$10.0 million to \$12.0 million. The Sweep Service Facility matures on the earlier of March 31, 2021, or the date the Company ceases to utilize MUFG Union Bank, N.A. for its cash management services.

At June 30, 2016, under the Credit Facility and Sweep Service Facility, the Company had unsecured lines of credit that permit it to borrow up to \$432.0 million of which \$223.3 million was outstanding, and had capacity to borrow up to an additional \$208.7 million. The Credit Facility contains financial covenants requiring the Company to not (all defined terms used below not otherwise defined herein have the meaning assigned to such terms in the Credit Facility):

- Permit the Consolidated Fixed Charge Coverage Ratio as of the end of any fiscal quarter to be less than 2.50 to 1. At June 30, 2016, the actual ratio was 3.79 to 1.
- Permit the Consolidated Leverage Ratio at any time during any period of four consecutive fiscal quarters to be greater than 2.75 to 1. At June 30, 2016, the actual ratio was 2.20 to 1.
- Permit Tangible Net Worth as of the end of any fiscal quarter of the Company to be less than the sum of (i) \$246.1 million plus (ii) 25% of the Company's Consolidated Net Income (but only if a positive number) for each fiscal quarter ended subsequent to December 31, 2011 plus (iii) 90% of the net cash proceeds from the issuance of the Company's capital stock after December 31, 2011. At June 30, 2016, such sum was \$308.4 million and the actual Tangible Net Worth of the Company was \$346.5 million.

At June 30, 2016, the Company was in compliance with each of the aforementioned covenants. There are no anticipated trends that the Company is aware of that would indicate non-compliance with these covenants, although significant deterioration in our financial performance could impact the Company's ability to comply with these covenants.

4.03% Senior Notes Due in 2018

On April 21, 2011, the Company entered into a Note Purchase and Private Shelf Agreement (the “Note Purchase Agreement”) with Prudential Investment Management, Inc. (“PIM”), The Prudential Insurance Company of America and Prudential Retirement Insurance and Annuity Company (collectively, the “Purchaser”), pursuant to which the Company agreed to sell an aggregate principal amount of \$100.0 million of its 4.03% Series A Senior Notes (the “Series A Senior Notes”) to the Purchaser. The Series A Senior Notes are an unsecured obligation of the Company, due on April 21, 2018. Interest on these notes is due semi-annually in arrears and the principal is due in five equal annual installments, with the first payment due on April 21, 2014. In addition, the Note Purchase Agreement allows for the issuance and sale of additional senior notes to the Purchaser (the “Shelf Notes”) in the aggregate principal amount of \$100.0 million, to mature no more than 12 years after the date of original issuance thereof, to have an average life of no more than 10 years and to bear interest on the unpaid balance. At June 30, 2016, the principal balance outstanding under the Series A Senior Notes was \$40.0 million.

3.68% Senior Notes Due in 2021

On March 17, 2014, the Company issued and sold to the Purchaser a \$40.0 million aggregate principal amount of its 3.68% Series B Senior Notes (the “Series B Senior Notes”) pursuant to the terms of the Note Purchase Agreement, as amended. The Series B Senior Notes are an unsecured obligation of the Company and bear interest at a rate of 3.68% per annum and mature on March 17, 2021. Interest on the Series B Senior Notes is payable semi-annually beginning on September 17, 2014 and continuing thereafter on March 17 and September 17 of each year until maturity. The principal balance is due when the notes mature in 2021. The full net proceeds from the Series B Senior Notes were used for working capital and other general corporate purposes. At June 30, 2016, the principal balance outstanding under the Series B Senior Notes was \$40.0 million.

3.84% Senior Notes Due in 2022

On November 5, 2015, the Company issued and sold to the Purchaser a \$60.0 million aggregate principal amount of its 3.84% Series C Senior Notes (the “Series C Senior Notes”) pursuant to the terms of the Note Purchase Agreement, as amended. The Series C Senior Notes are an unsecured obligation of the Company and bear interest at a rate of 3.84% per annum and mature on November 5, 2022. Interest on the Series C Senior Notes is payable semi-annually beginning on May 5, 2016 and continuing thereafter on November 5 and May 5 of each year until maturity. The principal balance is due when the notes mature in 2022. The full net proceeds from the Series C Senior Notes were used to reduce the outstanding balance on the Company’s revolving credit line. At March 31, 2016, the principal balance outstanding under the Series C Senior Notes was \$60.0 million.

Among other restrictions, the Note Purchase Agreement, under which the Series A Senior Notes, Series B Senior Notes and Series C Senior Notes were sold, contains financial covenants requiring the Company to not (all defined terms used below not otherwise defined herein have the meaning assigned to such terms in the Note Purchase Agreement):

- Permit the Consolidated Fixed Charge Coverage Ratio of EBITDA to fixed charges as of the end of any fiscal quarter to be less than 2.50 to 1. At June 30, 2016, the actual ratio was 3.79 to 1.
- Permit the Consolidated Leverage Ratio of funded debt to EBITDA at any time during any period of four consecutive quarters to be greater than 2.75 to 1. At June 30, 2016, the actual ratio was 2.20 to 1.
- Permit Tangible Net Worth, calculated as of the last day of each fiscal quarter, to be less than the sum of (i) \$229.0 million, plus (ii) 25% of net income for such fiscal quarter subsequent to December 31, 2010, plus (iii) 90% of the net cash proceeds from the issuance of the Company’s capital stock after December 31, 2010. At June 30, 2016, such sum was \$308.4 million and the actual Tangible Net Worth of the Company was \$346.5 million.

At June 30, 2016, the Company was in compliance with each of the aforementioned covenants. There are no anticipated trends that the Company is aware of that would indicate non-compliance with these covenants, although significant deterioration in our financial performance could impact the Company’s ability to comply with these covenants.

On February 9, 2016, the Company entered into an amendment to the Note Purchase Agreement (“2016 Amendment”) with the Purchaser. Pursuant to the 2016 Amendment, (i) the issuance period for the shelf notes to be issued and sold pursuant to the Note Purchase Agreement is extended until the earlier of February 9, 2019 or the termination of the issuance and sale of the shelf notes upon the 30 days’ prior notice of either PIM or the Company, and (ii) the definition of the “Available Facility Amount,” which is the aggregate amount of the shelf notes that may be authorized for purchase pursuant to the Note Purchase Agreement was amended to equal a formula based on: \$250 million, minus the aggregate principal amount of the shelf notes then outstanding and purchased pursuant to the Note Purchase Agreement, minus the shelf notes accepted by the Company for purchase, but not yet purchased, by the

Purchaser pursuant to the Note Purchase Agreement; provided, however, the aggregate amount of the shelf notes purchased by any corporation or other entity controlling, controlled by, or under common control with, PIM shall not exceed \$200 million.

Although no assurance can be given, the Company believes it will continue to be able to negotiate general bank lines of credit and issue senior notes adequate to meet capital requirements not otherwise met by operational cash flows and proceeds from sales of rental equipment.

Common Stock Purchase

In May 2008, the Company's Board of Directors authorized the Company to repurchase an aggregate of 2,000,000 shares of the Company's outstanding common stock. The Company has in the past made purchases of shares of its common stock from time to time in over-the-counter market (NASDAQ) transactions, through privately negotiated, large block transactions and through a share repurchase plan, in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934. In August 2015, the Company's Board of Directors authorized the Company to repurchase an additional 2,000,000 shares of the Company's outstanding common stock. The amount and time of the specific repurchases are subject to prevailing market conditions, applicable legal requirements and other factors, including management's discretion. All shares repurchased by the Company are canceled and returned to the status of authorized but unissued shares of common stock. There can be no assurance that any share authorized for repurchase will be repurchased and the repurchase program may be modified, extended or terminated by the Board of Directors at any time. There were no repurchases of common stock during the six months ended June 30, 2016. During the six months ended June 30, 2015, the Company repurchased 101,653 shares of common stock for an aggregate repurchase price of \$3.1 million, or an average price of \$30.81 per share. As of June 30, 2016, 1,592,026 shares remain authorized for repurchase.

Contractual Obligations

We believe that our contractual obligations have not changed materially from those included in our 2015 Annual Report.

Off-Balance Sheet Arrangements

We had no material off-balance sheet arrangements as of June 30, 2016.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the Company's market risk exposures from those reported in our 2015 Annual Report.

Item 4. Controls and Procedures

The Company's management, under the supervision and with the participation of the Company's Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO"), the Company's principal executive officer and principal financial officer, respectively, performed an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2016. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective. There have been no significant changes in the Company's internal controls or in other factors that have materially affected, or would reasonably be likely to materially affect, the Company's internal control over financial reporting.

Item 1. Legal Proceedings

The Company is subject to various legal proceedings and claims arising in the ordinary course of business. The Company's management does not expect that the outcome in the current proceedings, individually or collectively, will have a material adverse effect on the Company's financial condition, operating results or cash flows.

Item 1A. Risk Factors

You should carefully consider the following discussion of various risks and uncertainties. We believe these risk factors are the most relevant to our business and could cause our results to differ materially from the forward-looking statements made by us. Our business, financial condition, and results of operations could be seriously harmed if any of these risks or uncertainties actually occur or materialize. In that event, the market price for our common stock could decline, and you may lose all or part of your investment.

The effects of a recession and tightened credit markets in the U.S. and other countries may adversely impact our business and financial condition and may negatively impact our ability to access financing.

Demand for our rental products depends on continued industrial and business activity and state government funding. The effects of the recent credit crisis and economic recession in the U.S. and general global economic downturn had an adverse effect on our customers, including local school districts that are subject to budgetary constraints, which resulted in decreased demand for the products we rent. The U.S. economy continues to experience some weakness following a severe credit crisis and recession. While the U.S. economy has emerged from the recession, if the economy experiences another recession, reduced demand for our rental products and deflation could increase price competition and could have a material adverse effect on our revenue and profitability.

Instability in the global financial system may also have an impact on our business and our financial condition. In recent years, general economic conditions and the tightening credit markets have significantly affected the ability of many companies to raise new capital or refinance existing indebtedness. While we intend to finance expansion with cash flow from operations and borrowing under our unsecured revolving line of credit under our Credit Facility (as defined and more fully described under the heading "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation - Liquidity and Capital Resources – Unsecured Revolving Lines of Credit"), we may require additional financing to support our continued growth. Constriction in the capital markets, should we need to access the market for additional funds or to refinance our existing indebtedness, could limit our ability to obtain such additional funds on terms acceptable to the Company or at all. All of these factors could impact our business, resulting in lower revenues and lower levels of earnings in future periods. At the current time we are uncertain as to the magnitude, or duration, of such changes in our business.

Our stock price has fluctuated and may continue to fluctuate in the future, which may result in a decline in the value of your investment in our common stock.

The market price of our common stock fluctuates on the NASDAQ Global Select Market and is likely to be affected by a number of factors including but not limited to:

- our operating performance and the performance of our competitors, and in particular any variations in our operating results or dividend rate from our stated guidance or from investors' expectations;
- any changes in general conditions in the global economy, the industries in which we operate or the global financial markets;
- investors' reaction to our press releases, public announcements or filings with the SEC;
- the stock price performance of our competitors or other comparable companies;
- any changes in research analysts' coverage, recommendations or earnings estimates for us or for the stocks of other companies in our industry;
- any sales of common stock by our directors, executive officers and our other large shareholders, particularly in light of the limited trading volume of our stock;
- any merger and acquisition activity that involves us or our competitors; and
- other announcements or developments affecting us, our industry, customers, suppliers or competitors.

In addition, in recent years the U.S. stock market has experienced significant price and volume fluctuations. These fluctuations are often unrelated to the operating performance of particular companies. More recently, the global credit crisis adversely affected the prices of most publicly traded stocks as many stockholders have become more willing to divest their stock holdings at lower values to increase their cash flow and reduce exposure to such fluctuations. These broad market fluctuations and any other negative economic trends may cause declines in the market price of our common stock and may be based upon factors that have little or nothing to do with our Company or its performance, and these fluctuations and trends could materially reduce our stock price.

Our future operating results may fluctuate, fail to match past performance or fail to meet expectations, which may result in a decrease in our stock price.

Our operating results may fluctuate in the future, may fail to match our past performance or fail to meet the expectations of analysts and investors. Our results and related ratios, such as gross margin, operating income percentage and effective tax rate may fluctuate as a result of a number of factors, some of which are beyond our control including but not limited to:

- general economic conditions in the geographies and industries where we rent and sell our products;
- legislative and educational policies where we rent and sell our products;
- the budgetary constraints of our customers;
- seasonality of our rental businesses and our end-markets;
- success of our strategic growth initiatives;
- costs associated with the launching or integration of new or acquired businesses;
- the timing and type of equipment purchases, rentals and sales;
- the nature and duration of the equipment needs of our customers;
- the timing of new product introductions by us, our suppliers and our competitors;
- the volume, timing and mix of maintenance and repair work on our rental equipment;
- our equipment mix, availability, utilization and pricing;
- the mix, by state and country, of our revenues, personnel and assets;
- rental equipment impairment from excess, obsolete or damaged equipment;
- movements in interest rates or tax rates;
- changes in, and application of, accounting rules;
- changes in the regulations applicable to us; and
- litigation matters.

As a result of these factors, our historical financial results are not necessarily indicative of our future results or stock price.

Our ability to retain our executive management and to recruit, retain and motivate key employees is critical to the success of our business.

If we cannot successfully recruit and retain qualified personnel, our operating results and stock price may suffer. We believe that our success is directly linked to the competent people in our organization, including our executive officers, senior managers and other key personnel, and in particular, Dennis Kakures, our Chief Executive Officer. Personnel turnover can be costly and could materially and adversely impact our operating results and can potentially jeopardize the success of our current strategic initiatives. We need to attract and retain highly qualified personnel to replace personnel when turnover occurs, as well as add to our staff levels as growth occurs. Our business and stock price likely will suffer if we are unable to fill, or experience delays in filling open positions, or fail to retain key personnel.

Failure by third parties to manufacture and deliver our products to our specifications or on a timely basis may harm our reputation and financial condition.

We depend on third parties to manufacture our products even though we are able to purchase products from a variety of third-party suppliers. In the future, we may be limited as to the number of third-party suppliers for some of our products. Although in

general we make advance purchases of some products to help ensure an adequate supply, currently we do not have any long-term purchase contracts with any third-party supplier. We may experience supply problems as a result of financial or operating difficulties or failure of our suppliers, or shortages and discontinuations resulting from product obsolescence or other shortages or allocations by our suppliers. Unfavorable economic conditions may also adversely affect our suppliers or the terms on which we purchase products. In the future, we may not be able to negotiate arrangements with third parties to secure products that we require in sufficient quantities or on reasonable terms. If we cannot negotiate arrangements with third parties to produce our products or if the third parties fail to produce our products to our specifications or in a timely manner, our reputation and financial condition could be harmed.

Disruptions in our information technology systems or failure to protect these systems against security breaches could adversely affect our business and results of operations. Additionally, if these systems fail, become unavailable for any period of time or are not upgraded, this could limit our ability to effectively monitor and control our operations and adversely affect our operations.

Our information technology systems facilitate our ability to transact business, monitor and control our operations and adjust to changing market conditions. Any disruption in our information technology systems or the failure of these systems to operate as expected could, depending on the magnitude of the problem, adversely affect our operating results by limiting our capacity to effectively transact business, monitor and control our operations and adjust to changing market conditions in a timely manner.

