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 March 31, 2017

Commission file number 0-13292

McGRATH RENTCORP
(Exact name of registrant as specified in its Charter)

California	**94-2579843**
(State or other jurisdiction of incorporation or organization)	**(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", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one).

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period of complying with any new or revised financial accounting standards provided pursuant to section 13(a) of the Exchange Act. ☐

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 May 1, 2017, 23,981,608 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.

Part I - Financial Information

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"), and the related condensed consolidated statements of income, comprehensive income, and cash flows as of March 31, 2017 and for the three-month periods ended March 31, 2017 and 2016. 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, 2016, and the related consolidated statements of income, comprehensive income, 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 28, 2017. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2016, 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
May 2, 2017

McGRATH RENTCORP
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(in thousands, except per share amounts)	Three Months Ended March 31, 2017	2016
Revenues		
Rental	$ 67,978	$ 66,532
Rental related services	17,935	17,591
Rental operations	85,913	84,123
Sales	8,295	9,034
Other	629	542
Total revenues	94,837	93,699
Costs and Expenses		
Direct costs of rental operations:		
Depreciation of rental equipment	17,379	18,540
Rental related services	13,833	13,180
Other	15,359	15,827
Total direct costs of rental operations	46,571	47,547
Costs of sales	4,596	5,497
Total costs of revenues	51,167	53,044
Gross profit	43,670	40,655
Selling and administrative expenses	27,848	26,397
Income from operations	15,822	14,258
Other income (expense):		
Interest expense	(2,789)	(3,556)
Foreign currency exchange gain	226	151
Income before provision for income taxes	13,259	10,853
Provision for income taxes	5,286	4,287
Net income	$ 7,973	$ 6,566
Earnings per share:		
Basic	$ 0.33	$ 0.28
Diluted	$ 0.33	$ 0.27
Shares used in per share calculation:		
Basic	23,950	23,862
Diluted	24,232	23,911
Cash dividends declared per share	$ 0.260	$ 0.255

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

McGRATH RENTCORP
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

(in thousands)	Three Months Ended March 31, 2017	2016
Net income	$ 7,973	$ 6,566
Other comprehensive loss:		
Foreign currency translation adjustment	(78)	(92)
Tax benefit	25	34
Comprehensive income	$ 7,920	$ 6,508

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

MCGRATH RENTCORP
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(in thousands)	March 31, 2017	December 31, 2016
Assets		
Cash	$ 1,680	$ 852
Accounts receivable, net of allowance for doubtful accounts of $2,087 in 2017 and 2016	92,552	96,877
Rental equipment, at cost:		
Relocatable modular buildings	773,597	769,190
Electronic test equipment	248,291	246,325
Liquid and solid containment tanks and boxes	309,131	308,542
	1,331,019	1,324,057
Less accumulated depreciation	(474,038)	(467,686)
Rental equipment, net	856,981	856,371
Property, plant and equipment, net	116,217	112,190
Prepaid expenses and other assets	27,119	25,583
Intangible assets, net	8,377	8,595
Goodwill	27,808	27,808
Total assets	$ 1,130,734	$ 1,128,276
Liabilities and Shareholders' Equity		
Liabilities:		
Notes payable	$ 323,843	$ 326,266
Accounts payable and accrued liabilities	78,811	78,205
Deferred income	39,887	37,499
Deferred income taxes, net	291,568	292,019
Total liabilities	734,109	733,989
Shareholders’ equity:		
Common stock, no par value - Authorized 40,000 shares		
Issued and outstanding - 23,956 shares as of March 31, 2017 and 23,948 shares as of December 31, 2016	102,483	101,821
Retained earnings	294,250	292,521
Accumulated other comprehensive loss	(108)	(55)
Total shareholders’ equity	396,625	394,287
Total liabilities and shareholders’ equity	$ 1,130,734	$ 1,128,276

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

MCGRATH RENTCORP
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in thousands)	Three Months Ended March 31, 2017	2016
Cash Flows from Operating Activities:		
Net income	$ 7,973	$ 6,566
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,405	20,860
Provision for doubtful accounts	289	498
Share-based compensation	806	856
Gain on sale of used rental equipment	(2,943)	(2,966)
Foreign currency exchange gain	(226)	(151)
Amortization of debt issuance cost	13	13
Change in:		
Accounts receivable	4,036	2,882
Income taxes receivable	—	11,000
Prepaid expenses and other assets	(1,536)	1,949
Accounts payable and accrued liabilities	(3,924)	(4,360)
Deferred income	2,388	536
Deferred income taxes	(451)	1,851
Net cash provided by operating activities	25,830	39,534
Cash Flows from Investing Activities:		
Purchases of rental equipment	(15,914)	(22,814)
Purchases of property, plant and equipment	(5,835)	(881)
Proceeds from sales of used rental equipment	5,505	6,098
Net cash used in investing activities	(16,244)	(17,597)
Cash Flows from Financing Activities:		
Net repayments under bank lines of credit	(2,436)	(15,522)
Proceeds from the exercise of stock options	—	37
Taxes paid related to net share settlement of stock awards	(143)	(344)
Payment of dividends	(6,155)	(6,136)
Net cash used in financing activities	(8,734)	(21,965)
Effect of foreign currency exchange rate changes on cash	(24)	(13)
Net increase (decrease) in cash	828	(41)
Cash balance, beginning of period	852	1,103
Cash balance, end of period	$ 1,680	$ 1,062
Supplemental Disclosure of Cash Flow Information:		
Interest paid, during the period	$ 2,303	$ 2,986
Net income taxes paid, during the period	$ 5,565	$ 706
Dividends accrued during the period, not yet paid	$ 6,190	$ 6,120
Rental equipment acquisitions, not yet paid	$ 7,513	$ 3,752

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

NOTE 1. CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The condensed consolidated financial statements for the three months ended March 31, 2017 and 2016 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 three months ended March 31, 2017 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 28, 2017 for the year ended December 31, 2016 (the "2016 Annual Report").

NOTE 2. RECENT 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 for reporting useful information to users of financial statements about the nature, timing and uncertainty of revenue from contracts with customers. The FASB has continued to issue ASUs to clarify and provide implementation guidance related to Revenue from Contracts with Customers, including ASU 2016-08, Revenue from Contract with Customers: Principal versus Agent Considerations, ASU 2016-10, Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing, ASU 2016-12, Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients and ASU 2016-20, Revenue from Contracts with Customers: Technical Correction and Improvements. These amendments address a number of areas, including the entity's identification of its performance obligations in a contract, collectability, non-cash consideration, presentation of sales tax and an entity's evaluation of the nature of its promise to grant a license of intellectual property and whether or not that revenue is recognized over time or at a point in time. These standards are effective for the interim and annual reporting periods beginning after December 31, 2017. The new standard permits two methods of adoption: retrospectively to each prior period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (modified retrospective method). While the Company is still evaluating the potential impact of this guidance, including the method of adoption, the Company believes the majority of its revenue, as such revenue relates to rental contractual revenue, is excluded from the scope of this standard, and the remaining revenue streams will not be materially affected. As a result, the Company currently does not anticipate the adoption of this guidance will have a material impact on the Company's consolidated financial statements.

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) on 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. While the Company is still evaluating the potential impact of this guidance, as a lessor, the Company does not believe the accounting for operating lease revenues will be materially affected by this standard. The Company anticipates it's lessee accounting to increase its total assets and liabilities; however, the Company is currently evaluating the magnitude of the impact the adoption of this guidance will have on the Company's consolidated financial statements.

During the first quarter 2017, the Company adopted ASU No. 2016-09 Improvements to Employee Share-Based Payment Accounting (ASU 2016-09). As a result of the adoption, the Company recognized $18,000 of excess tax benefits related to share-based payments as a reduction to the provision for income taxes for the three months ended March 31, 2017. These tax benefits, or shortfalls, were historically recorded in equity. In addition, cash flows related to excess tax benefits, or shortfalls, are now classified as an operating activity with the prior period adjusted accordingly. Cash paid on employees' behalf related to shares withheld for tax purposes is classified as a financing activity, consistent with prior year's presentation. Retrospective application of the cash flow presentation requirements resulted in decreases to both net cash provided by operations and net cash used in financing activities of $111,000 for the three months ended March 31, 2016. The Company's compensation expense for each period continues to reflect forfeitures as they occur, rather than based upon estimated expected forfeitures.

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:

(in thousands)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Weighted-average number of shares of common stock for calculating basic earnings per share	23,950	23,862
Effect of potentially dilutive securities from equity-based compensation	282	49
Weighted-average number of shares of common stock for calculating diluted earnings per share	24,232	23,911

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

(in thousands)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Options to purchase shares of common stock	7	1,019

NOTE 4. INTANGIBLE ASSETS

Intangible assets consist of the following:

(dollar amounts in thousands)	Estimated useful life (In years)	March 31, 2017	December 31, 2016
Trade name	Indefinite	$ 5,700	$ 5,700
Customer relationships	11	9,611	9,611
		15,311	15,311
Less accumulated amortization		(6,934)	(6,716)
		$ 8,377	$ 8,595

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, 2016. 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 March 31, 2017 and assuming no subsequent impairment of the underlying assets, the amortization expense is expected to be $0.7 million for the remainder of fiscal year 2017, $0.9 million in each of the fiscal years 2018 and 2019 and $0.2 million in 2020.