In addition, because of recent advances in technology and well-known efforts on the part of computer hackers and cyber terrorists to breach data security of companies, we face risks associated with potential failure to adequately protect critical corporate, client and employee data, which, if released, could adversely impact our client relationships, our reputation, and even violate privacy laws. As part of our business, we develop, receive and retain confidential data about our company and our customers.

Further, the delay or failure to implement information system upgrades and new systems effectively could disrupt our business, distract management's focus and attention from our business operations and growth initiatives, and increase our implementation and operating costs, any of which could negatively impact our operations and operating results.

We have engaged in acquisitions and may engage in future acquisitions that could negatively impact our results of operations, financial condition and business.

In 2004, we acquired TRS, an electronic test equipment rental business and in 2008 we acquired Adler Tanks, a liquid and solid containment rental business. We anticipate that we will continue to consider acquisitions in the future that meet our strategic growth plans. We are unable to predict whether or when any prospective acquisition will be completed. Acquisitions involve numerous risks, including the following:

- difficulties in integrating the operations, technologies, products and personnel of the acquired companies;
- diversion of management's attention from normal daily operations of our business;
- difficulties in entering markets in which we have no or limited direct prior experience and where competitors in such markets may have stronger market positions;
- difficulties in complying with regulations applicable to any acquired business, such as environmental regulations, and managing risks related to an acquired business;
- timely completion of necessary financing and required amendments, if any, to existing agreements;
- an inability to implement uniform standards, controls, procedures and policies;
- undiscovered and unknown problems, defects, damaged assets liabilities, or other issues related to any acquisition that become known to us only after the acquisition;
- negative reactions from our customers to an acquisition;
- disruptions among employees related to any acquisition which may erode employee morale;
- loss of key employees, including costly litigation resulting from the termination of those employees;
- an inability to realize cost efficiencies or synergies that we may anticipate when selecting acquisition candidates;
- recording of goodwill and non-amortizable intangible assets that will be subject to future impairment testing and potential periodic impairment charges;

- incurring amortization expenses related to certain intangible assets; and
- becoming subject to litigation.

Acquisitions are inherently risky, and no assurance can be given that our future acquisitions will be successful or will not adversely affect our business, operating results, or financial condition. The success of our acquisition strategy depends upon our ability to successfully complete acquisitions and integrate any businesses that we acquire into our existing business. The difficulties of integration could be increased by the necessity of coordinating geographically dispersed organizations; maintaining acceptable standards, controls, procedures and policies; integrating personnel with disparate business backgrounds; combining different corporate cultures; and the impairment of relationships with employees and customers as a result of any integration of new management and other personnel. In addition, if we consummate one or more significant future acquisitions in which the consideration consists of stock or other securities, our existing shareholders' ownership could be diluted significantly. If we were to proceed with one or more significant future acquisitions in which the consideration included cash, we could be required to use, to the extent available, a substantial portion of our Credit Facility. If we increase the amount borrowed against our available credit line, we would increase the risk of breaching the covenants under our credit facilities with our lenders. In addition, it would limit our ability to make other investments, or we may be required to seek additional debt or equity financing. Any of these items could adversely affect our results of operations.

If we determine that our goodwill and intangible assets have become impaired, we may incur impairment charges, which would negatively impact our operating results.

At June 30, 2016, we had \$36.8 million of goodwill and intangible assets, net, on our consolidated balance sheets. Goodwill represents the excess of cost over the fair value of net assets acquired in business combinations. Under accounting principles generally accepted in the United States of America, we assess potential impairment of our goodwill and intangible assets at least annually, as well as on an interim basis to the extent that factors or indicators become apparent that could reduce the fair value of any of our businesses below book value. Impairment may result from significant changes in the manner of use of the acquired asset, negative industry or economic trends and significant underperformance relative to historic or projected operating results.

Our rental equipment is subject to residual value risk upon disposition, and may not sell at the prices or in the quantities we expect.

The market value of any given piece of rental equipment could be less than its depreciated value at the time it is sold. The market value of used rental equipment depends on several factors, including:

- the market price for new equipment of a like kind;
- the age of the equipment at the time it is sold, as well as wear and tear on the equipment relative to its age;
- the supply of used equipment on the market;
- technological advances relating to the equipment;
- worldwide and domestic demand for used equipment; and
- general economic conditions.

We include in income from operations the difference between the sales price and the depreciated value of an item of equipment sold. Changes in our assumptions regarding depreciation could change our depreciation expense, as well as the gain or loss realized upon disposal of equipment. Sales of our used rental equipment at prices that fall significantly below our projections or in lesser quantities than we anticipate will have a negative impact on our results of operations and cash flows.

If we do not effectively manage our credit risk, collect on our accounts receivable or recover our rental equipment from our customers' sites, it could have a material adverse effect on our operating results.

We generally rent and sell to customers on 30 day payment terms, individually perform credit evaluation procedures on our customers for each transaction and require security deposits or other forms of security from our customers when a significant credit risk is identified. Historically, accounts receivable write-offs and write-offs related to equipment not returned by customers have not been significant and have averaged less than 1% of total revenues over the last five years. If economic conditions deteriorate, we may see an increase in bad debt relative to historical levels, which may materially and adversely affect our operations. Business segments that experience significant market disruptions or declines (such as weakness in upstream oil and gas customer demand at Adler Tanks) may experience increased customer credit risk and higher bad debt expense. Failure to manage our credit risk and receive timely payments on our customer accounts receivable may result in write-offs and/or loss of equipment, particularly electronic test

equipment. If we are not able to effectively manage credit risk issues, or if a large number of our customers should have financial difficulties at the same time, our receivables and equipment losses could increase above historical levels. If this should occur, our results of operations may be materially and adversely affected.

Effective management of our rental assets is vital to our business. If we are not successful in these efforts, it could have a material adverse impact on our result of operations.

Our modular, electronics and liquid and solid containment rental products have long useful lives and managing those assets is a critical element to each of our rental businesses. Generally, we design units and find manufacturers to build them to our specifications for our modular and liquid and solid containment tanks and boxes. Modular asset management requires designing and building the product for a long life that anticipates the needs of our customers, including anticipating potential changes in legislation, regulations, building codes and local permitting in the various markets in which the Company operates. Electronic test equipment asset management requires understanding, selecting and investing in equipment technologies that support market demand, including anticipating technological advances and changes in manufacturers' selling prices. Liquid and solid containment asset management requires designing and building the product for a long life, using quality components and repairing and maintaining the products to prevent leaks. For each of our modular, electronic test equipment and liquid and solid containment assets, we must successfully maintain and repair this equipment cost-effectively to maximize the useful life of the products and the level of proceeds from the sale of such products. To the extent that we are unable to do so, our result of operations could be materially adversely affected.

The nature of our businesses, including the ownership of industrial property, exposes us to the risk of litigation and liability under environmental, health and safety and products liability laws. Violations of environmental or health and safety related laws or associated liability could have a material adverse effect on our business, financial condition and results of operations.

We are subject to national, state, provincial and local environmental laws and regulations concerning, among other things, solid and liquid waste and hazardous substances handling, storage and disposal and employee health and safety. These laws and regulations are complex and frequently change. We could incur unexpected costs, penalties and other civil and criminal liability if we fail to comply with applicable environmental or health and safety laws. We also could incur costs or liabilities related to waste disposal or remediating soil or groundwater contamination at our properties, at our customers' properties or at third party landfill and disposal sites. These liabilities can be imposed on the parties generating, transporting or disposing of such substances or on the owner or operator of any affected property, often without regard to whether the owner or operator knew of, or was responsible for, the presence of hazardous substances.

Several aspects of our businesses involve risks of environmental and health and safety liability. For example, our operations involve the use of petroleum products, solvents and other hazardous substances in the construction and maintaining of modular buildings and for fueling and maintaining our delivery trucks and vehicles. We also own, transport and rent tanks and boxes in which waste materials are placed by our customers. The historical operations at some of our previously or currently owned or leased and newly acquired or leased properties may have resulted in undiscovered soil or groundwater contamination or historical non-compliance by third parties for which we could be held liable. Future events, such as changes in existing laws or policies or their enforcement, or the discovery of currently unknown contamination or non-compliance, may also give rise to liabilities or other claims based on these operations that may be material. In addition, compliance with future environmental or health and safety laws and regulations may require significant capital or operational expenditures or changes to our operations.

Accordingly, in addition to potential penalties for non-compliance, we may become liable, either contractually or by operation of law, for investigation, remediation and monitoring costs even if the contaminated property is not presently owned or operated by us, or if the contamination was caused by third parties during or prior to our ownership or operation of the property. In addition, certain parties may be held liable for more than their "fair" share of environmental investigation and cleanup costs. Contamination and exposure to hazardous substances or other contaminants such as mold can also result in claims for remediation or damages, including personal injury, property damage, and natural resources damage claims. Although expenses related to environmental compliance, health and safety issues, and related matters have not been material to date, we cannot assure that we will not have to make significant expenditures in the future in order to comply with applicable laws and regulations. Violations of environmental or health and safety related laws or associated liability could have a material adverse effect on our business, financial condition and results of operations.

In general, litigation in the industries in which we operate, including class actions that seek substantial damages, arises with increasing frequency. Enforcement of environmental and health and safety requirements is also frequent. Such proceedings are invariably expensive, regardless of the merit of the plaintiffs' or prosecutors' claims. We may be named as a defendant in the future, and there can be no assurance, irrespective of the merit of such future actions, that we will not be required to make substantial settlement payments in the future. Further, a significant portion of our business is conducted in California which is one of the most highly regulated and litigious states in the country. Therefore, our potential exposure to losses and expenses due to new laws, regulations or litigation may be greater than companies with a less significant California presence.

The nature of our business also subjects us to property damage and product liability claims, especially in connection with our modular buildings and tank and box rental businesses. Although we maintain liability coverage that we believe is commercially reasonable, an unusually large property damage or product liability claim or a series of claims could exceed our insurance coverage or result in damage to our reputation.

Our routine business activities expose us to risk of litigation from employees, vendors and other third parties, which could have a material adverse effect on our results of operations.

We may be subject to claims arising from disputes with employees, vendors and other third parties in the normal course of our business; these risks may be difficult to assess or quantify and their existence and magnitude may remain unknown for substantial periods of time. If the plaintiffs in any suits against us were to successfully prosecute their claims, or if we were to settle any such suits by making significant payments to the plaintiffs, our operating results and financial condition would be harmed. Even if the outcome of a claim proves favorable to us, litigation can be time consuming and costly and may divert management resources. In addition, our organizational documents require us to indemnify our senior executives to the maximum extent permitted by California law. We maintain directors' and officers' liability insurance that we believe is commercially reasonable in connection with such obligations, but if our senior executives were named in any lawsuit, our indemnification obligations could magnify the costs of these suits and/or exceed the coverage of such policies.

If we suffer loss to our facilities, equipment or distribution system due to catastrophe, our insurance policies could be inadequate or depleted, our operations could be seriously harmed, which could negatively affect our operating results.

Our facilities, rental equipment and distribution systems may be subject to catastrophic loss due to fire, flood, hurricane, earthquake, terrorism or other natural or man-made disasters. In particular, our headquarters, three operating facilities, and certain of our rental equipment are located in areas of California, with above average seismic activity and could be subject to catastrophic loss caused by an earthquake. Our rental equipment and facilities in Texas, Florida, North Carolina and Georgia are located in areas subject to hurricanes and other tropical storms. In addition to customers' insurance on rented equipment, we carry property insurance on our rental equipment in inventory and operating facilities as well as business interruption insurance. We believe our insurance policies have adequate limits and deductibles to mitigate the potential loss exposure of our business. We do not maintain financial reserves for policy deductibles and our insurance policies contain exclusions that are customary for our industry, including exclusions for earthquakes, flood and terrorism. If any of our facilities or a significant amount of our rental equipment were to experience a catastrophic loss, it could disrupt our operations, delay orders, shipments and revenue recognition and result in expenses to repair or replace the damaged rental equipment and facility not covered by insurance, which could have a material adverse effect on our results of operations.

Our debt instruments contain covenants that restrict or prohibit our ability to enter into a variety of transactions and may limit our ability to finance future operations or capital needs. If we have an event of default under these instruments, our indebtedness could be accelerated and we may not be able to refinance such indebtedness or make the required accelerated payments.

The agreements governing our Series A, Series B and Series C Senior Notes (as defined and more fully described under the heading "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources") and our Credit Facility contain various covenants that limit our discretion in operating our business. In particular, we are limited in our ability to merge, consolidate, reorganize or transfer substantially all of our assets, make investments, pay dividends or distributions, redeem or repurchase stock, change the nature of our business, enter into transactions with affiliates, incur indebtedness and create liens on our assets to secure debt. In addition, we are required to meet certain financial covenants under these instruments. These restrictions could limit our ability to obtain future financing, make strategic acquisitions or needed capital expenditures, withstand economic downturns in our business or the economy in general, conduct operations or otherwise take advantage of business opportunities that may arise.

A failure to comply with the restrictions contained in these agreements could lead to an event of default, which could result in an acceleration of our indebtedness. In the event of an acceleration, we may not have or be able to obtain sufficient funds to refinance our indebtedness or make any required accelerated payments. If we default on our indebtedness, our business financial condition and results of operations could be materially and adversely affected.

The majority of our indebtedness is subject to variable interest rates, which makes us vulnerable to increases in interest rates, which could negatively affect our net income.

Our indebtedness exposes us to interest rate increases because the majority of our indebtedness is subject to variable rates. At present, we do not have any derivative financial instruments such as interest rate swaps or hedges to mitigate interest rate variability.

The interest rates under our credit facilities are reset at varying periods. These interest rate adjustments could cause periodic fluctuations in our operating results and cash flows. Our annual debt service obligations increase by approximately \$2.2 million per year for each 1% increase in the average interest rate we pay based on the \$223.3 million balance of variable rate debt outstanding at June 30, 2016. If interest rates rise in the future, and, particularly if they rise significantly, interest expense will increase and our net income will be negatively affected.

Our effective tax rate may change and become less predictable as our business expands, making our future earnings less predictable.

We continue to consider expansion opportunities domestically and internationally for our rental businesses, such as the organic expansion of our modular business in North Carolina, Georgia, Maryland, Virginia and Washington, D.C., expansion into the portable storage business and our expansion in 2008 into the liquid and solid containment business. Since the Company's effective tax rate depends on business levels, personnel and assets located in various jurisdictions, further expansion into new markets or acquisitions may change the effective tax rate in the future and may make it, and consequently our earnings, less predictable going forward. In addition, the enactment of future tax law changes by federal and state taxing authorities may impact the Company's current period tax provision and its deferred tax liabilities.

Changes in financial accounting standards may cause lower than expected operating results and affect our reported results of operations.

Changes in accounting standards and their application may have a significant effect on our reported results on a going-forward basis and may also affect the recording and disclosure of previously reported transactions. New accounting pronouncements and varying interpretations of accounting pronouncements have occurred in the past and may occur in the future. Changes to existing rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business.

Failure to comply with internal control attestation requirements could lead to loss of public confidence in our financial statements and negatively impact our stock price.