NOTE 5. 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, 2016. 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 three months ended March 31, 2017 and 2016 for the Company's reportable segments is shown in the following table:

(dollar amounts in thousands)	Mobile Modular	TRS-RenTelco	Adler Tanks	Enviroplex [1]	Consolidated
Three Months Ended March 31,					
2017					
Rental revenues	$ 33,654	$ 19,746	$ 14,578	$ —	$ 67,978
Rental related services revenues	11,588	658	5,689	—	17,935
Sales and other revenues	3,061	4,910	194	759	8,924
Total revenues	48,303	25,314	20,461	759	94,837
Depreciation of rental equipment	5,333	8,091	3,955	—	17,379
Gross profit	22,444	11,393	9,555	278	43,670
Selling and administrative expenses	13,800	5,689	7,267	1,092	27,848
Income (loss) from operations	8,644	5,704	2,288	(814)	15,822
Interest (expense) income allocation	(1,591)	(546)	(738)	86	(2,789)
Income (loss) before provision for income taxes	7,053	5,384	1,550	(728)	13,259
Rental equipment acquisitions	7,782	12,021	749	—	20,552
Accounts receivable, net (period end)	53,779	18,603	15,814	4,356	92,552
Rental equipment, at cost (period end)	773,597	248,291	309,131	—	1,331,019
Rental equipment, net book value (period end)	545,953	92,561	218,467	—	856,981
Utilization (period end) [2]	76.5%	62.1%	53.4%		
Average utilization [2]	76.8%	62.2%	52.3%		
2016					
Rental revenues	$ 31,155	$ 20,928	$ 14,449	$ —	$ 66,532
Rental related services revenues	11,205	784	5,602	—	17,591
Sales and other revenues	2,724	6,272	432	148	9,576
Total revenues	45,084	27,984	20,483	148	93,699
Depreciation of rental equipment	5,126	9,388	4,026	—	18,540
Gross profit	20,653	11,016	8,942	44	40,655
Selling and administrative expenses	12,462	5,797	7,262	876	26,397
Income (loss) from operations	8,191	5,219	1,680	(832)	14,258
Interest (expense) income allocation	(1,947)	(730)	(934)	55	(3,556)
Income (loss) before provision for income taxes	6,244	4,640	746	(777)	10,853
Rental equipment acquisitions	11,579	7,729	(18)	—	19,290
Accounts receivable, net (period end)	50,915	21,393	15,386	4,189	91,883
Rental equipment, at cost (period end)	747,475	260,324	309,823	—	1,317,622
Rental equipment, net book value (period end)	535,308	98,291	233,616	—	867,215
Utilization (period end) [2]	75.4%	59.9%	51.0%		
Average utilization [2]	76.1%	59.6%	50.3%		

1. Gross Enviroplex sales revenues were $759 and $148 for the three months ended March 31, 2017 and 2016, respectively. There were no inter-segment sales to Mobile Modular in those periods requiring elimination 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 three months ended March 31, 2017 and 2016. Revenues from foreign country customers accounted for 5% of the Company’s total revenues for the same periods.

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, 2016, as filed with the SEC on February 28, 2017 (the "2016 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 2016 Annual Report. In preparing the following MD&A, we presume that readers have access to and have read the MD&A in our 2016 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 9% of the Company's total revenues in the three months ended March 31, 2017. Mobile Modular Portable Storage offers portable storage units and high security portable office units for rent, lease and purchase.

In the three months ended March 31, 2017, Mobile Modular, TRS-RenTelco, Adler Tanks and Enviroplex contributed 53%, 41%, 12% and negative 6% of the Company's income before provision for taxes (the equivalent of "pretax income"), respectively, compared to 57%, 43%, 7% and negative 7% for the same period in 2016. 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 short 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 2016 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 Company's rental operations include rental and rental related service revenues which comprised approximately 91% and 90% of consolidated revenues in the three months ended March 31, 2017 and 2016, respectively. Of the total rental operations revenues for the three months ended March 31, 2017, Mobile Modular, TRS-RenTelco and Adler Tanks comprised 53%, 24% and 23%, respectively, compared to 50%, 26% and 24%, respectively, in the same period of 2016. 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 three months ended March 31, 2017 and 2016, sales and other revenues of modular, electronic test equipment and liquid and solid containment tanks and boxes comprised approximately 9% and 10%, respectively, of the Company's consolidated revenues. Of the total sales and other revenues for the three months ended March 31, 2017 and 2016, Mobile Modular and Enviroplex together comprised 43% and 30%, respectively, TRS-RenTelco comprised 55% and 65%, respectively, and Adler Tanks comprised 2% and 5%, 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

(dollar amounts in thousands)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Twelve Months Ended March 31, 2017	Twelve Months Ended March 31, 2016
Net income	$ 7,973	$ 6,566	$ 39,658	$ 40,190
Provision for income taxes	5,286	4,287	29,679	25,724
Interest	2,789	3,556	11,440	11,257
Depreciation and amortization	19,404	20,860	79,723	84,234
EBITDA	35,452	35,269	160,500	161,405
Share-based compensation	806	856	3,041	3,324
Adjusted EBITDA [1]	$ 36,258	$ 36,125	$ 163,541	$ 164,729
Adjusted EBITDA margin [2]	38%	39%	38%	40%

Reconciliation of Adjusted EBITDA to Net Cash Provided by Operating Activities

(dollar amounts in thousands)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Twelve Months Ended March 31, 2017	Twelve Months Ended March 31, 2016
Adjusted EBITDA [1]	$ 36,258	$ 36,125	$ 163,541	$ 164,729
Interest paid	(2,420)	(2,986)	(11,870)	(11,019)
Net income taxes paid	(5,565)	(706)	(20,414)	(2,888)
Gain on sale of used rental equipment	(2,943)	(2,966)	(13,716)	(11,999)
Foreign currency exchange loss (gain)	(226)	(151)	46	149
Amortization of debt issuance costs	13	13	52	52
Change in certain assets and liabilities:				
Accounts receivable, net	4,325	3,380	(915)	(2,776)
Income taxes receivable	—	11,000	—	—
Prepaid expenses and other assets	(1,536)	1,949	(1,536)	8,735
Accounts payable and other liabilities	(4,464)	(6,660)	10,370	(2,996)
Deferred income	2,388	536	2,388	7,465
Net cash provided by operating activities	$ 25,830	$ 39,534	$ 127,946	$ 149,452

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 March 31, 2017, the actual ratio was 3.73 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 March 31, 2017, the actual ratio was 1.98 to 1.

At March 31, 2017, 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 February 28, 2017, the Company announced that the Board of Directors declared a quarterly cash dividend of $0.26 per common share for the quarter ended March 31, 2017, an increase of 2% over the prior year's comparable quarter.

Results of Operations

Three Months Ended March 31, 2017 Compared to
Three Months Ended March 31, 2016

Overview

Consolidated revenues for the three months ended March 31, 2017 increased 1% to $94.8 million from $93.7 million in the same period in 2016. Consolidated net income for the three months ended March 31, 2017 increased 21% to $8.0 million, from $6.6 million for the same period in 2016. Earnings per diluted share for the three months ended March 31, 2017 increased 22% to $0.33 from $0.27 for the same period in 2016.

For the three months ended March 31, 2017, on a consolidated basis:

- Gross profit increased $3.0 million, or 7%, to $43.7 million in 2017. Mobile Modular's gross profit increased $1.8 million, or 9%, due to higher gross profit on rental revenues, partly offset by lower gross profit on rental related services revenues. Adler Tanks' gross profit increased $0.6 million, or 7%, primarily due to higher gross profit on rental and rental related services revenues. TRS-RenTelco's gross profit increased $0.4 million, or 3%, primarily due to higher gross profit on rental revenues, partly offset by lower gross profit on rental related services and sales revenues. Enviroplex's gross profit increased $0.2 million, primarily due to higher sales revenues.
- Selling and administrative expenses increased $1.5 million, or 5%, to $27.8 million, primarily due to increased corporate administrative expenses and increased employee headcount, salaries and employee benefit costs.
- Interest expense decreased $0.8 million, or 22%, to $2.8 million in 2017 compared to the same period in 2016, due to 14% lower average debt levels of the Company and 8% lower net average interest rates of 3.45% in 2017 compared to 3.77% in 2016. 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 53%, 41% and 12%, respectively, compared to 57%, 43% and 7%, respectively, for the comparable 2016 period. These results are discussed on a segment basis below. Enviroplex pre-tax income contribution was a negative 6% in 2017 compared to a negative 7% in 2016.
- Adjusted EBITDA increased $0.1 million to $36.3 million in 2017.

Mobile Modular

For the three months ended March 31, 2017, Mobile Modular's total revenues increased $3.2 million, or 7%, to $48.3 million compared to the same period in 2016, primarily due to higher rental, rental related services and sales revenues. The revenue increase, together with higher gross margin on rental revenues, partly offset by lower gross profit on rental related services and sales revenues and higher selling and administrative expenses, resulted in a 13% increase in pre-tax income to $7.1 million for the three months ended March 31, 2017, from $6.2 million for the same period in 2016.

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 3/31/17 compared to Three Months Ended 3/31/16 (Unaudited)

(dollar amounts in thousands)	Three Months Ended March 31,		Increase (Decrease)	
	2017	2016	$	%
Revenues				
Rental	$ 33,654	$ 31,155	$ 2,499	8%
Rental related services	11,588	11,205	383	3%
Rental operations	45,242	42,360	2,882	7%
Sales	2,964	2,647	317	12%
Other	97	77	20	26%
Total revenues	48,303	45,084	3,219	7%
Costs and Expenses				
Direct costs of rental operations:				
Depreciation of rental equipment	5,333	5,126	207	4%
Rental related services	8,797	7,990	807	10%
Other	9,647	9,561	86	1%
Total direct costs of rental operations	23,777	22,677	1,100	5%
Costs of sales	2,082	1,754	328	19%
Total costs of revenues	25,859	24,431	1,428	6%
Gross Profit				
Rental	18,674	16,468	2,206	13%
Rental related services	2,791	3,215	(424)	-13%
Rental operations	21,465	19,683	1,782	9%
Sales	882	893	(11)	-1%
Other	97	77	20	26%
Total gross profit	22,444	20,653	1,791	9%
Selling and administrative expenses	13,800	12,462	1,338	11%
Income from operations	8,644	8,191	453	6%
Interest expense allocation	(1,591)	(1,947)	(356)	-18%
Pre-tax income	$ 7,053	$ 6,244	$ 809	13%
Other Information				
Average rental equipment [1]	$ 744,641	$ 709,160	$ 35,481	5%
Average rental equipment on rent	$ 572,215	$ 539,378	$ 32,837	6%
Average monthly total yield [2]	1.51%	1.46%		3%
Average utilization [3]	76.8%	76.1%		1%
Average monthly rental rate [4]	1.96%	1.93%		2%
Period end rental equipment [1]	$ 745,438	$ 713,138	$ 32,300	5%
Period end utilization [3]	76.5%	75.4%		1%

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 March 31, 2017 increased $1.8 million, or 9%, to $22.4 million. For the three months ended March 31, 2017 compared to the same period in 2016:

- **Gross Profit on Rental Revenues** – Rental revenues increased $2.5 million, or 8%, primarily due to 6% higher average rental equipment on rent and 2% higher average monthly rental rates in 2017. As a percentage of rental revenues, depreciation was 16% in 2017 and 2016, and other direct costs were 29% in 2017 compared to 31% in 2016, which resulted in gross margin percentages of 55% in 2017 compared 53% in 2016. The higher rental revenues, together with higher rental margins resulted in gross profit on rental revenues increasing $2.2 million, or 13%, to $18.7 million in 2017.

- **Gross Profit on Rental Related Services** – Rental related services revenues increased $0.4 million, or 3%, compared to 2016. 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 delivery and return delivery services at Mobile Modular Portable Storage. The higher revenues, offset by lower gross margin percentage of 24% in 2017 compared to 29% in 2016, resulted in rental related services gross profit decreasing $0.4 million, or 13%, to $2.8 million in 2017.

- **Gross Profit on Sales** – Sales revenues increased $0.3 million, or 12%, compared to 2016, primarily due to higher new and used equipment sales. Higher sales revenues, partly offset by lower gross margin percentage of 30% in 2017 compared with 34% in 2016, resulted in a comparable gross profit on sales of $0.9 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 March 31, 2017, selling and administrative expenses increased $1.3 million, or 11%, to $13.8 million, primarily due to increased salaries and employee benefit costs and higher allocated corporate expenses.

TRS-RenTelco

For the three months ended March 31, 2017, TRS-RenTelco's total revenues decreased $2.7 million, or 10%, to $25.3 million compared to the same period in 2016, primarily due to lower sales, rental and rental related services revenues. Pre-tax income increased $0.7 million, or 16%, to $5.4 million for the three months ended March 31, 2017, primarily due to higher total gross profit, lower selling and administrative expenses, lower interest expense allocation and higher foreign currency exchange gain.

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 3/31/17 compared to Three Months Ended 3/31/16 (Unaudited)

(dollar amounts in thousands)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Increase (Decrease) $	Increase (Decrease) %
Revenues				
Rental	$ 19,746	$ 20,928	$ (1,182)	-6%
Rental related services	658	784	(126)	-16%
Rental operations	20,404	21,712	(1,308)	-6%
Sales	4,383	5,834	(1,451)	-25%
Other	527	438	89	20%
Total revenues	25,314	27,984	(2,670)	-10%
Costs and Expenses				
Direct costs of rental operations:				
Depreciation of rental equipment	8,091	9,388	(1,297)	-14%
Rental related services	597	636	(39)	-6%
Other	3,333	3,639	(306)	-8%
Total direct costs of rental operations	12,021	13,663	(1,642)	-12%
Costs of sales	1,900	3,305	(1,405)	-43%
Total costs of revenues	13,921	16,968	(3,047)	-18%
Gross Profit				
Rental	8,322	7,901	421	5%
Rental related services	61	148	(87)	-59%
Rental operations	8,383	8,049	334	4%
Sales	2,483	2,529	(46)	-2%
Other	527	438	89	20%
Total gross profit	11,393	11,016	377	3%
Selling and administrative expenses	5,689	5,797	(108)	-2%
Income from operations	5,704	5,219	485	9%
Interest expense allocation	(546)	(730)	(184)	-25%
Foreign currency exchange gain	226	151	75	50%
Pre-tax income	$ 5,384	$ 4,640	$ 744	16%
Other Information				
Average rental equipment [1]	$ 246,015	$ 260,835	$ (14,820)	-6%
Average rental equipment on rent	$ 152,981	$ 155,453	$ (2,472)	-2%
Average monthly total yield [2]	2.68%	2.67%		0%
Average utilization [3]	62.2%	59.6%		4%
Average monthly rental rate [4]	4.30%	4.49%		-4%
Period end rental equipment [1]	$ 246,836	$ 258,850	$ (12,014)	-5%
Period end utilization [3]	62.1%	59.9%		4%

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 March 31, 2017 increased $0.4 million, or 3%, to $11.4 million. For the three months ended March 31, 2017 compared to the same period in 2016:

- **Gross Profit on Rental Revenues** – Rental revenues decreased $1.2 million, or 6%, as compared to 2016, and depreciation expense decreased $1.3 million, or 14%, resulting in increased gross profit on rental revenues of $0.4 million, or 5%, to $8.3 million. As a percentage of rental revenues, depreciation was 41% in 2017 compared to 45% in 2016 and other direct costs were 17% in 2017 and 2016, which resulted in a gross margin percentage of 42% in 2017 compared to 38% in 2016. The rental revenues decrease was due to 4% lower monthly rental rates and 2% lower average rental equipment on rent in 2017 as compared to 2016.
- **Gross Profit on Sales** – Sales revenues decreased $1.5 million, or 25%, to $4.4 million in 2017. Gross profit on sales was flat at $2.5 million with gross margin percentage increasing to 57% from 46% in 2016, due to higher gross margins on 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 March 31, 2017, selling and administrative expenses decreased $0.1 million, or 2%, to $5.7 million.

Adler Tanks

For the three months ended March 31, 2017, Adler Tanks' total revenues was $20.5 million, which was comparable to the same period in 2016, as higher rental and rental related services revenues were offset by lower sales revenues. The comparable revenue, together with higher gross margin on rental and rental related services revenues, resulted in a $0.8 million, or 108%, increase in pre-tax income to $1.6 million for the three months ended March 31, 2017, compared to the same period in 2016.

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 3/31/17 compared to Three Months Ended 3/31/16 (Unaudited)

(dollar amounts in thousands)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Increase (Decrease) $	Increase (Decrease) %
Revenues				
Rental	$ 14,578	$ 14,449	$ 129	1%
Rental related services	5,689	5,602	87	2%
Rental operations	20,267	20,051	216	1%
Sales	189	405	(216)	-53%
Other	5	27	(22)	-81%
Total revenues	20,461	20,483	(22)	0%
Costs and Expenses				
Direct costs of rental operations:				
Depreciation of rental equipment	3,955	4,026	(71)	-2%
Rental related services	4,439	4,554	(115)	-3%
Other	2,379	2,627	(248)	-9%
Total direct costs of rental operations	10,773	11,207	(434)	-4%
Costs of sales	133	334	(201)	-60%
Total costs of revenues	10,906	11,541	(635)	-6%
Gross Profit				
Rental	8,244	7,796	448	6%
Rental related services	1,250	1,048	202	19%
Rental operations	9,494	8,844	650	7%
Sales	56	71	(15)	-21%
Other	5	27	(22)	-81%
Total gross profit	9,555	8,942	613	7%
Selling and administrative expenses	7,267	7,262	5	0%
Income from operations	2,288	1,680	608	36%
Interest expense allocation	(738)	(934)	(196)	-21%
Pre-tax income	$ 1,550	$ 746	$ 804	108%
Other Information				
Average rental equipment [1]	$ 306,817	$ 307,596	$ (779)	0%
Average rental equipment on rent	$ 160,526	$ 154,769	$ 5,757	4%
Average monthly total yield [2]	1.58%	1.57%		1%
Average utilization [3]	52.3%	50.3%		4%
Average monthly rental rate [4]	3.03%	3.11%		-3%
Period end rental equipment [1]	$ 306,986	$ 307,593	$ (607)	0%
Period end utilization [3]	53.4%	51.0%		5%

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 March 31, 2017 increased $0.6 million, or 7%, to $9.6 million. For the three months ended March 31, 2017 compared to the same period in 2016:

- **Gross Profit on Rental Revenues** – Rental revenues increased $0.1 million, or 1%, due to 4% higher average rental equipment on rent, partly offset by 3% lower average rental rates in 2017 compared to 2016. As a percentage of rental revenues, depreciation was 27% and 28% in 2017 and 2016, respectively, and other direct costs were 16% and 18% in 2017 and 2016, respectively, which resulted in gross margin percentages of 57% and 54% in 2017 and 2016, respectively. The higher rental revenues, together with higher rental margins resulted in gross profit on rental revenues increasing $0.4 million, or 6%, to $8.2 million in 2017.
- **Gross Profit on Rental Related Services** – Rental related services revenues increased $0.1 million, or 2%, to $5.7 million compared to 2016. Higher revenues, together with higher gross margin percentage of 22% in 2017 compared to 19% in 2016, resulted in rental related services gross profit increasing 19% to $1.3 million in 2017.

For the three months ended March 31, 2017, selling and administrative expenses were $7.3 million, which was comparable to the same period in 2016.

Liquidity and Capital Resources

The Company's rental businesses are capital intensive and generate significant cash flows. Cash flows for the Company for the three months ended March 31, 2017 compared to the same period in 2016 are summarized as follows:

Cash Flows from Operating Activities: The Company's operations provided net cash of $25.8 million in 2017 compared to $39.5 million in 2016. The 35% decrease in net cash provided by operating activities was primarily attributable to an income tax refund received in 2016, and 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 $16.2 million in 2017, compared to $17.6 million in 2016. The $1.4 million decrease was primarily due to $6.9 million lower purchases of rental equipment of $15.9 million in 2017, compared to $22.8 million in 2016, partly offset by $5.0 million higher purchases of property, plant and equipment in 2017.

Cash Flows from Financing Activities: Net cash used in financing activities was $8.7 million in 2017, compared to $22.0 million in 2016. The $13.3 million decrease was primarily due to $13.1 million lower repayments of bank lines of credit in 2017.

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 March 31, 2017, 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 $183.9 million was outstanding, and had capacity to borrow up to an additional $248.1 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 March 31, 2017, the actual ratio was 3.73 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 March 31, 2017, the actual ratio was 1.98 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 March 31, 2017, such sum was $315.2 million and the actual Tangible Net Worth of the Company was $360.4 million.

At March 31, 2017, 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 March 31, 2017, 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 full net proceeds from the Series B Senior Notes were used for working capital and other general corporate purposes. At March 31, 2017, 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, 2017, 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 March 31, 2017, the actual ratio was 3.73 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 March 31, 2017, the actual ratio was 1.98 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 March 31, 2017, such sum was $315.2 million and the actual Tangible Net Worth of the Company was $360.4 million.