As a public reporting company, we are required to comply with the Sarbanes-Oxley Act of 2002, including Section 404, and the related rules and regulations of the SEC, including expanded disclosures and accelerated reporting requirements. Compliance with Section 404 and other related requirements has increased our costs and will continue to require additional management resources. We may need to continue to implement additional finance and accounting systems, procedures and controls to satisfy new reporting requirements. While our management concluded that our internal control over financial reporting as of December 31, 2015 was effective, there is no assurance that future assessments of the adequacy of our internal controls over financial reporting will be favorable. If we are unable to obtain future unqualified reports as to the effectiveness of our internal control over financial reporting, investors could lose confidence in the reliability of our internal control over financial reporting, which could adversely affect our stock price.

SPECIFIC RISKS RELATED TO OUR RELOCATABLE MODULAR BUILDINGS BUSINESS SEGMENT:

Significant reductions of, or delays in, funding to public schools have caused the demand and pricing for our modular classroom units to decline, which has in the past caused, and may cause in the future, a reduction in our revenues and profitability.

Rentals and sales of modular buildings to public school districts for use as classrooms, restroom buildings, and administrative offices for K-12 represent a significant portion of Mobile Modular's rental and sales revenues. Funding for public school facilities is derived from a variety of sources including the passage of both statewide and local facility bond measures, developer fees and various taxes levied to support school operating budgets. Many of these funding sources are subject to financial and political considerations, which vary from district to district and are not tied to demand. Historically, we have benefited from the passage of statewide and local facility bond measures and believe these are essential to our business.

The state of California is our largest market for classroom rentals. The strength of this market depends heavily on public funding from voter passage of both state and local facility bond measures, and the ability of the state to sell such bonds in the public market. A lack of passage of state and local facility bond measures, or the inability to sell bonds in the public markets in the future could reduce our revenues and operating income, and consequently have a material adverse effect on the Company's financial condition. Furthermore, even if voters have approved facility bond measures and the state has raised bond funds, there is no guarantee that individual school projects will be funded in a timely manner.

As a consequence of economic recession, many states and local governments have experienced large budget deficits resulting in severe budgetary constraints among public school districts. To the extent public school districts' funding is reduced for the rental and purchase of modular buildings, our business could be harmed and our results of operations negatively impacted. We believe that interruptions or delays in the passage of facility bond measures or completion of state budgets, an insufficient amount of state funding, a significant reduction of funding to public schools, or changes negatively impacting enrollment may reduce the rental and sale demand for our educational products. Any reductions in funding available to the school districts from the states in which we do business may cause school districts to experience budget shortfalls and to reduce their demand for our products despite growing student populations, class size reduction initiatives and modernization and reconstruction project needs, which could reduce our revenues and operating income and consequently have a material adverse effect on the Company's financial condition.

Public policies that create demand for our products and services may change, resulting in decreased demand for or the pricing of our products and services, which could negatively affect our revenues and operating income.

In California a law was enacted in 1996 to provide funding for school districts for the reduction of class sizes for kindergarten through third grade. In Florida, a state constitutional amendment was passed in 2002 to limit the number of students that may be grouped in a single classroom for pre-kindergarten through grade twelve. School districts with class sizes in excess of state limits have been and continue to be a significant source of our demand for modular classrooms. Further, in California, efforts to address aging infrastructure and deferred maintenance have resulted in modernization and reconstruction projects by public school districts including seismic retrofitting, asbestos abatement and various building repairs and upgrades, which has been another source of demand for our modular classrooms. The recent economic recession has caused state and local budget shortfalls, which have reduced school districts' funding and their ability to comply with state class size reduction requirements in California and Florida. If educational priorities and policies shift away from class-size reduction or modernization and reconstruction projects, demand and pricing for our products and services may decline, not grow as quickly as, or not reach the levels that we anticipate. Significant equipment returns may result in lower utilization until equipment can be redeployed or sold, which may cause rental rates to decline and negatively affect our revenues and operating income.

Failure to comply with applicable regulations could harm our business and financial condition, resulting in lower operating results and cash flows.

Similar to conventionally constructed buildings, the modular building industry, including the manufacturers and lessors of portable classrooms, are subject to regulations by multiple governmental agencies at the federal, state and local level relating to environmental, zoning, health, safety, labor and transportation matters, among other matters. Failure to comply with these laws or regulations could impact our business or harm our reputation and result in higher capital or operating expenditures or the imposition of penalties or restrictions on our operations.

As with conventional construction, typically new codes and regulations are not retroactively applied. Nonetheless, new governmental regulations in these or other areas may increase our acquisition cost of new rental equipment, limit the use of or make obsolete some of our existing equipment, or increase our costs of rental operations.

Building codes are generally reviewed every three years. All aspects of a given code are subject to change including, but not limited to, such items as structural specifications for earthquake safety, energy efficiency and environmental standards, fire and life safety, transportation, lighting and noise limits. On occasion, state agencies have undertaken studies of indoor air quality and noise levels with a focus on permanent and modular classrooms. These results could impact our existing modular equipment and affect the future construction of our modular product.

Compliance with building codes and regulations entails a certain amount of risk as state and local government authorities do not necessarily interpret building codes and regulations in a consistent manner, particularly where applicable regulations may be unclear and subject to interpretation. These regulations often provide broad discretion to governmental authorities that oversee these matters, which can result in unanticipated delays or increases in the cost of compliance in particular markets. The construction and modular industries have developed many "best practices" which are constantly evolving. Some of our peers and competitors may adopt practices that are more or less stringent than the Company's. When, and if, regulatory standards are clarified, the effect of the clarification may be to impose rules on our business and practices retroactively, at which time, we may not be in compliance with such regulations and we may be required to incur costly remediation. If we are unable to pass these increased costs on to our customers, our profitability, operating cash flows and financial condition could be negatively impacted.

Expansions of our modular operations into new markets may negatively affect our operating results.

Over the past several years, we have expanded our modular operations in Texas, North Carolina, Georgia, Maryland, Virginia and Washington, D.C. There are risks inherent in the undertaking of such expansion, including the risk of revenue from the business

in any new markets not meeting our expectations, higher than expected costs in entering these new markets, risk associated with compliance with applicable state and local laws and regulations, response by competitors and unanticipated consequences of expansion. In addition, expansion into new markets may be affected by local economic and market conditions. Expansion of our operations into new markets will require a significant amount of attention from our management, a commitment of financial resources and will require us to add qualified management in these markets, which may negatively impact our operating results.

We are subject to laws and regulations governing government contracts. These laws and regulations make these government contracts more favorable to government entities than other third parties and any changes in these laws and regulations, or our failure to comply with these laws and regulations could harm our business.

We have agreements relating to the sale of our products to government entities and, as a result, we are subject to various statutes and regulations that apply to companies doing business with the government. The laws governing government contracts differ from the laws governing private contracts. For example, many government contracts contain pricing terms and conditions that are not applicable to private contracts such as clauses that allow government entities not to perform on contractual obligations in the case of a lack of fiscal funding. Also, in the educational markets we serve, we are able to utilize “piggyback” contracts in marketing our products and services and ultimately to book business. The term “piggyback” contract refers to contracts for portable classrooms or other products entered into by public school districts following a formal bid process that allows for the use of the same contract terms and conditions with the successful vendor by other public school districts. As a result, “piggyback” contracts allow us to more readily book orders from our government customers, primarily public school districts, and to reduce the administrative expense associated with booking these orders. The governmental statutes and regulations that allow for use of “piggyback” contracts are subject to change or elimination in their entirety. A change in the manner of use or the elimination of “piggyback” contracts would likely negatively impact our ability to book new business from these government customers and could cause our administrative expenses related to processing these orders to increase significantly. In addition, any failure to comply with these laws and regulations might result in administrative penalties or even in the suspension of these contracts and as a result, the loss of the related revenues which would harm our business and results from operations.

Seasonality of our educational business may have adverse consequences for our business.

A significant portion of the modular sale and rental revenues is derived from the educational market. Typically, during each calendar year, our highest numbers of classrooms are shipped for rental and sale orders during the second and third quarters for delivery and installation prior to the start of the upcoming school year. The majority of classrooms shipped in the second and third quarters have rental start dates during the third quarter, thereby making the fourth quarter the first full quarter of rental revenues recognized for these transactions. Although this is the historical seasonality of our business, it is subject to change or may not meet our expectations, which may have adverse consequences for our business.

We face strong competition in our modular building markets and we may not be able to effectively compete.

The modular building leasing industry is highly competitive in our states of operation and we expect it to remain so. The competitive market in which we operate may prevent us from raising rental fees or sales prices to pass any increased costs on to our customers. We compete on the basis of a number of factors, including equipment availability, quality, price, service, reliability, appearance, functionality and delivery terms. We may experience pricing pressures in our areas of operation in the future as some of our competitors seek to obtain market share by reducing prices.

Some of our larger national competitors in the modular building leasing industry, notably Williams Scotsman International, Inc. and Modspace, who announced in March 2016 an intent to merge their North American modular space operations, have a greater range of products and services, greater financial and marketing resources, larger customer bases, and greater name recognition than we have. These larger competitors may be better able to respond to changes in the relocatable modular building market, to finance acquisitions, to fund internal growth and to compete for market share, any of which could harm our business.

We may not be able to quickly redeploy modular units returning from leases, which could negatively affect our financial performance and our ability to expand, or utilize, our rental fleet.

As of June 30, 2016, 51% of our modular portfolio had equipment on rent for periods exceeding the original committed term. Generally, when a customer continues to rent the modular units beyond the contractual term, the equipment rents on a month-to-month basis. If a significant number of our rented modular units were returned during a short period of time, particularly those units that are rented on a month-to-month basis, a large supply of units would need to be remarketed. Our failure to effectively remarket a large influx of units returning from leases could negatively affect our financial performance and our ability to continue expanding our rental fleet. In addition, if returned units stay off rent for an extended period of time, we may incur additional costs to securely store and maintain them.

Significant increases in raw material and labor costs could increase our acquisition cost of new modular rental units and repair and maintenance costs of our fleet, which would increase our operating costs and harm our profitability.

We incur labor costs and purchase raw materials, including lumber, siding and roofing and other products to perform periodic repairs, modifications and refurbishments to maintain physical conditions of our modular units. The volume, timing and mix of maintenance and repair work on our rental equipment may vary quarter-to-quarter and year-to-year. Generally, increases in labor and raw material costs will also increase the acquisition cost of new modular units and increase the repair and maintenance costs of our fleet. We also maintain a fleet of service trucks and use subcontractor companies for the delivery, set-up, return delivery and dismantle of modulars for our customers. We rely on our subcontractor service companies to meet customer demands for timely shipment and return, and the loss or inadequate number of subcontractor service companies may cause prices to increase, while negatively impacting our reputation and operating performance. During periods of rising prices for labor, raw materials or fuel, and in particular, when the prices increase rapidly or to levels significantly higher than normal, we may incur significant increases in our acquisition costs for new modular units and incur higher operating costs that we may not be able to recoup from our customers, which would reduce our profitability.

Failure by third parties to manufacture our products timely or properly may harm our reputation and financial condition.

We are dependent on third parties to manufacture our products even though we are able to purchase products from a variety of third-party suppliers. Mobile Modular purchases new modulars from various manufacturers who build to Mobile Modular's design specifications. With the exception of Enviroplex, none of the principal suppliers are affiliated with the Company. During 2015, Mobile Modular purchased 43% of its modular product from one manufacturer. The Company believes that the loss of any of its primary manufacturers of modulars could have an adverse effect on its operations since Mobile Modular could experience higher prices and longer delivery lead times for modular product until other manufacturers were able to increase their production capacity.

Failure to properly design, manufacture, repair and maintain the modular product may result in impairment charges, potential litigation and reduction of our operating results and cash flows.

We estimate the useful life of the modular product to be 18 years with a residual value of 50%. However, proper design, manufacture, repairs and maintenance of the modular product during our ownership is required for the product to reach the estimated useful life of 18 years with a residual value of 50%. If we do not appropriately manage the design, manufacture, repair and maintenance of our modular product, or otherwise delay or defer such repair or maintenance, we may be required to incur impairment charges for equipment that is beyond economic repair costs or incur significant capital expenditures to acquire new modular product to serve demand. In addition, such failures may result in personal injury or property damage claims, including claims based on presence of mold, and termination of leases or contracts by customers. Costs of contract performance, potential litigation, and profits lost from termination could accordingly reduce our future operating results and cash flows.

Our warranty costs may increase and warranty claims could damage our reputation and negatively impact our revenues and operating income.

Sales of new relocatable modular buildings not manufactured by us are typically covered by warranties provided by the manufacturer of the products sold. We provide ninety-day warranties on certain modular sales of used rental units and one-year warranties on equipment manufactured by our Enviroplex subsidiary. Historically, our warranty costs have not been significant, and we monitor the quality of our products closely. If a defect were to arise in the installation of our equipment at the customer's facilities or in the equipment acquired from our suppliers or by our Enviroplex subsidiary, we may experience increased warranty claims. Such claims could disrupt our sales operations, damage our reputation and require costly repairs or other remedies, negatively impacting revenues and operating income.

SPECIFIC RISKS RELATED TO OUR ELECTRONIC TEST EQUIPMENT BUSINESS SEGMENT:

Market risk and cyclical downturns in the industries using test equipment may result in periods of low demand for our product resulting in excess inventory, impairment charges and reduction of our operating results and cash flows.

TRS-RenTelco's revenues are derived from the rental and sale of general purpose and communications test equipment to a broad range of companies, from Fortune 500 to middle and smaller market companies, in the aerospace, defense, communications, manufacturing and semiconductor industries. Electronic test equipment rental and sales revenues are primarily affected by the business activity within these industries related to research and development, manufacturing, and communication infrastructure installation and maintenance. Historically, these industries have been cyclical and have experienced periodic downturns, which can have a material adverse impact on the industry's demand for equipment, including our rental electronic test equipment. In addition, the severity and length of any downturn in an industry may also affect overall access to capital, which could adversely affect our customers and result in excess inventory and impairment charges. During periods of reduced and declining demand for test

equipment, we are exposed to additional receivable risk from non-payment and may need to rapidly align our cost structure with prevailing market conditions, which may negatively impact our operating results and cash flows.

Seasonality of our electronic test equipment business may impact quarterly results.

Generally, rental activity declines in the fourth quarter month of December and the first quarter months of January and February. These months may have lower rental activity due to holiday closures, particularly by larger companies, inclement weather and its impact on various field related communications equipment rentals, and companies' operational recovery from holiday closures which may impact the start-up of new projects coming online in the first quarter. These seasonal factors historically have impacted quarterly results in each year's first and fourth quarter, but we are unable to predict how such factors may impact future periods.

Our rental test equipment may become obsolete or may no longer be supported by a manufacturer, which could result in an impairment charge.

Electronic test equipment is characterized by changing technology and evolving industry standards that may render our existing equipment obsolete through new product introductions, or enhancements, before the end of its anticipated useful life, causing us to incur impairment charges. We must anticipate and keep pace with the introduction of new hardware, software and networking technologies and acquire equipment that will be marketable to our current and prospective customers.

Additionally, some manufacturers of our equipment may be acquired or cease to exist, resulting in a future lack of support for equipment purchased from those manufacturers. This could result in the remaining useful life becoming shorter, causing us to incur an impairment charge. We monitor our manufacturers' capacity to support their products and the introduction of new technologies, and we acquire equipment that will be marketable to our current and prospective customers. However, any prolonged economic downturn could result in unexpected bankruptcies or reduced support from our manufacturers. Failure to properly select, manage and respond to the technological needs of our customers and changes to our products through their technology life cycle may cause certain electronic test equipment to become obsolete, resulting in impairment charges, which may negatively impact operating results and cash flows.