At March 31, 2017, 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 three months ended March 31, 2017 and 2016.

Contractual Obligations

We believe that our contractual obligations have not changed materially from those included in our 2016 Annual Report.

Off-Balance Sheet Arrangements

We had no material off-balance sheet arrangements as of March 31, 2017.

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 2016 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 March 31, 2017. 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.

Part II -Other Information

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. 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.

As recently announced, Dennis C. Kakures, our President and CEO, took early retirement from the company, and Joseph F. Hanna, our Chief Operating Officer, was appointed President and CEO. The Office of the Chief Executive Officer was thereafter dissolved. Our future performance will depend, in part, on the successful transition of Mr. Hanna as our new Chief Executive Officer. Such leadership transition can be inherently difficult to manage, and an inadequate transition may cause disruption to our business. If we do not successfully manage our CEO transition, it could be viewed negatively by our customers, suppliers, shareholders and other stockholders and could have an adverse impact on our business.

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 March 31, 2017, we had $36.2 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 $1.8 million per year for each 1% increase in the average interest rate we pay based on the $183.9 million balance of variable rate debt outstanding at March 31, 2017. 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, 2016 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, 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 March 31, 2017, 53% 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 2016, Mobile Modular purchased 47% 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.

<u>**SPECIFIC RISKS RELATED TO OUR ELECTRONIC TEST EQUIPMENT BUSINESS SEGMENT:**</u>

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 Fortive 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 ended March 31, 2017, oil and gas exploration and production accounted for approximately 6% of Adler Tanks' rental revenues, and approximately 1% of the Company's total revenues for the same period. 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. Any 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. 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 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

10.3.2 Employee Stock Ownership and 401(k) Plan Amendment.

10.8 Consulting, Transition and Proprietary Information Agreement dated March 16, 2017, by and between the Company and Dennis C. Kakures, filed as exhibit 10.1 to form 8-K (filed March 16, 2017), and incorporated herein by reference.

10.9 Change in Control Severance Plan Effective January 1, 2017

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 March 31, 2017, 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: May 2, 2017

McGrath RentCorp

By: /s/ Keith E. Pratt
Keith E. Pratt
Executive Vice President and Chief Financial Officer

By: /s/ David M. Whitney
David M. Whitney
Vice President, Controller and Principal Accounting Officer

CORPORATE SECRETARY'S CERTIFICATE

I, Randle F. Rose, Secretary of McGrath RentCorp, a corporation organized and existing under the laws of the State of California (the "Corporation"), hereby certify that the foregoing were resolutions of the Board of Directors of the Corporation, duly and regularly adopted on February 23, 2017 in all respects as required by law and the Bylaws of the Corporation by all members of the Board of Directors of the Corporation to the adoption of said resolutions:

McGrath RentCorp Employee Stock Ownership and 401(k) Plan Amendment

WHEREAS, the Company maintains the McGrath RentCorp Employee Stock Ownership and 401(k) Plan (the "KSOP") for the benefit of its employees; and

WHEREAS, pursuant to Section 13.01 of the KSOP, the Company has the authority to amend the KSOP; and

WHEREAS, the KSOP is set forth in a Basic Plan Document and an Adoption Agreement (the "KSOP Adoption Agreement");

WHEREAS, the Company's Board of Directors has determined that it is in the best interests of the Company and its subsidiaries participating in the Plan to amend the first sentence of Section 24b of the KSOP Adoption Agreement, as set forth in the following Resolutions;

WHEREAS, the Board of Directors intends that the amendments made by the following Resolutions replace and supersede the first sentence of Section 24b as set forth in the current KSOP Adoption Agreement; and

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors hereby amends Section 24b of the KSOP Adoption Agreement to read, in its entirety, as follows:

"**24b.** If **A.24a.ii** or **iii** is selected, describe other pay excluded from definition of Compensation and indicate for what purposes (e.g., Elective Deferrals, Matching, etc.) the Compensation is excluded: Equity incentives (such as stock options, restricted stock units and stock appreciation rights); gift cards; "star team" awards; referral bonuses; contest payments, prizes and/or value of goods received; spiff payments; sign-on bonus payments; retention/stay bonus payments. "

RESOLVED FURTHER, that the foregoing amendment is hereby adopted by this Board of Directors, on behalf of the Company and any and all subsidiaries of the Company that have adopted or hereafter adopt the KSOP as Employers, each of which automatically shall be deemed to have adopted the first sentence of Section 24b of the KSOP Adoption Agreement as amended in these Resolutions; and

RESOLVED FURTHER, that the amended text of Section 24b of the KSOP Adoption Agreement shall be effective as of January 1, 2016; and

RESOLVED FURTHER, that the officers of the Company are authorized and directed to do all things, perform all acts, and execute all documents (including the KSOP Adoption Agreement, with such revisions as such officers shall deem appropriate to accomplish the purposes of these Resolutions) deemed by them to be necessary or appropriate to effect the aforesaid amendment of Section 24b the KSOP Adoption Agreement, to cause to be prepared and filed such reports documents or other information as may be required under applicable law, to communicate the changes to the participants in the KSOP, and to do all things deemed by such officers to be necessary or appropriate to carry out the intent and purposes of these Resolutions; and any such actions previously taken by the officers of the Company are hereby ratified and approved

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary of the Corporation, and affixed the corporate seal of the Corporation, on February 27, 2017.

SECRETARY OF MCGRATH RENTCORP

By: _/s/ Randle F. Rose
Randle F. Rose, Secretary

Exhibit 10.9

Effective Date January 1, 2017

MCGRATH RENTCORP CHANGE IN CONTROL SEVERANCE PLAN AND SUMMARY PLAN DESCRIPTION

1. Introduction. The purpose of this McGrath RentCorp Change in Control Severance Plan (the "Plan") is to provide assurances of specified severance benefits to eligible employees of the Company whose employment is subject to being involuntarily terminated other than for Cause or who is voluntarily terminating his employment for Good Reason under the circumstances described in the Plan following a Change in Control of the Company. The Company recognizes that the potential of a Change in Control can be a distraction to employees and can cause such employees to consider alternative employment opportunities. The Plan is intended to (i) assure that the Company will have continued dedication and objectivity of key employees, notwithstanding the possibility, threat or occurrence of a Change in Control and (ii) provide such employees with an incentive to continue their employment and to motivate them to maximize the value of the Company prior to and following a Change in Control for the benefit of its stockholders. This Plan is an "employee welfare benefit plan," as defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended. This document constitutes both the written instrument under which the Plan is maintained and the required summary plan description for the Plan.

2. Important Terms. To help you understand how this Plan works, it is important to know the following terms:

2.1 "Administrator" means the Compensation Committee of the Board or another duly constituted committee of members of the Board, or officers of the Company as delegated by the Board, or any person to whom the Administrator has delegated any authority or responsibility pursuant to Section 11, but only to the extent of such delegation.

2.2 "Base Pay" means a Covered Employee's regular straight-time salary as in effect during the last regularly scheduled payroll period immediately preceding the date on which an Involuntary Termination occurs. Base Pay does not include payments for overtime, shift premium, incentive compensation, incentive payments, bonuses, commissions or other compensation.

2.3 "Board" means the Board of Directors of the Company.

2.4 "Cause" means (i) the Covered Employee's willful and continued failure to perform the duties and responsibilities of his or her position after there has been delivered to the Covered Employee a written demand for performance from the Company's Chief Executive Officer (or the Board of Directors (the "Board"), in the case of the Chief Executive Officer) which describes the basis for the Chief Executive Officer's belief (or the Board's belief, in the case of the Chief Executive Officer) that the Covered Employee has not substantially performed his or her duties and the Covered Employee has not corrected such failure within thirty (30) days of such written demand; (ii) any act of personal dishonesty taken by the Covered Employee in connection with his or her responsibilities as an employee of the Company with the intention or reasonable expectation that such action may result in the substantial personal enrichment of the Covered Employee; (iii) the Covered Employee's conviction of, or plea of nolo contendere to, a crime that the Board reasonably believes has had or will have a material detrimental effect on the Company's reputation or business; (iv) a breach of any fiduciary duty owed to the Company by the Covered Employee that has a material detrimental effect on the Company's reputation or business; (v) the Covered Employee being found liable in any Securities and Exchange Commission or other civil or criminal securities law action or entering any cease and desist order with respect to such action (regardless of whether or not the Covered Employee admits or denies liability); (vi) the Covered Employee (A) obstructing or impeding; (B) endeavoring to obstruct, impede or improperly influence, or (C) failing to materially cooperate with, any investigation authorized by the Board or any governmental or self-regulatory entity (an "Investigation"); however, the Covered Employee's failure to waive attorney-client privilege relating to communications with the Covered Employee's own attorney in connection with an Investigation will not constitute "Cause"; or (vii) the Covered Employee's disqualification or bar by any governmental or self-regulatory authority from serving in the capacity contemplated by his or her position or the Covered Employee's loss of any governmental or self-regulatory license that is reasonably necessary for the Covered Employee to perform his or her responsibilities to the Company, if (A) the disqualification, bar or loss continues for more than thirty (30) days, and (B) during that period the Company uses its good faith efforts to cause the disqualification or bar to be lifted or the license replaced, it being understood that while any disqualification, bar or loss continues during the Covered Employee's employment, the Covered Employee will serve in the capacity contemplated by his or her position to whatever extent legally permissible and, if the Covered Employee's service in the capacity contemplated by his or her position is not permissible, the Covered Employee will be placed on leave (which will be paid to the extent legally permissible).

2.5 "Change in Control" means a "Change in Control" or a "Corporate Transaction" as those events are defined under the Company's 2016 Stock Incentive Plan.

2.6 "Change in Control Determination Period" means the time period beginning with the Change in Control and ending twelve (12) months following the Change in Control.

2.7 "Change in Control Severance Benefits" means the compensation and other benefits the Covered Employee will be provided pursuant to Section 4.

2.8 "Company" means McGrath RentCorp, a California corporation, and any successor.

2.9 "Covered Employee" means an employee of the Company or any parent or subsidiary of the Company who has been designated by the Administrator to participate in the Plan as shown on Appendix A, attached hereto, and has executed and delivered a Participation Agreement to the Company.