If we do not effectively compete in the rental equipment market, our operating results will be materially and adversely affected.

The electronic test equipment rental business is characterized by intense competition from several competitors, including Electro Rent Corporation, Microlease, Continental Resources and TestEquity, some of which may have access to greater financial and other resources than we do. Although no single competitor holds a dominant market share, we face competition from these established entities and new entrants in the market. We believe that we anticipate and keep pace with the introduction of new products and acquire equipment that will be marketable to our current and prospective customers. We compete on the basis of a number of factors, including product availability, price, service and reliability. Some of our competitors may offer similar equipment for lease, rental or sale at lower prices and may offer more extensive servicing, or financing options. Failure to adequately forecast the adoption of, and demand for, new or existing products may cause us not to meet our customers' equipment requirements and may materially and adversely affect our operating results.

If we are not able to obtain equipment at favorable rates, there could be a material adverse effect on our operating results and reputation.

The majority of our rental equipment portfolio is comprised of general purpose test and measurement instruments purchased from leading manufacturers such as Keysight Technologies (formerly Agilent Technologies) and Tektronix, a division of Danaher Corporation. We depend on purchasing equipment from these manufacturers and suppliers for use as our rental equipment. If, in the future, we are not able to purchase necessary equipment from one or more of these suppliers on favorable terms, we may not be able to meet our customers' demands in a timely manner or for a rental rate that generates a profit. If this should occur, we may not be able to secure necessary equipment from an alternative source on acceptable terms and our business and reputation may be materially and adversely affected.

If we are not able to anticipate and mitigate the risks associated with operating internationally, there could be a material adverse effect on our operating results.

Currently, total foreign country customers and operations account for less than 10% of the Company's revenues. In recent years some of our customers have expanded their international operations faster than domestic operations, and this trend may continue. Additionally, in 2013 TRS-RenTelco established an in-country operation in India. Over time, we anticipate the amount of our international business may increase if our focus on international market opportunities continues. Operating in foreign countries subjects the Company to additional risks, any of which may adversely impact our future operating results, including:

- international political, economic and legal conditions including tariffs and trade barriers;
- our ability to comply with customs, anti-corruption, import/export and other trade compliance regulations, together with any unexpected changes in such regulations;
- greater difficulty in our ability to recover rental equipment and obtain payment of the related trade receivables;
- additional costs to establish and maintain international subsidiaries and related operations;
- difficulties in attracting and retaining staff and business partners to operate internationally;
- language and cultural barriers;
- seasonal reductions in business activities in the countries where our international customers are located;
- difficulty with the integration of foreign operations;
- longer payment cycles;
- currency fluctuations; and
- potential adverse tax consequences.

Unfavorable currency exchange rates may negatively impact our financial results in U.S. dollar terms.

We receive revenues in Canadian dollars from our business activities in Canada and Indian Rupees from our business activities in India. Conducting business in currencies other than U.S. dollars subjects us to fluctuations in currency exchange rates. If the currency exchange rates change unfavorably, the value of net receivables we receive in foreign currencies and later convert to U.S. dollars after the unfavorable change would be diminished. This could have a negative impact on our reported operating results. We currently do not engage in hedging strategies to mitigate this risk.

SPECIFIC RISKS RELATED TO OUR LIQUID AND SOLID CONTAINMENT TANKS AND BOXES BUSINESS SEGMENT:

We may be brought into tort or environmental litigation or held responsible for cleanup of spills if the customer fails to perform, or an accident occurs in the use of our rental products, which could materially adversely affect our business, future operating results or financial position.

Our rental tanks and boxes are used by our customers to store non-hazardous and certain hazardous liquids and solids on the customer's site. Our customers are generally responsible for proper operation of our tank and box rental equipment while on rent and returning a cleaned and undamaged container upon completion of use, but exceptions may be granted and we cannot always assure that these responsibilities are fully met in all cases. Although we require the customer to carry commercial general liability insurance in a minimum amount of \$5,000,000, such policies often contain pollution exclusions and other exceptions. Furthermore, we cannot be certain our liability insurance will always be sufficient. In addition, if an accident were to occur involving our rental equipment or a spill of substances were to occur when the tank or box was in transport or on rent with our customer, a claim could be made against us as owner of the rental equipment.

In the event of a spill or accident, we may be brought into a lawsuit or enforcement action by either our customer or a third party on numerous potential grounds, including an allegation that an inherent flaw in a tank or box contributed to an accident or that the tank had suffered some undiscovered harm from a previous customer's prior use. In the event of a spill caused by our customers, we may be held responsible for cleanup under environmental laws and regulations concerning obligations of suppliers of rental products to effect remediation. In addition, applicable environmental laws and regulations may impose liability on us for the conduct of third parties, or for actions that complied with applicable regulations when taken, regardless of negligence or fault. Substantial damage awards have also been made in certain jurisdictions against lessors of industrial equipment based upon claims of personal injury, property damage, and resource damage caused by the use of various products. While we take what we believe are reasonable precautions that our rental equipment is in good and safe condition prior to rental and carry insurance to protect against certain risks of loss or accidents, such liability could adversely impact our profitability.

The liquid and solid containment rental industry is highly competitive, and competitive pressures could lead to a decrease in our market share or in rental rates and our ability to rent, or sell, equipment at favorable prices, which could adversely affect our operating results.

The liquid and solid containment rental industry is highly competitive. We compete against national, regional and local companies, including BakerCorp and Rain For Rent, both of which are significantly larger than we are and both of which may have greater financial and marketing resources than we have. Some of our competitors also have longer operating histories, lower cost basis of rental equipment, lower cost structures and more established relationships with equipment manufacturers than we have. In addition, certain of our competitors are more geographically diverse than we are and have greater name recognition among customers than we do. As a result, our competitors that have these advantages may be better able to attract customers and provide their products and services at lower rental rates. Some competitors offer different approaches to liquid storage, such as large-volume modular tanks that may have better economics and compete with conventional frac tanks in certain oil and gas field applications. We may in the future encounter increased competition in the markets that we serve from existing competitors or from new market entrants.

We believe that equipment quality, service levels, rental rates and fleet size are key competitive factors in the liquid and solid containment rental industry. From time to time, we or our competitors may attempt to compete aggressively by lowering rental rates or prices. Competitive pressures could adversely affect our revenues and operating results by decreasing our market share or depressing rental rates. To the extent we lower rental rates or increase our fleet in order to retain or increase market share, our operating margins would be adversely impacted. In addition, we may not be able to match a larger competitor's price reductions or fleet investment because of its greater financial resources, all of which could adversely impact our operating results through a combination of a decrease in our market share, revenues and operating income.

Market risk, commodity price volatility, regulatory changes or interruptions and cyclical downturns in the industries using tanks and boxes may result in periods of low demand for our products resulting in excess inventory, impairment charges and reduction of our operating results and cash flows.

Adler Tanks' revenues are derived from the rental of tanks and boxes to companies involved in oil and gas exploration, extraction and refinement, environmental remediation and wastewater/groundwater treatment, infrastructure and building construction and various industrial services, among others. In the quarter and six months ended June 30, 2016, oil and gas exploration and production accounted for approximately 11% of Adler Tanks' rental revenues, and approximately 2% of the Company's total revenues. We expect tank and box rental revenues will primarily be affected by the business activity within these industries. Historically, these industries have been cyclical and have experienced periodic downturns, which have a material adverse impact on the industry's demand for equipment, including the tanks and boxes rented by us. Lower oil or gas prices may have an adverse effect on our liquid and solid containment tanks and boxes business. The recent steep decline in both domestic and international oil prices driven by materially higher supply levels and weak demand could have a significant negative impact on the industry's demand for equipment, especially if such market conditions continue for an extended period of time. If the price reduction causes customers to limit or stop exploration, extraction or refinement activities, resulting in lower demand and pricing for renting Adler Tank's products, our financial results could be adversely impacted. Also, a weak U.S. economy may negatively impact infrastructure construction and industrial activity. Any of these factors may result in excess inventory or impairment charges and reduce our operating results and cash flows.

Changes in regulatory, or governmental, oversight of hydraulic fracturing could materially adversely affect the demand for our rental products and reduce our operating results and cash flows.

We believe that demand related to hydraulic fracturing has increased the total rental revenues and market size in recent years. In 2015, hydraulic fracturing projects accounted for approximately 10% of Adler Tanks' total revenues and approximately 2% of the Company's total revenues. Oil and gas exploration and extraction (including use of tanks for hydraulic fracturing to obtain shale oil and shale gas) are subject to numerous local, state and federal regulations. The hydraulic fracturing method of extraction has come under scrutiny in several states and by the Federal government due to the potential adverse effects that hydraulic fracturing, and the liquids and chemicals used, may have on water quality and public health. In addition, the disposal of wastewater from the hydraulic fracturing process into injection wells may increase the rate of seismic activity near drill sites and could result in regulatory changes, delays or interruption of future activity. Changes in these regulations could limit, interrupt, or stop exploration and extraction activities, which would negatively impact the demand for our rental products. Finally, it is possible that changes in the technology utilized in hydraulic fracturing could make it less dependent on liquids and therefore lower the related requirements for the use of our rental products, which would reduce our operating results and cash flows.

Seasonality of the liquid and solid containment rental industry may impact quarterly results.

Rental activity may decline in the fourth quarter month of December and the first quarter months of January and February. These months may have lower rental activity in parts of the country where inclement weather may delay, or suspend, a company's project. The impact of these delays may be to decrease the number of tanks, or boxes, on rent until companies are able to resume their projects when weather improves. These seasonal factors historically have impacted quarterly results in each year's first and fourth quarter, but we are unable to predict how such factors may impact future periods.

Significant increases in raw material, fuel and labor costs could increase our acquisition and operating costs of rental equipment, which would increase operating costs and decrease profitability.

Increases in raw material costs such as steel and labor to manufacture liquid and solid containment tanks and boxes would increase the cost of acquiring new equipment. These price increases could materially and adversely impact our financial condition and results of operations if we are not able to recoup these increases through higher rental revenues. In addition, a significant amount of revenues are generated from the transport of rental equipment to and from customers. We own delivery trucks, employ drivers and utilize subcontractors to provide these services. The price of fuel can be unpredictable and beyond our control. During periods of rising fuel and labor costs, and in particular when prices increase rapidly, we may not be able to recoup these costs from our customers, which would reduce our profitability.

Failure by third parties to manufacture our products timely or properly may harm our ability to meet customer demand and harm our financial condition.

We are dependent on a variety of third party companies to manufacture equipment to be used in our rental fleet. In some cases, we may not be able to procure equipment on a timely basis to the extent that manufacturers for the quantities of equipment we need are not able to produce sufficient inventory on schedules that meet our delivery requirements. If demand for new equipment increases significantly, especially during a seasonal manufacturing slowdown, manufacturers may not be able to meet customer orders on a timely basis. As a result, we at times may experience long lead-times for certain types of new equipment and we cannot assure that we will be able to acquire the types or sufficient numbers of the equipment we need to grow our rental fleet as quickly as we would like and this could harm our ability to meet customer demand and harm our financial condition.

We derive a meaningful amount of our revenue in our liquid and solid containment tank and boxes business from a limited number of customers, the loss of one or more of which could have an adverse effect on our business.

Periodically, a meaningful portion of our revenue in our liquid and solid containment tank and boxes business may be generated from a few major customers. Although we have some long-term relationships with our major customers, we cannot be assured that our customers will continue to use our products or services or that they will continue to do so at historical levels. The loss of any meaningful customer, the failure to collect a material receivable from a meaningful customer, any material reduction in orders by a meaningful customer or the cancellation of a meaningful customer order could significantly reduce our revenues and consequently harm our financial condition and our ability to fund our operations.

We may not be able to quickly redeploy equipment returning from leases at equivalent prices.

Many of our rental transactions are short-term in nature with pricing established on a daily basis. The length of time that a customer needs equipment can often be difficult to determine and can be impacted by a number of factors such as weather, customer funding and project delays. In addition, our equipment is primarily used in the oil and gas, industrial plant services, environmental remediation and infrastructure and building construction industries. Changes in the economic conditions facing any of those industries could result in a significant number of units returning off rent, both for us and our competitors.

If the supply of rental equipment available on the market significantly increases due to units coming off rent, demand for and pricing of our rental products could be adversely impacted. We may experience delays in remarketing our off-rent units to new customers and incur cost to move the units to other regions where demand is stronger. Actions in these circumstances by our competitors may also depress the market price for rental units. These delays and price pressures would adversely affect equipment utilization levels and total revenues, which would reduce our profitability.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. MINE SAFETY DISCLOSURES

None.

Item 5. Other Information

None.

Item 6. Exhibits

- 10.1 McGrath RentCorp 2016 Stock Incentive Plan. (Filed as Appendix A to the Company's Proxy Statement for 2016 Annual Meeting of Shareholders and incorporated herein by reference).
- 10.1.1 Form of 2016 Stock Incentive Plan Non-Employee Director Restricted Stock Unit Award and Agreement.
- 10.1.2 Form of 2016 Stock Incentive Plan Employee Restricted Stock Unit Award and Agreement.
- 10.1.3 Form of 2016 Stock Incentive Plan Stock Appreciation Right Award and Agreement.
- 15.1 Awareness Letter From Grant Thornton LLP.
- 31.1 Certification of Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to Title 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to Title 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101 The following materials from McGrath RentCorp's Quarterly report on Form 10-Q for the quarter ended June 30, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statement of Income, (ii) the Condensed Consolidated Balance Sheet, (iii) the Condensed Consolidated Statement of Cash Flows, and (iv) Notes to Condensed Consolidated Financial Statements.

Signatures

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

Date: August 2, 2016

McGrath RentCorp

By: /s/ Keith E. Pratt

Keith E. Pratt

Senior Vice President and Chief Financial Officer

By: /s/ David M. Whitney

David M. Whitney

Vice President, Controller and Principal Accounting Officer

**MCGRATH RENTCORP
2016 STOCK INCENTIVE PLAN**

NOTICE OF RESTRICTED STOCK UNIT AWARD

Grantee’s Name and Address:

You (the “Grantee”) have been granted an award of Restricted Stock Units (the “Award”), subject to the terms and conditions of this Notice of Restricted Stock Unit Award (the “Notice”), the McGrath RentCorp 2016 Stock Incentive Plan, as amended from time to time (the “Plan”) and the Restricted Stock Unit Agreement (the “Agreement”) attached hereto, as follows. Unless otherwise provided herein, the terms in this Notice shall have the same meaning as those defined in the Plan.

Award Number

Date of Award

Scheduled Settlement Date

Total Number of Restricted Stock

Units Awarded (the “Units”)

Vesting and Settlement

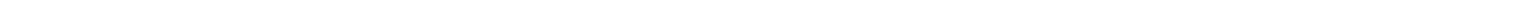
Subject to the limitations set forth in this Notice, the Agreement and the Plan, the Units will “vest” and be settled in accordance with the following schedules:

Vesting Schedule:

Subject to the Grantee’s Continuous Service, 100% of the Units subject to the Award shall vest on April 1, 2016 (the “Scheduled Vesting Date”).