2.10 "Disability" means total and permanent disability as defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

2.11 "Effective Date" means January 1, 2017.

2.12 "Equity Compensation Awards" means, with respect to a Covered Employee, the Covered Employee's unvested equity compensation awards outstanding on the date of the Change in Control. For the sake of clarity, nothing herein will be deemed to extend the maximum term of a Covered Employee's stock appreciation rights or stock options as set forth in the applicable stock appreciation rights or option agreements by and between the Covered Employee and the Company.

2.13 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

2.14 "Good Reason" means the Covered Employee's termination of employment as a result of the occurrence of any of the following without his or her written consent: (i) a material diminution of the Covered Employee's authority, duties, or responsibilities, relative to the Covered Employee's authority, duties, or responsibilities in effect immediately prior to such reduction; provided, that a Covered Employee will be deemed to have a material diminution unless the Covered Employee retains the same position (or a similar or more senior position (and the same, similar or more significant authority, duties and responsibilities)) in the ultimate publicly listed parent company of the surviving entity following a Change in Control, (ii) a material diminution by the Company in the Base Pay of the Covered Employee that was in effect immediately prior to such reduction; provided, however, that following a Change in Control, a comparable reduction of the Base Pay of substantially all other executives of the consolidated entity that includes the Company of not more than ten percent (10%) will not constitute "Good Reason", (iii) the relocation of the Covered Employee to a facility or a location more than fifty (50) miles from his or her then present location, or (iv) the failure of the Company to obtain the assumption of the Plan by any successor in accordance with Section 20 below. For purposes of clause (i) above, the determination of "material diminution" will include for example, but not by way of limitation, an analysis of whether the Covered Employee maintains at least the same level, scope and type of authority, duties and responsibilities with respect to the management, strategy, operations and business. In order to terminate employment for "Good Reason," a Covered Employee must provide written notice to the Board of the condition that could constitute a "Good Reason" event within ninety (90) days of the initial existence of such condition, such condition must not have been remedied by the Company within thirty (30) days (the "Cure Period") of such written notice and the Covered Employee must terminate employment within ninety (90) days following the end of the Cure Period.

2.15 "Involuntary Termination" means a termination of employment of a Covered Employee under the circumstances described in Section 4.1.

2.16 "Participation Agreement" means the individual agreement (a form of which is shown in Appendix B) provided by the Administrator to an employee of the Company designating such employee as a Covered Employee under the Plan, which has been signed and accepted by the employee.

2.17 "Plan" means the McGrath RentCorp Change in Control Severance Plan, as set forth in this document, and as hereafter amended from time to time.

2.18 "Section 409A Limit" means the lesser of two (2) times: (i) the Covered Employee's annualized compensation based upon the annual rate of pay paid to the Covered Employee during his or her taxable year preceding the Covered Employee's taxable year in which the Covered Employee's separation from service occurs as determined under Treasury Regulation Section 1.409A-1(b)(9)(iii)(A)(1) and any Internal Revenue Service guidance issued with respect thereto; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which the Covered Employee's employment is terminated.

3. Eligibility for Change in Control Severance Benefits. An individual is eligible for the Change in Control Severance Benefits under the Plan in the amount set forth in Section 4 only if he or she is a Covered Employee on the date he or she experiences an Involuntary Termination.

4. Change in Control Severance Benefits.

4.1 Involuntary Termination in Connection with a Change in Control. If, at any time within the Change in Control Determination Period, (i) a Covered Employee terminates his or her employment with the Company (or any parent or subsidiary of the Company) for Good Reason, or (ii) the Company (or any parent or subsidiary of the Company) terminates such Covered Employee's employment other than for Cause, then, subject to the Covered Employee's compliance with Section 6, the Covered Employee shall receive the following Change in Control Severance Benefits from the Company:

4.1.1 Cash Severance Benefits. A Covered Employee shall be entitled to a lump sum payment in cash equal to (a) one (1) times the Covered Employee's Base Pay, plus (b) an amount equal to the Covered Employee's target cash bonus for the year of termination (or the prior year if no target has been set for the year of termination).

4.1.2 Continued Medical Benefits. If the Covered Employee, and any spouse and/or dependents of the Covered Employee ("Family Members"), has coverage on the date of the Covered Employee's Involuntary Termination under a group health plan sponsored by the Company, the Company will pay the total applicable premium cost for continued group health plan coverage under the Consolidated Omnibus Budget Reconciliation Act of 1986, 29 U.S.C. Sections 1161-1168; 26 U.S.C. Section 4980B(f), as amended, and all applicable regulations (referred to collectively as "COBRA"), provided that the Covered Employee is eligible for and validly elects to continue coverage under COBRA for the Covered Employee and his Family Members for a period of up to twelve (12) months.

4.1.3 Equity Award Accelerated Vesting. One hundred percent (100%) of each Covered Employee's Equity Compensation Awards automatically shall accelerate and all restrictions or repurchase rights applicable thereto shall immediately lapse so as to become fully vested and exercisable. The period over which such Equity Compensation Awards may be exercised shall be governed by the applicable provisions of the Company's stock plans and related award agreements. In addition, the Covered Employee shall enjoy any additional rights provided under the terms of an Equity Compensation Award, including but not limited to the terms of the Company’s 2016 Stock Incentive Plan, 2007 Stock Incentive Plan, or any other Company equity plan.

4.1.4 Outplacement Assistance. The Covered Employee shall be entitled to transitional outplacement benefits in accordance with the policies and guidelines of the Company as in effect immediately prior to the Change in Control.

5. Parachute Payments. In the event that the severance and other benefits provided for in this Plan or otherwise payable or provided to the Covered Employee (i) constitute “parachute payments” within the meaning of Section 280G of the Code and (ii) but for this Section 5, would be subject to the excise tax imposed by Section 4999 of the Code (the “Excise Tax”), then the Employee’s severance benefits hereunder shall be either

(a) delivered in full, or

(b) delivered as to such lesser extent which would result in no portion of such severance benefits being subject to the Excise Tax,

whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by the Covered Employee on an after-tax basis, of the greatest amount of severance benefits, notwithstanding that all or some portion of such severance benefits may be taxable under Section 4999 of the Code. Unless the Company and the Covered Employee otherwise agree in writing, any determination required under this Section 5 shall be made in writing in good faith by the Company’s independent tax accountants immediately prior to the Change in Control (the “Accountants”). In the event of a reduction in accordance with subsection (b) above, the reduction will occur, with respect to such severance and other benefits considered “parachute payments” within the meaning of Section 280G of the Code in a manner designed to maximize the intrinsic value delivered to the Covered Employee by first reducing or eliminating any cash severance benefits, then by reducing or eliminating any accelerated vesting of stock appreciation rights or stock options, then by reducing or eliminating any accelerated vesting of other Equity Compensation Awards, then by reducing or eliminating any other remaining parachute payments.

6. Conditions to Receipt of Severance.

6.1 Release Agreement. As a condition to receiving Change in Control Severance Benefits under this Plan, each Covered Employee will be required to sign a waiver and release of all claims arising out of his or her Involuntary Termination and employment with the Company and its subsidiaries and affiliates (the “Release”) in the applicable form attached on Appendix C. The Release will include specific information regarding the amount of time the Covered Employee will have to consider the terms of the Release and return the signed agreement to the Company. In no event will the period to return the Release be longer than sixty (60) days, inclusive of any revocation period set forth in the Release, following the Covered Employee’s Involuntary Termination (the “Release Period”).

6.2 Non-solicitation. As a condition to receiving Change in Control Severance Benefits under this Plan, each Covered Employee agrees that the Covered Employee will not solicit any employee of the Company for employment other than at the Company during the

Covered Employee’s employment with the Company and for twelve (12) months following his or her termination.

Public solicitation, such as by taking out ads in a newspaper, advertising on the web and the like, not specifically aimed at employees of the Company, will not constitute a breach of this Section 6.2.

6.3 Nondisparagement. During the Covered Employee’s employment with the Company and, for twelve (12) months following his termination, respectively, the Covered Employee and the Company will not knowingly and materially disparage, libel, slander, or otherwise make any materially derogatory statements regarding the other; provided that the Company’s obligations under this Section 6.3 shall apply only to the Company’s executive officers and members of its Board who serve in such capacities during the course of the Covered Employee’s employment with the Company and only for so long as each such officer or member of the Board is an employee or director of the Company; provided further that the Company’s obligations under this Section 6.3 extend only to those communications that are made by the above-referenced officers or directors in their capacities as officers or directors of the Company. Notwithstanding the foregoing, nothing contained in the Plan will be deemed to restrict the Covered Employee, the Company or any of the Company’s current or former officers and/or directors from providing information to any governmental or regulatory agency or body (or in any way limit the content of any such information) to report an alleged violation of law or to the extent they are requested or required to provide such information pursuant a subpoena or as otherwise required by applicable law or regulation, or in accordance with any governmental investigation or audit relating to the Company. Further, nothing contained in this Section 6.3 shall in any way limit the rights or relief that the Covered Employee or Company may have under common law or otherwise with respect to the conduct prohibited in this paragraph.

6.4 Other Requirements. A Covered Employee’s receipt of severance payments pursuant to Section 4.1 will be subject to the Covered Employee continuing to comply with the provisions of this Section 6 and the terms of any confidential information agreement, proprietary information and inventions agreement and such other appropriate agreement between the Covered Employee and the Company. Benefits under this Plan shall terminate immediately for a Covered Employee if such Covered Employee, at any time, violates any such agreement or the provisions of this Section 6.

7. Timing of Change in Control Severance Benefits. Subject to Section 9 below, the Change in Control Severance Benefits that do not constitute Deferred Compensation Separation Benefits (as defined in Section 9 below) shall commence or be paid, as applicable, as soon as administratively practicable but within ten (10) calendar days following the date of the Covered Employee’s termination of employment (or, if required by Section 9, the Covered Employee’s separation from service) or, if later, on the date the Release becomes effective. Subject to Section 9 below, the Change in Control Severance Benefits that do constitute Deferred Compensation Separation Benefits will commence or be paid as applicable, as follows:

7.1 If the Covered Employee’s Release Period ends on or before December 15 of the calendar year in which the Covered Employee’s Involuntary Termination occurs, his or her Deferred Compensation Separation Benefits will commence or be made, as applicable, on or before December 31 of that calendar year.