Notwithstanding the foregoing, in the event of any of the following occurrences prior to the Scheduled Vesting Date (any such event, an “Accelerated Vesting Event”), 100% of the Units subject to the Award shall vest immediately prior to the specified effective date of (and contingent upon) a Change in Control or a Corporate Transaction (each as defined in the Plan) which also constitutes a “change in the ownership or effective control, or in the ownership of a substantial portion of the assets” (as defined in Section 409A of the Code) of the Company.

For purposes of this Notice and the Agreement, the term “vest” shall mean, with respect to any Units, that such Units are no longer subject to forfeiture to the Company. If the Grantee would become vested in a fraction of a Unit, such Unit shall not vest until the Grantee becomes vested in the entire Unit.



Vesting shall cease upon the date the Grantee terminates Continuous Service for any reason, including Disability. In the event the Grantee terminates Continuous Service for any reason, including Disability, any unvested Units held by the Grantee immediately upon such termination of the Grantee's Continuous Service shall be forfeited and deemed reconveyed to the Company and the Company shall thereafter be the legal and beneficial owner of such reconveyed Units and shall have all rights and interest in or related thereto without further action by the Grantee.

Settlement Schedule:

Subject to Section 3 of the Agreement, one share of Common Stock shall be issuable for each vested Unit subject to the Award (the "Shares") upon the earliest of (i) the Scheduled Settlement Date; (ii) an Accelerated Vesting Event; (iii) the specified effective date of a Change in Control or a Corporate Transaction (each as defined in the Plan) which also constitutes a "change in the ownership or effective control, or in the ownership of a substantial portion of the assets" (as defined in Section 409A of the Code) of the Company; or (iv) (check all that apply):

- a termination of the Grantee's Continuous Service which also constitutes a separation from service under Section 1.409A-1(c)(2)(ii) of the Treasury Regulations;
- the Grantee's death;
- the Grantee's Disability (as defined in the Plan) which also constitutes a "disability" (as defined in Section 1.409A-3(i)(4) of the Treasury Regulations).

Within thirty (30) days thereafter, the Company will transfer the appropriate number of Shares to the Grantee after satisfaction of any required tax or other withholding obligations. The Company may however, in its sole discretion, make a cash payment in lieu of the issuance of the Shares in an amount equal to the value of one share of Common Stock multiplied by the number of Units subject to the Award.

During any authorized leave of absence, the vesting of the Units as provided in this schedule shall be suspended (to the extent permitted under Section 409A of the Code) after the leave of absence exceeds a period of three (3) months. The Vesting Schedule of the Units shall be extended by the length of the suspension. Vesting of the Units shall resume upon the Grantee's termination of the leave of absence and return to service to the Company or a Related Entity; provided, however, that if the leave of absence exceeds six (6) months, and a return to service upon expiration of such leave is not guaranteed by statute or contract, then (a) the Grantee's Continuous Service shall be deemed to terminate on the first date following such six-month period and (b) the Grantee will forfeit the Units that are unvested on the date of the Grantee's termination of Continuous Service. An authorized leave of absence shall include sick leave, military leave, or other bona fide leave of absence (such as temporary employment by the government). Notwithstanding the foregoing, with respect to a leave of absence due to any medically determinable physical or mental impairment of the Grantee that can be expected to result in death or can be expected to last for a continuous period of not less than six (6) months, where such impairment causes the Grantee to be unable to perform the duties of the Grantee's

position of employment or substantially similar position of employment, a twenty-nine (29) month period of absence shall be substituted for such six (6) month period above.

The Vesting and Settlement Schedules set forth in this Notice are intended to supersede Section 11 of the Plan.

The elections made by the Grantee in the Settlement Schedule shall not be amended except in compliance with Section 409A of the Code, and in particular in compliance with Section 1.409A-2(b) of the Treasury Regulations.

IN WITNESS WHEREOF, the Company and the Grantee have executed this Notice and agree that the Award is to be governed by the terms and conditions of this Notice, the Plan, and the Agreement.

McGrath RentCorp
a California corporation

By: /s/ Dennis C. Kakures

Title: President and CEO

THE GRANTEE ACKNOWLEDGES AND AGREES THAT THE UNITS SHALL VEST, IF AT ALL, ONLY DURING THE PERIOD OF THE GRANTEE'S CONTINUOUS SERVICE OR AS OTHERWISE SPECIFICALLY PROVIDED HEREIN (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS AWARD OR ACQUIRING SHARES HEREUNDER). THE GRANTEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS NOTICE, THE AGREEMENT, NOR IN THE PLAN, SHALL CONFER UPON THE GRANTEE ANY RIGHT WITH RESPECT TO CONTINUATION OF THE GRANTEE'S CONTINUOUS SERVICE, NOR SHALL IT INTERFERE IN ANY WAY WITH THE GRANTEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE THE GRANTEE'S CONTINUOUS SERVICE AT ANY TIME, WITH OR WITHOUT CAUSE, AND WITH OR WITHOUT NOTICE.

Grantee Acknowledges and Agrees:

The Grantee acknowledges receipt of a copy of the Plan and the Agreement and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts the Award subject to all of the terms and provisions hereof and thereof. The Grantee has reviewed this Notice, the Agreement and the Plan in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Notice and fully understands all provisions of this Notice, the Agreement and the Plan.

The Grantee further acknowledges that, from time to time, the Company may be in a “blackout period” and/or subject to applicable federal securities laws that could subject the Grantee to liability for engaging in any transaction involving the sale of the Company’s Shares. The Grantee further acknowledges and agrees that, prior to the sale of any Shares acquired under this Award, it is the Grantee’s responsibility to determine whether or not such sale of Shares will subject the Grantee to liability under insider trading rules or other applicable federal securities laws.

The Grantee understands that the Award is subject to the Grantee’s consent to access this Notice, the Agreement, the Plan and the Plan prospectus (collectively, the “Plan Documents”) in electronic form on the Company’s intranet or the website of the Company’s designated brokerage firm, if applicable. By signing below (or providing an electronic signature by clicking below) and accepting the grant of the Award, the Grantee: (i) consents to access electronic copies (instead of receiving paper copies) of the Plan Documents via the Company’s intranet or the website of the Company’s designated brokerage firm, if applicable; (ii) represents that the Grantee has access to the Company’s intranet or the website of the Company’s designated brokerage firm, if applicable; (iii) acknowledges receipt of electronic copies, or that the Grantee is already in possession of paper copies, of the Plan Documents; and (iv) acknowledges that the Grantee is familiar with and accepts the Award subject to the terms and provisions of the Plan Documents.

The Company may, in its sole discretion, decide to deliver any Plan Documents by electronic means or request the Grantee’s consent to participate in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

The Grantee hereby agrees that all questions of interpretation and administration relating to this Notice, the Plan and the Agreement shall be resolved by the Administrator in accordance with Section 9 of the Agreement. The Grantee further agrees to the venue and jurisdiction selection in accordance with Section 10 of the Agreement. The Grantee further agrees to notify the Company upon any change in his or her residence address indicated in this Notice.

Date: _____

Grantee’s Signature

Grantee’s Address:

**MCGRATH RENTCORP
2016 STOCK INCENTIVE PLAN**

RESTRICTED STOCK UNIT AGREEMENT

1. Issuance of Units. McGrath RentCorp, a California corporation (the “Company”), hereby issues to the Grantee (the “Grantee”) named in the Notice of Restricted Stock Unit Award (the “Notice”) an award (the “Award”) of the Total Number of Restricted Stock Units Awarded set forth in the Notice (the “Units”), subject to the Notice, this Restricted Stock Unit Agreement (the “Agreement”) and the terms and provisions of the McGrath RentCorp 2016 Stock Incentive Plan, as amended from time to time (the “Plan”), which is incorporated herein by reference. Unless otherwise provided herein, the terms in this Agreement shall have the same meaning as those defined in the Plan.

2. Transfer Restrictions. The Units may not be transferred in any manner other than by will or by the laws of descent and distribution.

3. Delays in the Conversion of Units and Issuance of Shares.

(a) Delay of Conversion. The conversion of the Units into the Shares as set forth in the Notice shall be delayed in the event the Company reasonably anticipates that the issuance of the Shares would constitute a violation of federal securities laws or other Applicable Law. If the conversion of the Units into the Shares is delayed by the provisions of this Section 3(a), the conversion of the Units into the Shares shall occur at the earliest date at which the Company reasonably anticipates issuing the Shares will not cause a violation of federal securities laws or other Applicable Law. For purposes of this Section 3(a), the issuance of Shares that would cause inclusion in gross income or the application of any penalty provision or other provision of the Code is not considered a violation of Applicable Law.

(b) Delay of Issuance of Shares. The Company shall delay the issuance of any Shares under the Notice and this Section 3 to the extent necessary to comply with Section 409A(a)(2)(B)(i) of the Code (relating to payments made to certain “specified employees” of certain publicly-traded companies); in such event, any Shares to which the Grantee would otherwise be entitled during the six (6) month period following the date of the Grantee’s termination of Continuous Service will be issuable on the first business day following the expiration of such six (6) month period.

4. Right to Shares. The Grantee shall not have any right in, to or with respect to any of the Shares (including any voting rights or rights with respect to dividends paid on the Common Stock) issuable under the Award until the Award is settled by the issuance of such Shares to the Grantee; provided, however, that vested Units that have not been settled shall accrue amounts equivalent to the dividends declared on the number of Shares subject to such vested Units, which amounts shall be paid in cash without interest to the Grantee at the time such Units are settled as set forth in the Notice (or, if later, upon payment of the dividend).

5. Restrictive Covenants. Grantee acknowledges and agrees that Grantee's eligibility for, receipt of, and vesting of the Award is conditioned upon Grantee's compliance at all times with (a) the Company's Proprietary Information Agreement entered into between the Grantee and the Company and (b) the Company's governance policies, including, without limitation, the Company's Code of Business Conduct and Ethics.

6. Taxes.

(a) Tax Liability. The Grantee is ultimately liable and responsible for all taxes owed by the Grantee in connection with the Award, regardless of any action the Company or any Related Entity takes with respect to any tax withholding obligations that arise in connection with the Award. Neither the Company nor any Related Entity makes any representation or undertaking regarding the treatment of any tax withholding in connection with any aspect of the Award, including the grant, vesting, assignment, release or cancellation of the Units, the delivery of Shares, the subsequent sale of any Shares acquired upon vesting and the receipt of any dividends or dividend equivalents. The Company does not commit and is under no obligation to structure the Award to reduce or eliminate the Grantee's tax liability.

(b) Payment of Withholding Taxes. Prior to any event in connection with the Award (e.g., vesting) that the Company determines may result in any tax withholding obligation, whether United States federal, state, local or non-U.S., including any social insurance, employment tax, payment on account or other tax-related obligation (the "Tax Withholding Obligation"), the Grantee must arrange for the satisfaction of the minimum amount of such Tax Withholding Obligation in the manner described within this Section 6(b). If the Award is settled in Shares, then at any time not less than five (5) business days (or such fewer number of business days as determined by the Administrator) before any Tax Withholding Obligation arises (e.g., a vesting date), the Grantee may elect to satisfy the Grantee's Tax Withholding Obligation by delivering to the Company an amount that the Company determines is sufficient to satisfy the Tax Withholding Obligation by (x) wire transfer to such account as the Company may direct, (y) delivery of a certified check payable to the Company, or (z) such other means as specified from time to time by the Administrator. If Grantee does not make such arrangements, the Company shall withhold from those Shares otherwise issuable to the Grantee the whole number of Shares sufficient to satisfy the minimum applicable Tax Withholding Obligation. The Grantee acknowledges that the withheld Shares may not be sufficient to satisfy the Grantee's minimum Tax Withholding Obligation. Accordingly, in that event, the Grantee agrees to pay to the Company or any Related Entity as soon as practicable, including through additional payroll withholding, any amount of the Tax Withholding Obligation that is not satisfied by the withholding of Shares described above. In the event that the Company elects to settle the Award by making a cash payment in lieu of the issuance of Shares as described in the Notice, the Company shall withhold from the cash amount otherwise payable to the Grantee an amount sufficient to satisfy the minimum applicable Tax Withholding Obligation.

7. Entire Agreement; Governing Law. The Notice, the Plan and this Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Grantee with respect to the subject matter hereof, and may not be modified adversely to the Grantee's interest except by means of a writing signed by the Company and the Grantee. These

agreements are to be construed in accordance with and governed by the internal laws of the State of California without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of California to the rights and duties of the parties. Should any provision of the Notice or this Agreement be determined to be illegal or unenforceable, the other provisions shall nevertheless remain effective and shall remain enforceable.

8. Construction. The captions used in the Notice and this Agreement are inserted for convenience and shall not be deemed a part of the Award for construction or interpretation. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

9. Administration and Interpretation. Any question or dispute regarding the administration or interpretation of the Notice, the Plan or this Agreement shall be submitted by the Grantee or by the Company to the Administrator. The resolution of such question or dispute by the Administrator shall be final and binding on all persons.

10. Venue and Jurisdiction. The parties agree that any suit, action, or proceeding arising out of or relating to the Notice, the Plan or this Agreement shall be brought exclusively in the United States District Court for the Northern District of California (or should such court lack jurisdiction to hear such action, suit or proceeding, in a California state court in the County of Alameda) and that the parties shall submit to the jurisdiction of such court. The parties irrevocably waive, to the fullest extent permitted by law, any objection the party may have to the laying of venue for any such suit, action or proceeding brought in such court. If any one or more provisions of this Section 10 shall for any reason be held invalid or unenforceable, it is the specific intent of the parties that such provisions shall be modified to the minimum extent necessary to make it or its application valid and enforceable.

11. Notices. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery, upon deposit for delivery by an internationally recognized express mail courier service or upon deposit in the United States mail by certified mail (if the parties are within the United States), with postage and fees prepaid, addressed to the other party at its address as shown in these instruments, or to such other address as such party may designate in writing from time to time to the other party.

12. Data Privacy.

(a) The Grantee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Grantee’s personal data as described in the Notice and this Agreement by and among, as applicable, the Grantee’s employer, the Company and any Related Entity for the exclusive purpose of implementing, administering and managing the Grantee’s participation in the Plan.

(b) The Grantee understands that the Company and the Grantee’s employer may hold certain personal information about the Grantee, including, but not limited to, the Grantee’s name, home address and telephone number, date of birth, social insurance or other identification

number, salary, nationality, job title, any Shares or directorships held in the Company, details of all Units or any other entitlement to Shares awarded, canceled, vested, unvested or outstanding in the Grantee's favor, for the exclusive purpose of implementing, administering and managing the Plan ("Data").

(c) The Grantee understands that Data will be transferred to any third party assisting the Company with the implementation, administration and management of the Plan. The Grantee understands that the recipients of the Data may be located in the Grantee's country, or elsewhere, and that the recipients' country may have different data privacy laws and protections than the Grantee's country. The Grantee understands that the Grantee may request a list with the names and addresses of any potential recipients of the Data by contacting the Grantee's local human resources representative. The Grantee authorizes the Company and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing the Grantee's participation in the Plan. The Grantee understands that Data will be held only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan. The Grantee understands that the Grantee may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Grantee's local human resources representative. The Grantee understands, however, that refusal or withdrawal of consent may affect the Grantee's ability to participate in the Plan. For more information on the consequences of the Grantee's refusal to consent or withdrawal of consent, the Grantee understands that the Grantee may contact the Grantee's local human resources representative.

13. Language. If the Grantee has received this Agreement or any other document related to the Plan translated into a language other than English and if the translated version is different than the English version, the English version will control, unless otherwise prescribed by Applicable Law.

14. Amendment and Delay to Meet the Requirements of Section 409A. The Grantee acknowledges that the Company, in the exercise of its sole discretion and without the consent of the Grantee, may amend or modify this Agreement in any manner and delay the issuance of any Shares issuable pursuant to this Agreement to the minimum extent necessary to meet the requirements of Section 409A of the Code as amplified by any Treasury regulations or guidance from the Internal Revenue Service as the Company deems appropriate or advisable. In addition, the Company makes no representation that the Award will comply with Section 409A of the Code and makes no undertaking to prevent Section 409A of the Code from applying to the Award or to mitigate its effects on any deferrals or payments made in respect of the Units. The Grantee is encouraged to consult a tax adviser regarding the potential impact of Section 409A of the Code.

END OF AGREEMENT

MCGRATH RENTCORP

2016 STOCK INCENTIVE PLAN

NOTICE OF RESTRICTED STOCK UNIT AWARD

Grantee's Name and Address:

You (the "Grantee") have been granted an award of Restricted Stock Units (the "Award"), subject to the terms and conditions of this Notice of Restricted Stock Unit Award (the "Notice"), the McGrath RentCorp 2016 Stock Incentive Plan, as amended from time to time (the "Plan") and the Restricted Stock Unit Agreement (the "Agreement") attached hereto, as follows. Unless otherwise provided herein, the terms in this Notice shall have the same meaning as those defined in the Plan.

Award Number

Date of Award

Vesting Commencement Date

_____Total Number of Restricted Stock
Units Awarded (the "Units")_____Vesting Schedule:

Subject to the Grantee's Continuous Service and other limitations set forth in this Notice, the Agreement and the Plan, the Units will "vest" in accordance with the following schedule (the "Vesting Schedule"):

Units shall vest only if the Company's cumulative earnings per share for the period from January 1, 2015 through December 31, 2017 (the "Determination Date") (the "Cumulative EPS") is at least equal to ninety-one percent (91%) of the EPS target set by the Board for the Company for such period (the "EPS Vesting Target"). Based on the Cumulative EPS, a number of the Units shall be eligible to vest (the "Eligible Units"), as follows:

<u>Percentage of EPS Vesting Target Achieved</u>	<u>Percentage of the Units Eligible to Vest ("Eligible Units")</u>
Less than 91%	0%
91%	10%
92%	20%
93%	30%
94%	40%

<u>Percentage of EPS Vesting Target Achieved</u>	<u>Percentage of the Units Eligible to Vest (“Eligible Units”)</u>
95%	50%
96%	60%
97%	70%
98%	80%
99%	90%
100%	100%
101%	110%
102%	120%
103%	130%
104%	140%
105%	150%
106%	160%
107%	170%
108%	180%
109%	190%
110%	200%
More than 110%	200%

If the Cumulative EPS is between two percentages set forth above, then: (i) if the Cumulative EPS is less than 100% of the EPS Vesting Target, it shall be rounded down to the lower percentage for purposes of determining the number of Eligible Units; and (ii) if the Cumulative EPS is greater than 100% of the EPS Vesting Target, then the number of Eligible Units shall be a percentage of the Units proportionate to the percentage of the EPS Vesting Target achieved. For example, if the Cumulative EPS is 93.6% of the EPS Vesting Target, then the number of Eligible Units would equal 30% of the Units, and if the Cumulative EPS is 103.6%, then the number of Eligible Units would equal 136% of the Units. In the event that the number of Eligible Units includes a fractional Unit, it shall be rounded up to the next whole Unit. If the Cumulative EPS is less than 100% of the EPS Vesting Target, then a number of Units equal to (x) the Total Number of Units Awarded minus (y) the number of Eligible Units shall be forfeited and deemed reconveyed to the Company upon that determination by the Company, and the Company shall thereafter be the legal and beneficial owner of such reconveyed Units and shall have all rights and interest in or related thereto without further action by the Grantee.

If the Cumulative EPS is at least equal to ninety-one percent (91%) of the EPS Vesting Target, then sixty percent (60%) of the Eligible Units (the “Initial Vesting Tranche”) shall vest following the Determination Date upon the determination by the Company of the Cumulative EPS, provided that such determination shall be completed no later than March 15, 2018. Subject to the Grantee’s Continuous Service, an additional twenty percent (20%) of the Eligible Units shall vest on each of the fourth and fifth anniversaries of the Vesting Commencement Date.

In addition, the vesting provisions of Section 11 of the Plan shall apply to the Award.

For purposes of this Notice and the Agreement, the term “vest” shall mean, with respect to any Units, that such Units are no longer subject to forfeiture to the Company. If the Grantee would become vested in a fraction of a Unit, such Unit shall not vest until the Grantee becomes vested in the entire Unit.

Vesting shall cease upon the date the Grantee terminates Continuous Service for any reason, including death or Disability. In the event the Grantee terminates Continuous Service for any reason, including death or Disability, any unvested Units held by the Grantee immediately upon such termination of the Grantee’s Continuous Service shall be forfeited and deemed reconveyed to the Company and the Company shall thereafter be the legal and beneficial owner of such reconveyed Units and shall have all rights and interest in or related thereto without further action by the Grantee. Notwithstanding the foregoing, in the event the Grantee remains in Continuous Service through the Determination Date, the Grantee shall vest in any Units that vest in the Initial Vesting Tranche, even if the Grantee’s Continuous Service has terminated in the interim.

IN WITNESS WHEREOF, the Company and the Grantee have executed this Notice and agree that the Award is to be governed by the terms and conditions of this Notice, the Plan, and the Agreement.

McGrath RentCorp
a California corporation

By: /s/ Dennis C. Kakures

Title: President and CEO

THE GRANTEE ACKNOWLEDGES AND AGREES THAT THE UNITS SHALL VEST, IF AT ALL, ONLY DURING THE PERIOD OF THE GRANTEE’S CONTINUOUS SERVICE OR AS OTHERWISE SPECIFICALLY PROVIDED HEREIN (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS AWARD OR ACQUIRING SHARES OR CASH AMOUNTS HEREUNDER). THE GRANTEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS NOTICE, THE AGREEMENT, NOR IN THE PLAN, SHALL CONFER UPON THE GRANTEE ANY RIGHT WITH RESPECT TO CONTINUATION OF THE GRANTEE’S CONTINUOUS SERVICE, NOR SHALL IT INTERFERE IN ANY WAY WITH THE GRANTEE’S RIGHT OR THE COMPANY’S RIGHT TO TERMINATE THE GRANTEE’S CONTINUOUS SERVICE AT ANY TIME, WITH OR WITHOUT CAUSE, AND WITH OR WITHOUT NOTICE. THE GRANTEE ACKNOWLEDGES THAT UNLESS THE GRANTEE HAS A WRITTEN EMPLOYMENT AGREEMENT WITH THE COMPANY TO THE CONTRARY, THE GRANTEE’S STATUS IS AT WILL.

Grantee Acknowledges and Agrees:

The Grantee acknowledges receipt of a copy of the Plan and the Agreement and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts the Award subject to all of the terms and provisions hereof and thereof. The Grantee has reviewed this Notice, the Agreement and the Plan in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Notice and fully understands all provisions of this Notice, the Agreement and the Plan.

The Grantee further acknowledges that, from time to time, the Company may be in a “blackout period” and/or subject to applicable federal securities laws that could subject the Grantee to liability for engaging in any transaction involving the sale of the Company’s Shares. The Grantee further acknowledges and agrees that, prior to the sale of any Shares acquired under this Award, it is the Grantee’s responsibility to determine whether or not such sale of Shares will subject the Grantee to liability under insider trading rules or other applicable federal securities laws.

The Grantee understands that the Award is subject to the Grantee’s consent to access this Notice, the Agreement, the Plan and the Plan prospectus (collectively, the “Plan Documents”) in electronic form on the Company’s intranet or the website of the Company’s designated brokerage firm, if applicable. By signing below (or providing an electronic signature by clicking below) and accepting the grant of the Award, the Grantee: (i) consents to access electronic copies (instead of receiving paper copies) of the Plan Documents via the Company’s intranet or the website of the Company’s designated brokerage firm, if applicable; (ii) represents that the Grantee has access to the Company’s intranet or the website of the Company’s designated brokerage firm, if applicable; (iii) acknowledges receipt of electronic copies, or that the Grantee is already in possession of paper copies, of the Plan Documents; and (iv) acknowledges that the Grantee is familiar with and accepts the Award subject to the terms and provisions of the Plan Documents.

The Company may, in its sole discretion, decide to deliver any Plan Documents by electronic means or request the Grantee’s consent to participate in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

This consent will apply to this Award as well as any future Awards made to the Grantee by the Company. The Grantee may withdraw his or her consent to receive the Plan Documents electronically at any time by sending written notification of the Grantee’s withdrawal of his or her consent to: Kay Dashner, Vice President of Human Resources, McGrath RentCorp, 5700 Las Positas Road, Livermore, CA 94551. The telephone number at that location is (925) 606-9200. Alternatively, the Grantee may send an e-mail to: kay.dashner@mgrc.com. The Grantee agrees to provide the Company with any changes to the Grantee’s e-mail address in order to continue to receive electronic notifications and disclosures. Changes to the Grantee’s e-mail address should be sent to the address or e-mail address listed herein.

The Grantee hereby agrees that all questions of interpretation and administration relating to this Notice, the Plan and the Agreement shall be resolved by the Administrator in accordance with Section 9 of the Agreement. The Grantee further agrees to the venue and jurisdiction selection in accordance with Section 10 of the Agreement. The Grantee further agrees to notify the Company upon any change in his or her residence address indicated in this Notice.

Date: _____

Grantee's Signature

Grantee's Printed Name

Address

City, State & Zip

MCGRATH RENTCORP**2016 STOCK INCENTIVE PLAN****RESTRICTED STOCK UNIT AGREEMENT**

1. **Issuance of Units.** McGrath RentCorp, a California corporation (the “Company”), hereby issues to the Grantee (the “Grantee”) named in the Notice of Restricted Stock Unit Award (the “Notice”) an award (the “Award”) of the Total Number of Restricted Stock Units Awarded set forth in the Notice (the “Units”), subject to the Notice, this Restricted Stock Unit Agreement (the “Agreement”) and the terms and provisions of the McGrath RentCorp 2016 Stock Incentive Plan, as amended from time to time (the “Plan”), which is incorporated herein by reference. Unless otherwise provided herein, the terms in this Agreement shall have the same meaning as those defined in the Plan.

2. **Transfer Restrictions.** The Units may not be transferred in any manner other than by will or by the laws of descent and distribution.

3. **Conversion of Units and Issuance of Shares.**

(a) **General.** Subject to Sections 3(b) and 3(c), one share of Common Stock and a Cash Dividend Equivalent (as defined in this Section 3(a)), if applicable, shall be issuable for each Unit subject to the Award (the “Shares”) upon vesting. Immediately thereafter, or as soon as administratively feasible, the Company will transfer the appropriate number of Shares and the Cash Dividend Equivalent amount to the Grantee after satisfaction of any required tax or other withholding obligations. For purposes herein, “Cash Dividend Equivalent” means for each Share issuable in settlement of a vested Unit, a cash payment equal to the aggregate cash dividends, if any, that would have been payable to the Grantee with respect to such Share had the Grantee been the holder of the Share between the Date of Award and the date of such settlement; provided, however, that no such amount shall be payable with respect to any Unit that does not vest. Any fractional Unit remaining after the Award is fully vested shall be discarded and shall not be converted into a fractional Share, and no Cash Dividend Equivalent shall be payable with respect to such fractional Unit. Notwithstanding the foregoing, the relevant number of Shares shall be issued, and the related Cash Dividend Equivalent shall be paid, no later than March 15th of the year following the calendar year in which the Award vests. The Company may however, in its sole discretion, make a cash payment in lieu of the issuance of the Shares in an amount equal to the value of one share of Common Stock multiplied by the number of Units subject to the Award; provided that the Cash Dividend Equivalent in such event shall be calculated as though the Grantee had been issued Shares rather than such cash payment. Effective upon the consummation of a Corporate Transaction, the Award shall terminate unless it is Assumed in connection with the Corporate Transaction.

(b) **Delay of Conversion.** The conversion of the Units into the Shares, but not the payment of the related Cash Dividend Equivalent, if any, under Section 3(a) above shall be delayed in the event the Company reasonably anticipates that the issuance of the Shares would constitute a violation of federal securities laws or other Applicable Law. If the conversion of the

Units into the Shares is delayed by the provisions of this Section 3(b), the conversion of the Units into the Shares shall occur at the earliest date at which the Company reasonably anticipates issuing the Shares will not cause a violation of federal securities laws or other Applicable Law. For purposes of this Section 3(b), the issuance of Shares that would cause inclusion in gross income or the application of any penalty provision or other provision of the Code is not considered a violation of Applicable Law.

(c) Delay of Issuance of Shares. The Company shall delay the issuance of any Shares and the payment of any related Cash Dividend Equivalent under this Section 3 to the extent necessary to comply with Section 409A(a)(2)(B)(i) of the Code (relating to payments made to certain “specified employees” of certain publicly-traded companies); in such event, any Shares and any Cash Dividend Equivalent to which the Grantee would otherwise be entitled during the six (6) month period following the date of the Grantee’s termination of Continuous Service will be issuable on the first business day following the expiration of such six (6) month period.

4. Right to Shares. The Grantee shall not have any right in, to or with respect to any of the Shares (including any voting rights or, except as provided in Section 3(a), rights with respect to dividends paid on the Common Stock) issuable under the Award until the Award is settled by the issuance of such Shares to the Grantee.

5. Restrictive Covenants. Grantee acknowledges and agrees that Grantee’s eligibility for, receipt of, and vesting of the Award is conditioned upon Grantee’s compliance at all times with (a) the Company’s Proprietary Information Agreement entered into between the Grantee and the Company and (b) the Company’s governance policies, including, without limitation, the Company’s Code of Business Conduct and Ethics.

6. Taxes.

(a) Tax Liability. The Grantee is ultimately liable and responsible for all taxes owed by the Grantee in connection with the Award, regardless of any action the Company or any Related Entity takes with respect to any tax withholding obligations that arise in connection with the Award. Neither the Company nor any Related Entity makes any representation or undertaking regarding the treatment of any tax withholding in connection with any aspect of the Award, including the grant, vesting, assignment, release or cancellation of the Units, the delivery of Shares, the payment of any Cash Dividend Equivalent, the subsequent sale of any Shares acquired upon vesting and the receipt of any other dividends or dividend equivalents. The Company does not commit and is under no obligation to structure the Award to reduce or eliminate the Grantee’s tax liability.