7.2 If the Covered Employee's Release Period ends after December 15 of the calendar year in which the Covered Employee's Involuntary Termination his or her Deferred Compensation Separation Benefits will commence or be paid, as applicable, on the later of (a) the first payroll date in the calendar year next following the calendar year of the Covered Employee's Involuntary Termination or (b) the first payroll date following the date his or her Release becomes effective, subject to Section 9 below.

8. Non-Duplication of Benefits. Notwithstanding any other provision in the Plan to the contrary, the Change in Control Severance Benefits provided are intended to be and are exclusive and in lieu of any other change of control and severance benefits or payments to which the Covered Employee may otherwise be entitled, either at law, tort, or contract, in equity, or under the Plan, in the event of any termination of the Covered Employee's employment. The Covered Employee will be entitled to no change of control or severance benefits or payments upon a termination of employment that constitute an Involuntary Termination other than those benefits expressly set forth herein and those benefits required to be provided by applicable law or as negotiated in accordance with applicable law. Notwithstanding the foregoing, if the Covered Employee is entitled to any benefits other than the benefits under the Plan by operation of applicable law or as negotiated in accordance with applicable law, his or her benefits under the Plan shall be reduced by the value of the benefits the Covered Employee receives by operation of applicable law or as negotiated in accordance with applicable law, as determined by the Administrator in its discretion. It is the intent of the Administrator that amounts owing under the terms of a non-equity performance based incentive plan will be made in addition to any Plan benefits and will not be so offset.

9. Section 409A.

9.1 Notwithstanding anything to the contrary in the Plan, no Deferred Compensation Separation Benefits (as defined below) or other severance benefits that are exempt from Section 409A (as defined below) pursuant to Treasury Regulation Section 1.409A-1(b)(9) will become payable until the Covered Employee has a "separation from service" within the meaning of Section 409A of the Code and the final regulations and any guidance promulgated thereunder ("Section 409A"). Further, if the Covered Employee is subject to Section 409A and is a "specified employee" within the meaning of Section 409A at the time of the Covered Employee's separation from service (other than due to death), then any Deferred Compensation Separation Benefits otherwise due to the Covered Employee on or within the six (6) month period following his or her separation from service will accrue during such six (6) month period and will become payable in a lump sum payment (less applicable withholding taxes) on the date six (6) months and one (1) day following the date of the Covered Employee's separation from service. All subsequent payments of Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if the Covered Employee dies following his or her separation from service but prior to the six (6) month anniversary of his or her date of separation, then any payments delayed in accordance with this paragraph will be payable in a lump sum (less applicable withholding taxes) to the Covered Employee's estate as soon as administratively practicable after the date of his or her death and all other Deferred Compensation Separation Benefits will be payable in accordance with the payment schedule applicable to each payment or benefit. For purposes of the Plan, "Deferred Compensation Separation Benefits" will mean the severance payments or benefits payable to the Covered Employee, if any, pursuant to the Plan that, when considered together with any other severance payments or separation benefits, is considered deferred compensation under Section 409A.

9.2 Each payment and benefit payable under the Plan is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations. Any severance payment that satisfies the requirements of the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations shall not constitute a Deferred Compensation Separation Benefit. Any severance payment that entitles the Covered Employee to taxable reimbursements or taxable in-kind benefits covered by Section 1.409A-1(b)(9)(v) shall not constitute a Deferred Compensation Separation Benefit. Any severance payment or portion thereof that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that does not exceed the Section 409A Limit shall not constitute a Deferred Compensation Separation Benefit.

9.3 It is the intent of this Plan to comply with or be exempt from the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. Notwithstanding anything to the contrary in the Plan, including but not limited to Section 13, the Company reserves the right to amend the Plan as it deems necessary or advisable, in its sole discretion and without the consent of the Covered Employees, to comply with Section 409A of the Code or to otherwise avoid income recognition under Section 409A of the Code prior to the actual payment of Change in Control Severance Benefits or imposition of any additional tax (provided that no such amendment shall materially reduce the benefits provided hereunder).

10. Withholding. The Company will withhold from any Change in Control Severance Benefits all federal, state, local and other taxes required to be withheld therefrom and any other required payroll deductions.

11. Administration. The Plan will be administered and interpreted by the Administrator (in his or her sole discretion). The Administrator is the "named fiduciary" of the Plan for purposes of ERISA and will be subject to the fiduciary standards of ERISA when acting in such capacity. Any decision made or other action taken by the Administrator prior to a Change in Control with respect to the Plan, and any interpretation by the Administrator prior to a Change in Control of any term or condition of the Plan, or any related document, will be conclusive and binding on all persons and be given the maximum possible deference allowed by law. Following a Change in Control, any decision made or other action taken by the Administrator with respect to the Plan, and any interpretation by the Administrator of any term or condition of the Plan, or any related document that (i) does not affect the benefits payable under the Plan shall not be subject to review unless found to be arbitrary and capricious or (ii) does affect the benefits payable under the Plan shall not be subject to review unless found to be unreasonable or not to have been made in good faith. In accordance with Section 2.1, the Administrator may, in its sole discretion and on such terms and conditions as it may provide, delegate in writing to one or more

officers of the Company all or any portion of its authority or responsibility with respect to the Plan; provided, however, that any Plan amendment or termination or any other action that could reasonably be expected to increase significantly the cost of the Plan must be approved by the Board or the Compensation Committee of the Board.

12. Eligibility to Participate. To the extent that the Administrator has delegated administrative authority or responsibility to one or more officers of the Company in accordance with Sections 2.1 and 11, each such officer will not be excluded from participating in the Plan if otherwise eligible, but he or she is not entitled to act or pass upon any matters pertaining specifically to his or her own benefit or eligibility under the Plan. The Administrator will act upon any matters pertaining specifically to the benefit or eligibility of each such officer under the Plan.

13. Amendment or Termination. The Company, by action of the Administrator, reserves the right to amend or terminate the Plan at any time, without advance notice to any Covered Employee and without regard to the effect of the amendment or termination on any Covered Employee or on any other individual. Any amendment or termination of the Plan will be in writing. Notwithstanding the preceding, once the Change in Control Determination Period has begun, the Company may not, without a Covered Employee's written consent, amend or terminate the Plan in any way, nor take any other action, that (a) prevents that Covered Employee from becoming eligible for Change in Control Severance Benefits under the Plan or (b) reduces or alters to the detriment of the Covered Employee the Change in Control Severance Benefits payable, or potentially payable, to a Covered Employee under the Plan (including, without limitation, imposing additional conditions or modifying the timing of payment). Any action of the Company in amending or terminating the Plan will be taken in a non-fiduciary capacity. Notwithstanding anything in the Plan to the contrary, the Plan shall have an initial term of two (2) years commencing on the Effective Date and shall automatically terminate on the second (2nd) anniversary of the Effective Date unless otherwise extended by the Compensation Committee of the Board, in its discretion. On or about the first (1st) anniversary and each subsequent anniversary of the Effective Date, the Compensation Committee of the Board will review the Plan in good faith and determine whether to extend the initial or subsequent term of the Plan by one year. For the avoidance of doubt, in the event a Change in Control occurs during the term of the Plan, the Plan shall not terminate until the Change in Control Determination Period has expired and any benefits payable have been paid.

14. Claims Procedure. Any employee or other person who believes he or she is entitled to any payment under the Plan may submit a claim in writing to the Administrator within ninety (90) days of the earlier of (i) the date the claimant learned the amount of their Change in Control Severance Benefits under the Plan or (ii) the date the claimant learned that he or she will not be entitled to any benefits under the Plan. If the claim is denied (in full or in part), the claimant will be provided a written notice explaining the specific reasons for the denial and referring to the provisions of the Plan on which the denial is based. The notice will also describe any additional information needed to support the claim and the Plan's procedures for appealing the denial. The denial notice will be provided within ninety (90) days after the claim is received. If special circumstances require an extension of time (up to ninety (90) days), written notice of the extension will be given within the initial ninety (90) day period. This notice of extension will indicate the special circumstances requiring the extension of time and the date by which the

Administrator expects to render its decision on the claim. The Administrator has delegated the claims review responsibility to the Company's Vice President, Human Resources, except in the case of a claim filed by or on behalf of the Company's Vice President, Human Resources, in which case, the claim will be reviewed by the Company's Chief Executive Officer.

15. Appeal Procedure. If the claimant's claim is denied, the claimant (or his or her authorized representative) may apply in writing to the Administrator for a review of the decision denying the claim. Review must be requested within sixty (60) days following the date the claimant received the written notice of their claim denial or else the claimant loses the right to review. The claimant (or representative) then has the right to review and obtain copies of all documents and other information relevant to the claim, upon request and at no charge, and to submit issues and comments in writing. The Administrator will provide written notice of its decision on review within sixty (60) days after it receives a review request. If additional time (up to sixty (60) days) is needed to review the request, the claimant (or representative) will be given written notice of the reason for the delay. This notice of extension will indicate the special circumstances requiring the extension of time and the date by which the Administrator expects to render its decision. If the claim is denied (in full or in part), the claimant will be provided a written notice explaining the specific reasons for the denial and referring to the provisions of the Plan on which the denial is based. The notice shall also include a statement that the claimant will be provided, upon request and free of charge, reasonable access to, and copies of, all documents and other information relevant to the claim and a statement regarding the claimant's right to bring an action under Section 502(a) of ERISA. The Administrator has delegated the appeals review responsibility to the Company's Vice President, Human Resources, except in the case of an appeal filed by or on behalf of the Company's Vice President, Human Resources, in which case, the appeal will be reviewed by the Company's Chief Executive Officer.