(b) Payment of Withholding Taxes. Prior to any event in connection with the Award (e.g., vesting) that the Company determines may result in any tax withholding obligation, whether United States federal, state, local or non-U.S., including any social insurance, employment tax, payment on account or other tax-related obligation (the “Tax Withholding Obligation”), the Grantee must arrange for the satisfaction of the minimum amount of such Tax Withholding Obligation in a manner acceptable to the Company. Unless the Board or the compensation committee of the Board affirmatively determines to require the Grantee to make

other arrangements to satisfy the Tax Withholding Obligation, the Company shall satisfy the Tax Withholding Obligation by Share withholding as set forth in Section 6(c) below; provided, however, that the Company shall satisfy any Tax Withholding Obligation attributable to a Cash Dividend Equivalent by withholding a portion of such Cash Dividend Equivalent sufficient to satisfy such portion of the Tax Withholding Obligation. Notwithstanding the foregoing, the Company or a Related Entity also may satisfy any Tax Withholding Obligation by offsetting any amounts (including, but not limited to, salary, bonus and severance payments) payable to the Grantee by the Company and/or a Related Entity. Furthermore, in the event of any determination that the Company has failed to withhold a sum sufficient to pay all withholding taxes due in connection with the Award, the Grantee agrees to pay the Company the amount of such deficiency in cash within five (5) days after receiving a written demand from the Company to do so, whether or not the Grantee is an employee of the Company at that time.

(c) Share Withholding. If permissible under Applicable Law, the Grantee authorizes the Company to, upon the exercise of its sole discretion, withhold from those Shares otherwise issuable to the Grantee the whole number of Shares sufficient to satisfy the minimum applicable Tax Withholding Obligation. The Grantee acknowledges that the withheld Shares may not be sufficient to satisfy the Grantee's minimum Tax Withholding Obligation. Accordingly, the Grantee agrees to pay to the Company or any Related Entity as soon as practicable, including through additional payroll withholding, any amount of the Tax Withholding Obligation that is not satisfied by the withholding of Shares described above.

7. Entire Agreement; Governing Law. The Notice, the Plan and this Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Grantee with respect to the subject matter hereof, and may not be modified adversely to the Grantee's interest except by means of a writing signed by the Company and the Grantee. These agreements are to be construed in accordance with and governed by the internal laws of the State of California without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of California to the rights and duties of the parties. Should any provision of the Notice or this Agreement be determined to be illegal or unenforceable, the other provisions shall nevertheless remain effective and shall remain enforceable.

8. Construction. The captions used in the Notice and this Agreement are inserted for convenience and shall not be deemed a part of the Award for construction or interpretation. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

9. Administration and Interpretation. Any question or dispute regarding the administration or interpretation of the Notice, the Plan or this Agreement shall be submitted by the Grantee or by the Company to the Administrator. The resolution of such question or dispute by the Administrator shall be final and binding on all persons.

10. Venue and Jurisdiction. The parties agree that any suit, action, or proceeding arising out of or relating to the Notice, the Plan or this Agreement shall be brought exclusively in the United States District Court for the Northern District of California (or should such court lack jurisdiction to hear such action, suit or proceeding, in a California state court in the County of Alameda) and that the parties shall submit to the jurisdiction of such court. The parties irrevocably waive, to the fullest extent permitted by law, any objection the party may have to the laying of venue for any such suit, action or proceeding brought in such court. If any one or more provisions of this Section 10 shall for any reason be held invalid or unenforceable, it is the specific intent of the parties that such provisions shall be modified to the minimum extent necessary to make it or its application valid and enforceable.

11. Notices. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery, upon deposit for delivery by an internationally recognized express mail courier service or upon deposit in the United States mail by certified mail (if the parties are within the United States), with postage and fees prepaid, addressed to the other party at its address as shown in these instruments, or to such other address as such party may designate in writing from time to time to the other party.

12. Data Privacy.

(a) The Grantee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Grantee's personal data as described in the Notice and this Agreement by and among, as applicable, the Grantee's employer, the Company and any Related Entity for the exclusive purpose of implementing, administering and managing the Grantee's participation in the Plan.

(b) The Grantee understands that the Company and the Grantee's employer may hold certain personal information about the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, date of birth, social insurance or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all Units or any other entitlement to Shares awarded, canceled, vested, unvested or outstanding in the Grantee's favor, for the exclusive purpose of implementing, administering and managing the Plan ("Data").

(c) The Grantee understands that Data will be transferred to any third party assisting the Company with the implementation, administration and management of the Plan. The Grantee understands that the recipients of the Data may be located in the Grantee's country, or elsewhere, and that the recipients' country may have different data privacy laws and protections than the Grantee's country. The Grantee understands that the Grantee may request a list with the names and addresses of any potential recipients of the Data by contacting the Grantee's local human resources representative. The Grantee authorizes the Company and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing the Grantee's participation in the Plan. The Grantee understands that Data will be held only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan. The Grantee understands that the Grantee may, at any time, view Data, request

additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Grantee's local human resources representative. The Grantee understands, however, that refusal or withdrawal of consent may affect the Grantee's ability to participate in the Plan. For more information on the consequences of the Grantee's refusal to consent or withdrawal of consent, the Grantee understands that the Grantee may contact the Grantee's local human resources representative.

13. Language. If the Grantee has received this Agreement or any other document related to the Plan translated into a language other than English and if the translated version is different than the English version, the English version will control, unless otherwise prescribed by Applicable Law.

14. Amendment and Delay to Meet the Requirements of Section 409A. The Grantee acknowledges that the Company, in the exercise of its sole discretion and without the consent of the Grantee, may amend or modify this Agreement in any manner and delay the issuance of any Shares issuable or amounts payable pursuant to this Agreement to the minimum extent necessary to meet the requirements of Section 409A of the Code as amplified by any Treasury regulations or guidance from the Internal Revenue Service as the Company deems appropriate or advisable. In addition, the Company makes no representation that the Award will comply with Section 409A of the Code and makes no undertaking to prevent Section 409A of the Code from applying to the Award or to mitigate its effects on any deferrals or payments made in respect of the Units. The Grantee is encouraged to consult a tax adviser regarding the potential impact of Section 409A of the Code.

END OF AGREEMENT

MCGRATH RENTCORP

2016 STOCK INCENTIVE PLAN

NOTICE OF STOCK APPRECIATION RIGHT AWARD

Grantee's Name and Address:

You (the "Grantee") have been granted a stock appreciation right (the "SAR") for the acquisition of shares of Common Stock, subject to the terms and conditions of this Notice of Stock Appreciation Right Award (the "Notice"), the McGrath RentCorp 2016 Stock Incentive Plan, as amended from time to time (the "Plan") and the Stock Appreciation Right Award Agreement (the "Agreement") attached hereto, as follows. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Notice.

Award Number

Date of Award

Vesting Commencement Date

Base Appreciation Amount per Share

_____Total Number of Shares Subject
to the SAR (the "Shares")_____

Expiration Date:

Post-Termination Exercise Period:

Three (3) Months

Vesting Schedule:

Subject to the Grantee's Continuous Service and other limitations set forth in this Notice, the Plan and the Agreement, the SAR may be exercised, in whole or in part, in accordance with the following schedule:

Twenty percent (20%) of the Shares subject to the SAR shall vest twelve (12) months after the Vesting Commencement Date, and five percent (5%) of the Shares subject to the SAR shall vest on each quarterly anniversary of the Vesting Commencement Date thereafter, such that one hundred percent (100%) of the Shares subject to the SAR will have vested as of the five-year anniversary of the Vesting Commencement Date.

In the event of termination of the Grantee's Continuous Service for Cause, the Grantee's right to exercise the SAR shall terminate concurrently with the termination of the Grantee's Continuous Service, except as otherwise determined by the Administrator.

IN WITNESS WHEREOF, the Company and the Grantee have executed this Notice and agree that the SAR is to be governed by the terms and conditions of this Notice, the Plan, and the Agreement.

McGrath RentCorp,
a California corporation

By: /s/ Dennis C. Kakures

Title: President and CEO

THE GRANTEE ACKNOWLEDGES AND AGREES THAT THE SHARES SUBJECT TO THE SAR SHALL VEST, IF AT ALL, ONLY DURING THE PERIOD OF THE GRANTEE'S CONTINUOUS SERVICE (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THE SAR OR ACQUIRING SHARES HEREUNDER). THE GRANTEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS NOTICE, THE AGREEMENT, OR THE PLAN SHALL CONFER UPON THE GRANTEE ANY RIGHT WITH RESPECT TO FUTURE AWARDS OR CONTINUATION OF THE GRANTEE'S CONTINUOUS SERVICE, NOR SHALL IT INTERFERE IN ANY WAY WITH THE GRANTEE'S RIGHT OR THE RIGHT OF THE COMPANY OR RELATED ENTITY TO WHICH THE GRANTEE PROVIDES SERVICES TO TERMINATE THE GRANTEE'S CONTINUOUS SERVICE, WITH OR WITHOUT CAUSE, AND WITH OR WITHOUT NOTICE. THE GRANTEE ACKNOWLEDGES THAT UNLESS THE GRANTEE HAS A WRITTEN EMPLOYMENT AGREEMENT WITH THE COMPANY TO THE CONTRARY, THE GRANTEE'S STATUS IS AT WILL.

The Grantee further acknowledges that, from time to time, the Company may be in a "blackout period" and/or subject to applicable federal securities laws that could subject the Grantee to liability for engaging in any transaction involving the sale of the Company's Shares. The Grantee further acknowledges and agrees that, prior to the sale of any Shares acquired under this Award, it is the Grantee's responsibility to determine whether or not such sale of Shares will subject the Grantee to liability under insider trading rules or other applicable federal securities laws.

The Grantee understands that the Award is subject to the Grantee's consent to access this Notice, the Agreement, the Plan and the Plan prospectus (collectively, the "Plan Documents") in electronic form on the Company's intranet or the website of the Company's designated brokerage firm. By signing below (or providing an electronic signature by clicking below) and accepting the grant of the Award, the Grantee: (i) consents to access electronic copies (instead of receiving paper copies) of the Plan Documents via the Company's intranet or the website of the Company's designated brokerage firm; (ii) represents that the Grantee has access to the Company's intranet or the website of the Company's designated brokerage firm; (iii) acknowledges receipt of electronic copies, or that the Grantee is already in possession of paper copies, of the Plan Documents; and (iv) acknowledges that the Grantee is familiar with and accepts the Award subject to the terms and provisions of the Plan Documents.

This consent will apply to this Award as well as any future Awards made to the Grantee by the Company. The Grantee may withdraw his or her consent to receive the Plan Documents electronically at any time by sending written notification of the Grantee's withdrawal of his or her consent to: Kay Dashner, Vice President of Human Resources, McGrath RentCorp, 5700 Las Positas Road, Livermore, CA 94551. The telephone number at that location is (925) 606-9200. Alternatively, the Grantee may send an e-mail to: kay.dashner@mgrc.com. The Grantee agrees to provide the Company with any changes to the Grantee's e-mail address in order to continue to receive electronic notifications and disclosures. Changes to the Grantee's e-mail address should be sent to the address or e-mail address listed herein.

The Grantee may receive, without charge, upon written or oral request, paper copies of any or all of the Plan Documents, documents incorporated by reference in the Form S-8 registration statement for the Plan, and the Company's most recent annual report to shareholders by requesting them from Stock Administration at the address indicated above.

The Grantee has reviewed the Plan Documents in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Notice, and fully understands all provisions of the Plan Documents. The Grantee hereby agrees that all questions of interpretation and administration relating to the Plan Documents shall be resolved by the Administrator in accordance with Section 15 of the Agreement. The Grantee further agrees to the venue selection in accordance with Section 16 of the Agreement. The Grantee further agrees to notify the Company upon any change in the residence address indicated in this Notice.

Dated: _____

Signed: _____

<first_name> <last_name>

MCGRATH RENTCORP

2016 STOCK INCENTIVE PLAN

STOCK APPRECIATION RIGHT AWARD AGREEMENT

1. Grant of SAR. McGrath RentCorp, a California corporation (the “Company”), hereby grants to the Grantee (the “Grantee”) named in the Notice of Stock Appreciation Right Award (the “Notice”), a stock appreciation right (the “SAR”) with respect to the Total Number of Shares subject to the SAR (the “Shares”) set forth in the Notice, with the Base Appreciation Amount per Share set forth in the Notice (the “Base Appreciation Amount”), subject to the terms and provisions of the Notice, this Stock Appreciation Right Award Agreement (the “Agreement”) and the Company’s 2016 Stock Incentive Plan, as amended from time to time (the “Plan”), which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Agreement.

2. Restrictive Covenants. The Grantee acknowledges and agrees that the Grantee’s eligibility for and receipt, vesting and exercise of the SAR is conditioned upon the Grantee’s compliance at all times with (a) the Company’s Proprietary Information Agreement entered into between the Grantee and the Company and (b) the Company’s governance policies, including, without limitation, the Company’s Code of Business Conduct and Ethics.

3. Exercise of SAR.

(a) Right to Exercise. The SAR shall be exercisable during its term in accordance with the Vesting Schedule set out in the Notice and with the applicable provisions of the Plan and this Agreement. The SAR shall be subject to the provisions of Section 11 of the Plan relating to the exercisability or termination of the SAR in the event of a Corporate Transaction or Change in Control. The Grantee shall be subject to reasonable limitations on the number of requested exercises during any monthly or weekly period as determined by the Administrator. In no event shall the Company issue fractional Shares.

(b) Method of Exercise. The SAR shall be exercisable by delivery of an exercise notice (a form of which is attached as Exhibit A) or by such other procedure as specified from time to time by the Administrator which shall state the election to exercise the SAR, the whole number of Shares in respect of which the SAR is being exercised, and such other provisions as may be required by the Administrator. The exercise notice shall be delivered in person, by certified mail, or by such other method (including electronic transmission) as determined from time to time by the Administrator to the Company. The SAR shall be deemed to be exercised upon receipt by the Company of such notice accompanied by, to the extent required by Section 6(b) below, all applicable withholding taxes.

(c) Section 16(b). Notwithstanding any provision of this Agreement to the contrary, other than termination of the Grantee’s Continuous Service for Cause, if a sale within the applicable time periods set forth in Sections 7, 8 or 9 herein of Shares acquired upon the

exercise of the SAR would subject the Grantee to suit under Section 16(b) of the Exchange Act, the SAR shall remain exercisable until the earliest to occur of (i) the tenth (10th) day following the date on which a sale of such Shares by the Grantee would no longer be subject to such suit, (ii) the one hundred and ninetieth (190th) day after the Grantee's termination of Continuous Service, or (iii) the date on which the SAR expires.

4. Issuance of Shares upon Exercise. Subject to the restrictions set forth herein and following receipt of an exercise notice, the Company shall issue the Grantee a number of Shares equal to the "spread" divided by the Fair Market Value of a Share (measured as of the date immediately prior to the date the SAR is exercised). The "spread" is equal to the excess, if any, of the Fair Market Value of a Share (measured as of the date immediately prior to the date the SAR is exercised) over the Base Appreciation Amount per Share multiplied by the number of SARs being exercised. The number of Shares issued to the Grantee shall be rounded down to the nearest whole share and in no event shall the Company issue fractional shares of Common Stock.

5. Restrictions on Exercise. The SAR may not be exercised if the issuance of Shares pursuant to such exercise would constitute a violation of any Applicable Laws. If the exercise of the SAR within the applicable time periods set forth in Section 7, 8 and 9 of this Agreement is prevented by the provisions of this Section 5, the SAR shall remain exercisable until one (1) month after the date the Grantee is notified by the Company that the SAR is exercisable, but in any event no later than the Expiration Date set forth in the Notice.