16. Legal Expenses. In the event that, on or following a Change in Control that is triggered by an occurrence described in Section 2.4(iii) that is not approved by the Board or an occurrence described in Section 2.4 (iv), either party brings an action to enforce or effect its rights under this Plan, the Company will reimburse the Covered Employee for his or her costs and expenses incurred in connection with the action (including, without limitation, in connection with the Covered Employee defending himself against an action brought by the Company to enforce or effect its rights under the Plan), including the costs of mediation, arbitration, litigation, court fees, and reasonable attorneys' fees. Notwithstanding the preceding, no reimbursement will be made to the Covered Employee for an action originally brought by the Covered Employee if an entity of competent jurisdiction issues a final order that the Covered Employee's action was frivolous. This right to reimbursement will be subject to the following additional requirements: (i) the Covered Employee must submit documentation of the costs, expenses and fees to be reimbursed within thirty (30) days of the end of his or her taxable year in which the costs, expenses and fees were incurred; (ii) the amount of any reimbursement provided during his or her taxable year shall not affect any expenses eligible for reimbursement in any other taxable year; (iii) the reimbursement of eligible costs and expenses shall be made by the Company within thirty (30) days of the Covered Employee's submission of documentation of the costs, expenses and fees to be reimbursed but no later than the last day of the Covered Employee's taxable year that immediately follows the taxable year in which the costs or expenses were incurred; and (iv) the right to any such reimbursement shall not be subject to liquidation or exchange for another benefit or payment.

17. Source of Payments. All Change in Control Severance Benefits will be paid in cash from the general funds of the Company; no separate fund will be established under the Plan, and the Plan will have no assets. No right of any person to receive any payment under the Plan will be any greater than the right of any other general unsecured creditor of the Company.

18. Inalienability. In no event may any current or former employee of the Company or any of its subsidiaries or affiliates sell, transfer, anticipate, assign or otherwise dispose of any right or interest under the Plan. At no time will any such right or interest be subject to the claims of creditors nor liable to attachment, execution or other legal process.

19. No Enlargement of Employment Rights. Neither the establishment or maintenance of the Plan, any amendment of the Plan, nor the making of any benefit payment hereunder, will be construed to confer upon any individual any right to be continued as an employee of the Company. The Company expressly reserves the right to discharge any of its employees at any time, with or without cause. However, as described in the Plan, a Covered Employee may be entitled to benefits under the Plan depending upon the circumstances of his or her termination of employment.

20. Successors. Any successor to the Company of all or substantially all of the Company's business and/or assets (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise) will assume the obligations under the Plan and agree expressly to perform the obligations under the Plan in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under the Plan, the term "Company" will include any successor to the Company's business and/or assets which become bound by the terms of the Plan by operation of law, or otherwise.

21. Applicable Law. The provisions of the Plan will be construed, administered and enforced in accordance with ERISA and, to the extent applicable, the internal substantive laws of the State of California (with the exception of its conflict of laws provisions).

22. Severability. If any provision of the Plan is held invalid or unenforceable, its invalidity or unenforceability will not affect any other provision of the Plan, and the Plan will be construed and enforced as if such provision had not been included.

23. Headings. Headings in this Plan document are for purposes of reference only and will not limit or otherwise affect the meaning hereof.

24. Indemnification. The Company hereby agrees to indemnify and hold harmless the officers and employees of the Company, and the members of its boards of directors, from all losses, claims, costs or other liabilities arising from their acts or omissions in connection with the administration, amendment or termination of the Plan, to the maximum extent permitted by applicable law. This indemnity will cover all such liabilities, including judgments, settlements and costs of defense. The Company will provide this indemnity from its own funds to the extent that insurance does not cover such liabilities. This indemnity is in addition to and not in lieu of any other indemnity provided to such person by the Company.

25. Additional Information.

Plan Name: McGrath RentCorp Change in Control Severance Plan

Plan Sponsor: McGrath RentCorp
5700 Las Positas Road
Livermore, CA 94551

Identification Numbers: EIN: 942579843
PLAN: _________

Plan Year: Company's Fiscal Year

Plan Administrator: McGrath RentCorp
Attention: Administrator of the McGrath RentCorp Change in Control Severance Plan
5700 Las Positas Road
Livermore, CA 94551
(925) 606-9200

Agent for Service of   McGrath RentCorp
Legal Process:Attention: Kay Dashner, VP of Human Resources
5700 Las Positas Rd
Livermore, CA 94551
(925) 606-9200

Service of process may also be made upon the Administrator.

Type of Plan:Severance Plan/Employee Welfare Benefit Plan

Plan Costs:The cost of the Plan is paid by the Employer.

26. Statement of ERISA Rights.

As a Covered Employee under the Plan, you have certain rights and protections under ERISA:

(a) You may examine (without charge) all Plan documents, including any amendments and copies of all documents filed with the U.S. Department of Labor. These documents are available for your review in the Company's Human Resources Department.

(b) You may obtain copies of all Plan documents and other Plan information upon written request to the Administrator. A reasonable charge may be made for such copies.

In addition to creating rights for Covered Employees, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate the Plan (called "fiduciaries") have a duty to do so prudently and in the interests of you and the other Covered Employees. No one, including the Company or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit under the Plan or exercising your rights under ERISA. If your claim for a severance benefit is denied, in whole or in part, you must receive a written explanation of the reason for the denial. You have the right to have the denial of your claim reviewed. (The claim review procedure is explained in Sections 14 and 15 above.)

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials and do not receive them within thirty (30) days, you may file suit in a federal court. In such a case, the court may require the Administrator to provide the materials and to pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Administrator. If you have a claim which is denied or ignored, in whole or in part, you may file suit in a federal court. If it should happen that you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court.

In any case, the court will decide who will pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds that your claim is frivolous.

If you have any questions regarding the Plan, please contact the Administrator. If you have any questions about this statement or about your rights under ERISA, you may contact the nearest area office of the Employee Benefits Security Administration (formerly the Pension and Welfare Benefits Administration), U.S. Department of Labor, listed in your telephone directory, or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W. Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

APPENDIX A

PLAN PARTICIPANTS

APPENDIX B
MCGRATH RENTCORP
CHANGE IN CONTROL SEVERANCE PLAN
PARTICIPATION AGREEMENT

This Participation Agreement (the "Agreement") with respect to participation in the McGrath RentCorp Change in Control Severance Plan (the "Plan") is made as of January 1, 2017 by and between McGrath RentCorp (the "Company") and [Click and Type Name] ("Employee"). Capitalized terms not otherwise defined herein shall have the meanings given to them in the Plan.

WHEREAS, the Company has adopted and sponsors the Plan, a copy of which is attached hereto; and

WHEREAS, Employee has been selected to participate in the Plan in accordance with and subject to the terms of the Plan and this Agreement.

NOW, THEREFORE, in consideration of the mutual promises made herein, the parties hereby agree as follows:

1. Participation. Employee has been designated as a Covered Employee in the Plan, subject to Employee executing this Agreement pursuant to which Employee has agreed to, among other things, (i) waive his or her rights to any severance benefits provided under any other agreement with the Company or arrangement or plan sponsored by the Company and (ii) amend any existing employment or other agreement by and between Employee and the Company pursuant to which Employee is entitled to receive severance benefits to remove the severance provisions from such agreement. The terms and conditions of Covered Employee's participation in the Plan are as set forth in the Plan and herein.

2. Severance Benefits. Upon satisfaction of the conditions set forth in Section 4 of the Plan, Employee will be eligible to receive the Change in Control Severance Benefits set forth in Section 4.1 of the Plan, subject to compliance with Section 6 of the Plan.

3. Condition to Receipt of Benefits. Employee acknowledges and agrees that notwithstanding anything herein, in the Plan, or otherwise to the contrary, Employee shall not be entitled to any payments or benefits from the Company under the Plan or this Agreement in connection with an Involuntary Termination of Employee's employment with the Company unless Employee has signed and not revoked a waiver and release of claims agreement in a form reasonably satisfactory to the Company. Employee also acknowledges and agrees that receipt of any Change in Control Severance Benefits will be subject to Employee's compliance with the conditions during the time periods set forth in Sections 6.2 through 6.4 of the Plan.

4. Interaction with Other Severance Benefit Plans or Arrangements. The change of control and severance benefits and payments provided under the Plan are intended to be and are exclusive and in lieu of any other change of control and severance benefits and payments to which Employee may otherwise be entitled, either at law, tort, or contract, in equity, or under the Plan, in the event of any termination of Employee's employment unless otherwise specifically

agreed to by the Employee and the Company in an agreement entered into after the Effective Date of the Plan. Employee agrees that he or she will be entitled to no change of control or severance benefits or payments upon a termination of employment that constitute an Involuntary Termination other than those benefits expressly set forth in the Plan and those benefits required to be provided by applicable law or as negotiated in accordance with applicable law. Employee further agrees to amend any existing employment or other agreement by and between Employee and the Company pursuant to which Employee is entitled to receive severance benefits to remove the severance provisions from such agreement. Notwithstanding the foregoing, if the Employee is entitled to any benefits other than the benefits under the Plan by operation of applicable law or as negotiated in accordance with applicable law, his or her benefits under the Plan shall be reduced by the value of the benefits the Employee receives by operation of applicable law or as negotiated in accordance with applicable law, as determined by the Administrator in its discretion.

5. Additional Provisions.

(a) Severability. If any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision.

(b) Integration; No Oral Modification. This Agreement and the Plan, constitute the entire agreement of the parties with respect to the subject matter hereof and supersede all prior agreements, written or oral. This Agreement may only be amended in writing signed by the parties hereto.

(c) Counterparts. This Agreement may be executed in counterparts, and each counterpart shall have the same force and effect as an original and shall constitute an effective, binding agreement on the part of each of the undersigned. Execution and delivery of this Agreement by exchange of facsimile copies bearing the facsimile signature of a party shall constitute a valid and binding execution and delivery of the Agreement by such party. Such facsimile copies shall constitute enforceable original documents.

(d) Headings. All captions and section headings used in this Agreement are for convenient reference only and do not form a part of this Agreement.

(e) Tax Withholding. All payments made pursuant to the Plan and this Agreement will be subject to withholding of applicable taxes.

(f) Governing Law. This Agreement will be governed by the laws of the State of California (with the exception of its conflict of laws provisions).

By their signatures below, the Company and Employee agree that participation in the Plan is governed by this Agreement and by the provisions of the Plan, a copy of which is attached hereto and made a part of this document. Employee acknowledges receipt of a copy of the Plan, represents that Employee has read and is familiar with its provisions and the provisions of this Agreement, and acknowledges that decisions and determinations by the Administrator under the Plan shall be final and binding on Employee.