6. Taxes.

(a) Tax Liability. The Grantee is ultimately liable and responsible for all taxes owed by the Grantee in connection with the SAR, regardless of any action the Company or any Related Entity takes with respect to any tax withholding obligations that arise in connection with the SAR. Neither the Company nor any Related Entity makes any representation or undertaking regarding the treatment of any tax withholding in connection with any aspect of the SAR, including the grant, vesting, assignment, exercise or cancellation of the SAR, the delivery of Shares pursuant to an exercise of the SAR, the subsequent sale of any Shares acquired upon exercise and the receipt of any dividends or dividend equivalents. The Company does not commit and is under no obligation to structure the SAR to reduce or eliminate the Grantee's tax liability.

(b) Payment of Withholding Taxes. Prior to the delivery of any Shares pursuant to an exercise of the SAR that the Company determines may result in any tax withholding obligation, whether United States federal, state, local or non-U.S., including any social insurance, employment tax, payment on account or other tax-related obligation (the "Tax Withholding Obligation"), the Grantee must arrange for the satisfaction of the minimum amount of such Tax Withholding Obligation in a manner acceptable to the Company. Unless the Board or the compensation committee of the Board affirmatively determines to require the Grantee to make other arrangements to satisfy the Tax Withholding Obligation, the Company shall satisfy the Tax Withholding Obligation by Share withholding as set forth in Section 6(c) below. Notwithstanding the foregoing, the Company or a Related Entity also may satisfy any Tax Withholding Obligation by offsetting any amounts (including, but not limited to, salary, bonus and severance payments) payable to the Grantee by the Company and/or a Related Entity.

Furthermore, in the event of any determination that the Company has failed to withhold a sum sufficient to pay all withholding taxes due in connection with the SAR, the Grantee agrees to pay the Company the amount of such deficiency in cash within five (5) days after receiving a written demand from the Company to do so, whether or not the Grantee is an employee of the Company at that time.

(c) Share Withholding. If permissible under Applicable Law, the Grantee authorizes the Company to, upon the exercise of its sole discretion, withhold from those Shares otherwise issuable to the Grantee the whole number of Shares sufficient to satisfy the minimum applicable Tax Withholding Obligation. The Grantee acknowledges that the withheld Shares may not be sufficient to satisfy the Grantee's minimum Tax Withholding Obligation. Accordingly, the Grantee agrees to pay to the Company or any Related Entity as soon as practicable, including through additional payroll withholding, any amount of the Tax Withholding Obligation that is not satisfied by the withholding of Shares described above.

7. Termination or Change of Continuous Service. In the event the Grantee's Continuous Service terminates, other than for Cause, the Grantee may, but only during the Post-Termination Exercise Period, exercise the portion of the SAR that was vested at the date of such termination (the "Termination Date"). The Post-Termination Exercise Period shall commence on the Termination Date. In the event of termination of the Grantee's Continuous Service for Cause, the Grantee's right to exercise the SAR shall, except as otherwise determined by the Administrator, terminate concurrently with the termination of the Grantee's Continuous Service (also the "Termination Date"). In no event, however, shall the SAR be exercised later than the Expiration Date set forth in the Notice. In the event of the Grantee's change in status from Employee, Director or Consultant to any other status of Employee, Director or Consultant, the SAR shall remain in effect and the SAR shall continue to vest in accordance with the Vesting Schedule set forth in the Notice. Except as provided in Sections 8 and 9 below, to the extent that the SAR was unvested on the Termination Date, or if the Grantee does not exercise the vested portion of the SAR within the Post-Termination Exercise Period, the SAR shall terminate.

8. Disability of Grantee. In the event the Grantee's Continuous Service terminates as a result of his or her Disability, the Grantee may, but only within twelve (12) months commencing on the Termination Date (but in no event later than the Expiration Date), exercise the portion of the SAR that was vested on the Termination Date. To the extent that the SAR was unvested on the Termination Date, or if the Grantee does not exercise the vested portion of the SAR within the time specified herein, the SAR shall terminate.

9. Death of Grantee. In the event of the termination of the Grantee's Continuous Service as a result of his or her death, or in the event of the Grantee's death during the Post-Termination Exercise Period or during the twelve (12) month period following the Grantee's termination of Continuous Service as a result of his or her Disability, the person who acquired the right to exercise the SAR pursuant to Section 10 may exercise the portion of the SAR that was vested at the date of termination within twelve (12) months commencing on the date of death (but in no event later than the Expiration Date). To the extent that the SAR was unvested on the date of death, or if the vested portion of the SAR is not exercised within the time specified herein, the SAR shall terminate.

10. Transferability of SAR. The SAR may not be transferred in any manner other than by will or by the laws of descent and distribution, provided, however, that the SAR may be transferred during the lifetime of the Grantee to the extent and in the manner authorized by the Administrator but only to the extent such transfers are made to family members, to family trusts, to family controlled entities, to charitable organizations, and pursuant to domestic relations orders or agreements, in all cases without payment for such transfers to the Grantee. Notwithstanding the foregoing, the Grantee may designate one or more beneficiaries of the Grantee's SAR in the event of the Grantee's death on a beneficiary designation form provided by the Administrator. Following the death of the Grantee, the SAR, to the extent provided in Section 9, may be exercised (a) by the person or persons designated under the deceased Grantee's beneficiary designation or (b) in the absence of an effectively designated beneficiary, by the Grantee's legal representative or by any person empowered to do so under the deceased Grantee's will or under the then applicable laws of descent and distribution. The terms of the SAR shall be binding upon the executors, administrators, heirs, successors and transferees of the Grantee.

11. Term of SAR. The SAR must be exercised no later than the Expiration Date set forth in the Notice or such earlier date as otherwise provided herein. After the Expiration Date or such earlier date, the SAR shall be of no further force or effect and may not be exercised.

12. Tax Consequences. The Grantee may incur tax liability as a result of the Grantee's acquisition or disposition of Shares pursuant to the Grantee's exercise of the SAR. **THE GRANTEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THE SAR OR DISPOSING OF THE SHARES.**

13. Entire Agreement: Governing Law. The Notice, the Plan and this Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Grantee with respect to the subject matter hereof, and may not be modified adversely to the Grantee's interest except by means of a writing signed by the Company and the Grantee. Nothing in the Notice, the Plan and this Agreement (except as expressly provided therein) is intended to confer any rights or remedies on any persons other than the parties. The Notice, the Plan and this Agreement are to be construed in accordance with and governed by the internal laws of the State of California without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of California to the rights and duties of the parties. Should any provision of the Notice, the Plan or this Agreement be determined to be illegal or unenforceable, such provision shall be enforced to the fullest extent allowed by law and the other provisions shall nevertheless remain effective and shall remain enforceable.

14. Construction. The captions used in the Notice and this Agreement are inserted for convenience and shall not be deemed a part of the SAR for construction or interpretation. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

15. Administration and Interpretation. Any question or dispute regarding the administration or interpretation of the Notice, the Plan or this Agreement shall be submitted by the Grantee or by the Company to the Administrator. The resolution of such question or dispute by the Administrator shall be final and binding on all persons.

16. Venue and Jurisdiction. The Company, the Grantee, and the Grantee's assignees pursuant to Section 10 (the "parties") agree that any suit, action, or proceeding arising out of or relating to the Notice, the Plan or this Agreement shall be brought in the United States District Court for the Northern District of California (or should such court lack jurisdiction to hear such action, suit or proceeding, in a California state court in the County of Alameda) and that the parties shall submit to the jurisdiction of such court. The parties irrevocably waive, to the fullest extent permitted by law, any objection the party may have to the laying of venue for any such suit, action or proceeding brought in such court. If any one or more provisions of this Section 16 shall for any reason be held invalid or unenforceable, it is the specific intent of the parties that such provisions shall be modified to the minimum extent necessary to make it or its application valid and enforceable.

17. Notices. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery, upon deposit for delivery by an internationally recognized express mail courier service or upon deposit in the United States mail by certified mail (if the parties are within the United States), with postage and fees prepaid, addressed to the other party at its address as shown in these instruments, or to such other address as such party may designate in writing from time to time to the other party.

18. Data Privacy.

(a) The Grantee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Grantee's personal data as described in the Notice and this Agreement by and among, as applicable, the Grantee's employer, the Company and any Related Entity for the exclusive purpose of implementing, administering and managing the Grantee's participation in the Plan.

(b) The Grantee understands that the Company and the Grantee's employer may hold certain personal information about the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, date of birth, social insurance or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all SARs or any other entitlement to Shares awarded, canceled, vested, unvested or outstanding in the Grantee's favor, for the exclusive purpose of implementing, administering and managing the Plan ("Data").

(c) The Grantee understands that Data will be transferred to any third party assisting the Company with the implementation, administration and management of the Plan. The Grantee understands that the recipients of the Data may be located in the Grantee's country, or elsewhere, and that the recipients' country may have different data privacy laws and protections than the Grantee's country. The Grantee understands that the Grantee may request a list with the names and addresses of any potential recipients of the Data by contacting the Grantee's local human resources representative. The Grantee authorizes the Company and any

other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing the Grantee's participation in the Plan. The Grantee understands that Data will be held only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan. The Grantee understands that the Grantee may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Grantee's local human resources representative. The Grantee understands, however, that refusal or withdrawal of consent may affect the Grantee's ability to participate in the Plan. For more information on the consequences of the Grantee's refusal to consent or withdrawal of consent, the Grantee understands that the Grantee may contact the Grantee's local human resources representative.

19. Language. If the Grantee has received this Agreement or any other document related to the Plan translated into a language other than English and if the translated version is different than the English version, the English version will control, unless otherwise prescribed by Applicable Law.

END OF AGREEMENT

EXHIBIT A

MCGRATH RENTCORP

2016 STOCK INCENTIVE PLAN

EXERCISE NOTICE

McGrath RentCorp
5700 Las Positas Road
Livermore, CA 94551-7800
Attention: Secretary

1. **Exercise of SAR.** Effective as of today, _____, ____ the undersigned (the “Grantee”) hereby elects to exercise the Grantee’s stock appreciation right (the “SAR”) with respect to shares of Common Stock (the “Shares”) of McGrath RentCorp (the “Company”) under and pursuant to the Company’s 2016 Stock Incentive Plan, as amended from time to time (the “Plan”) and the Stock Appreciation Right Award Agreement (the “Agreement”) and Notice of Stock Appreciation Right Award (the “Notice”) dated <award_date>. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Exercise Notice.

2. **Representations of the Grantee.** The Grantee acknowledges that the Grantee has received, read and understood the Notice, the Plan and the Agreement and agrees to abide by and be bound by their terms and conditions.

3. **Rights as Shareholder.** Until the stock certificate evidencing such Shares is issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to any Shares issuable pursuant to the SAR, notwithstanding the exercise of the SAR. The Company shall issue (or cause to be issued) a stock certificate for the appropriate number of Shares promptly after the SAR is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 10 of the Plan.

4. **Tax Consultation.** The Grantee understands that the Grantee may suffer adverse tax consequences as a result of the Grantee’s acquisition or disposition of Shares pursuant to the SAR. The Grantee represents that the Grantee has consulted with any tax consultants the Grantee deems advisable in connection with the acquisition or disposition of Shares pursuant to the SAR and that the Grantee is not relying on the Company for any tax advice.

5. **Taxes.** The Grantee agrees to satisfy all applicable foreign, federal, state and local income and employment tax withholding obligations and herewith delivers to the Company the full amount of such obligations or has made arrangements acceptable to the Company to satisfy such obligations.

6. **Successors and Assigns.** The Company may assign any of its rights under this Exercise Notice to single or multiple assignees, and this agreement shall inure to the benefit of

the successors and assigns of the Company. This Exercise Notice shall be binding upon the Grantee and his or her heirs, executors, administrators, successors and assigns.

7. Construction. The captions used in this Exercise Notice are inserted for convenience and shall not be deemed a part of this agreement for construction or interpretation. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

8. Administration and Interpretation. The Grantee hereby agrees that any question or dispute regarding the administration or interpretation of this Exercise Notice shall be submitted by the Grantee or by the Company to the Administrator. The resolution of such question or dispute by the Administrator shall be final and binding on all persons.

9. Governing Law; Severability. This Exercise Notice is to be construed in accordance with and governed by the internal laws of the State of California without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of California to the rights and duties of the parties. Should any provision of this Exercise Notice be determined by a court of law to be illegal or unenforceable, such provision shall be enforced to the fullest extent allowed by law and the other provisions shall nevertheless remain effective and shall remain enforceable.

10. Notices. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery, upon deposit for delivery by an internationally recognized express mail courier service or upon deposit in the United States mail by certified mail (if the parties are within the United States), with postage and fees prepaid, addressed to the other party at its address as shown below beneath its signature, or to such other address as such party may designate in writing from time to time to the other party.

11. Further Instruments. The parties agree to execute such further instruments and to take such further action as may be reasonably necessary to carry out the purposes and intent of this agreement.

12. Entire Agreement. The Notice, the Plan and the Agreement are incorporated herein by reference and together with this Exercise Notice constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Grantee with respect to the subject matter hereof, and may not be modified adversely to the Grantee’s interest except by means of a writing signed by the Company and the Grantee. Nothing in the Notice, the Plan, the Agreement and this Exercise Notice (except as expressly provided therein) is intended to confer any rights or remedies on any persons other than the parties.

Submitted by:

(Grantee Name):

(Signature)

Address:

Accepted by:

MCGRATH RENTCORP

By: _____

Title: _____

Address:

5700 Las Positas Road
Livermore, CA 94551-7800

AWARENESS LETTER FROM GRANT THORNTON LLP

McGrath RentCorp
5700 Las Positas Road
Livermore, California 94551

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited condensed consolidated interim financial information of McGrath RentCorp for the three- and six-month periods ended June 30, 2016, and 2015, as indicated in our report dated August 2, 2016; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which was included in your Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 is incorporated by reference in Registration Statements on Forms S-8 (File No. 333-74089, effective March 9, 1999, File No. 333-151815, effective June 20, 2008, File No. 333-161128, effective August 6, 2009 and File No. 333-183231, effective August 10, 2012.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ GRANT THORNTON LLP

San Jose, California
August 2, 2016

McGRATH RENTCORP
SECTION 302 CERTIFICATION

I, Dennis C. Kakures, certify that:

1. I have reviewed this quarterly report on Form 10-Q of McGrath RentCorp;
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) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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.

Date: August 2, 2016

By: /s/ Dennis C. Kakures
Dennis C. Kakures
Chief Executive Officer

McGRATH RENTCORP
SECTION 302 CERTIFICATION

I, Keith E. Pratt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of McGrath RentCorp;
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) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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.

Date: August 2, 2016

By: /s/ Keith E. Pratt
Keith E. Pratt
Chief Financial Officer

McGRATH RENTCORP
SECTION 906 CERTIFICATION

In connection with the periodic report of McGrath RentCorp (the "Company") on Form 10-Q for the period ended June 30, 2016, as filed with the Securities and Exchange Commission (the "Report"), I, Dennis C. Kakures, Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, 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 at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to liability of that section. This certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Date: August 2, 2016

By: /s/ Dennis C. Kakures
Dennis C. Kakures
Chief Executive Officer

McGRATH RENTCORP
SECTION 906 CERTIFICATION

In connection with the periodic report of McGrath RentCorp (the "Company") on Form 10-Q for the period ended June 30, 2016, as filed with the Securities and Exchange Commission (the "Report"), I, Keith E. Pratt, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, 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 at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to liability of that section. This certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Date: August 2, 2016

By: /s/ Keith E. Pratt
Keith E. Pratt
Chief Financial Officer