(The remainder of this page has been intentionally left blank)

IN WITNESS WHEREOF, the undersigned has executed this Agreement as of the date first set forth above.

MCGRATH RENTCORP EMPLOYEE

By:
[Click and Type Name]

APPENDIX C-1

40 and over

SEVERANCE AGREEMENT AND RELEASE OF ALL CLAIMS

This Severance Agreement and Release of All Claims (this "Agreement") is entered into between ____________________, including its officers, directors, employees, managers, agents, and representatives ("Company") and ______________ ("Employee") pursuant to the McGrath RentCorp Change in Control Severance Plan (the "Plan"). The purpose of this Agreement is to arrange a severance of Employee's employment with Company as contemplated under the Plan.

1. Effective [Date], Employee's employment ended.

2. Both Employee and Company are entering into this Agreement as a way of concluding the employment relationship between them and of voluntarily settling any dispute or potential dispute that Employee has or might have with Company as of the date this Agreement is signed.

a. In return for Employee agreeing to this Agreement, Company agrees to provide to Employee benefits pursuant to the terms of the Plan.

b. Employee agrees that he/she will not seek nor accept employment with Company in the future and that Company is entitled to reject any application for employment made by Employee.

c. Company will not contest Employee's claim for unemployment insurance benefits based upon the fact of Employee's termination, and will respond to any request related to an unemployment claim truthfully and accurately.

d. If contacted for a reference, Company will disclose only Employee's job title and dates of employment to prospective employers, and with Employee's agreement, Employee's last wage or salary.

3. This is a general release of all claims and Employee, on behalf of himself or herself and his or her heirs, executors, representatives and assigns (collectively, "Releasors"), knowingly and voluntarily releases and forever discharges Company, and its affiliates, subsidiaries, divisions, and related companies, and its and their present, former, and future parents, subsidiaries, affiliates, successors and assignees, and all of its and their current, former, and future owners, officers, shareholders, employees, officers, attorneys, accountants, directors, assigns, and agents thereof, both individually and in their representative capacities, and insurers, Company employee benefit plans, programs, arrangements and their administrators, functionaries and fiduciaries (collectively, the "Released Parties"), of and from any and all claims, debts, liabilities, demands, and causes of action (collectively, "Claims") of any and every kind arising out of, relating to, or resulting from Employee's employment with Company or the termination thereof, known and unknown, asserted and unasserted, foreseeable and unforeseeable, including but not limited to, any claims for alleged violation of: the National Labor Relations Act, as amended; Title VII of the Civil Rights Act of 1964, as amended; the

Civil Rights Act of 1991, as amended; the Americans with Disabilities Act of 1990, as amended; the Family and Medical Leave Act, as amended; the Age Discrimination in Employment Act, as amended; the Occupational Safety and Health Act of 1990, as amended; the California Labor Code; the California Fair Employment and Housing Act; and any other federal, state or local civil or human rights law or any other federal, state or local law, regulation or ordinance; any public policy, contract, tort, or common law; or any allegations for compensation, damages, costs, fees, or other expenses, including attorneys' fees incurred in these matters.

This general release may not be construed to waive any right that is not subject to waiver by private agreement, including without limitation, any Claims arising under state unemployment insurance or workers compensation laws.

4. Notwithstanding anything to the contrary in this Agreement, Employee understands that:

a. Nothing in this Agreement is intended to prohibit Employee, and Employee is not prohibited, from reporting possible violations of law to, filing charges with, making disclosures protected under the whistleblower provisions of U.S. federal law or regulation, or participating in investigations of U.S. federal law or regulation by the U.S. Securities and Exchange Commission, National Labor Relations Board, Equal Employment Opportunity Commission, the Occupational Safety and Health Administration, the U.S. Department of Justice, the U.S. Congress, any U.S. agency Inspector General or any other self-regulatory agencies or federal, state or local governmental agencies (collectively, "Government Agencies," and each a "Government Agency"). Accordingly, Employee does not need the prior authorization of Company to make any such reports or disclosures or otherwise communicate with Government Agencies and is not required to notify Company that Employee has engaged in any such communications or made any such reports or disclosures. Employee agrees, however, to waive any right to receive any monetary award resulting from such a report, charge, disclosure, investigation or proceeding, except that Employee may receive and fully retain any award from a whistleblower award program administered by a Government Agency.

b. Employee is advised that 18 U.S.C. § 1833)(b) states:

"An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that—(A) is made—(i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal."

Accordingly, Employee has the right to disclose in confidence trade secrets to Federal, State, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law. Employee also has the right to disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. § 1833(b).

5. Employee agrees that the benefits described in Paragraph 2.a., shall constitute the entire amount of monetary consideration provided to Employee under this Agreement and that Employee will not seek any further compensation for any other claimed damages, costs or attorneys fees in connection with the matters encompassed by this Agreement.

6. The parties acknowledge that California Civil Code Section 1542 provides as follows:

> A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

The parties acknowledge that they intend for Employee's releases in this Agreement to include known and unknown Claims and Employee therefore waives his or her rights under California Civil Code Section 1542.

7. Employee understands that by signing this Agreement, Employee hereby irrevocably and unconditionally fully and forever waives, releases and discharges Company from any and all Claims, whether known or unknown, from the beginning of time to the date of Employee's execution of this Agreement arising under the Age Discrimination in Employment Act of 1967 (ADEA), as amended, and its implementing regulations. Employee understands that:

a. Employee has twenty-one (21) days in which to consider signing this Agreement;[1]

b. Employee has carefully read and fully understands all of the terms of the Agreement;

c. Employee is, through this Agreement, releasing Company from any and all claims he/she may have against it;

d. Employee knowingly and voluntarily agrees to all of the terms set forth in this Agreement;

e. Employee knowingly and voluntarily intends to be legally bound by this Agreement;

f. Employee was advised and hereby is advised in writing to consult with an attorney of Employee's choice prior to signing this Agreement;

---

[1] If Employee is terminated pursuant to a group termination as contemplated by the Older Workers Benefits Protection Act, the consideration period shall be 45 days and Employee shall be provided with the required statistical disclosures.

g. Employee understands that rights or claims under the Age Discrimination in Employment Act of 1967 that may arise after the date this Agreement is signed are not waived; and

h.Employee has a full seven (7) days following the signing of this Agreement to revoke it and Employee has been and hereby is advised in writing that this Agreement will not become effective or enforceable until that seven (7) day revocation period has expired without Employee revoking the Agreement.

i.If Employee wishes to revoke this Agreement, Employee must deliver written notice of revocation to [Name, Title, Address] prior to the end of the seven (7) day revocation period.

8. This Agreement is in full satisfaction of disputed claims and by entering into this Agreement, Company is in no way admitting liability of any sort. This Agreement, therefore, does not constitute an admission of liability of any kind.

9. Except as set forth in Section 4 above, Employee agrees that Employee will keep the fact, terms and amount of this Agreement completely confidential and that Employee will not disclose any information concerning this Agreement to anyone. Employee may also disclose to a spouse or partner, and to a tax preparer and/or attorney. Employee agrees to notify such persons of this confidentiality agreement.

10. Employee acknowledges and reaffirms Employee's obligations under the Company's Proprietary Information Agreement.

11. Should any provision of this Agreement be determined by any court or arbitrator to be wholly or partially illegal, invalid or unenforceable, the legality, validity and enforceability of the remaining provisions shall not be affected, and said illegal, unenforceable or invalid provisions shall be deemed not to be a part of this Agreement.

12. The parties agree that this Agreement contains their complete and final agreement and that there are no representations, statements, or agreements which have not been included within this Agreement.

13. The parties acknowledge that in signing this Agreement, they do not rely upon and have not relied upon any representation or statement made by any of the parties or their agents with respect to the subject matter, basis or effect of this Agreement, other than those specifically stated in this written Agreement.

14. The parties agree that any dispute regarding the application and interpretation or alleged violation of this Agreement shall be subject to final and binding arbitration before a neutral arbitrator referred by the Judicial Arbitration and Mediation Service (JAMS). That arbitrator shall be selected by the parties from the list of proposed arbitrators referred by JAMS. The losing party to the arbitration will be responsible for paying all costs and attorneys' fees. Any arbitration proceeding shall be conducted in accordance with the then current Employment Arbitration Rules & Procedures of JAMS. Such rules are available for review at www.jamsadr.com/rules-employment-arbitration.

EMPLOYEE

Date: ___________________________ ________________________________

COMPANY

Date: ___________________________ By: ___________________________

APPENDIX C-2

Under 40

SEVERANCE AGREEMENT AND RELEASE OF ALL CLAIMS

This Severance Agreement and Release of All Claims ("Agreement") is entered into between _______________, including its officers, directors, managers, employees, agents, and representatives ("Company") and _____________ ("Employee") pursuant to the McGrath RentCorp Change in Control Severance Plan (the "Plan"). The purpose of this Agreement is to arrange a severance of Employee's employment with Company as contemplated under the Plan.

1. Effective [Date], Employee's employment ended.

2. Both Employee and Company are entering into this Agreement as a way of concluding the employment relationship between them and of voluntarily settling any dispute or potential dispute that Employee has or might have with Company as of the date this Agreement is signed.

a. In return for Employee agreeing to this Agreement, Company agrees to provide to Employee benefits pursuant to the terms of the Plan.

b. Employee agrees that he/she will not seek nor accept employment with Company in the future and that Company is entitled to reject any application for employment made by Employee.

c. Company will not contest Employee's claim for unemployment insurance benefits based upon the fact of Employee's termination, and will respond to any request related to an unemployment claim truthfully and accurately.

d. Upon request for a reference, Company will disclose only Employee's job title and dates of employment to prospective employers, and with Employee's agreement, Employee's last wage or salary.

15. This is a general release of all claims and Employee, on behalf of himself or herself and his or her heirs, executors, representatives and assigns (collectively, "Releasors"), knowingly and voluntarily releases and forever discharges Company, and its affiliates, subsidiaries, divisions, and related companies, and its and their present, former, and future parents, subsidiaries, affiliates, successors and assignees, and all of its and their current, former, and future owners, officers, shareholders, employees, officers, attorneys, accountants, directors, assigns, and agents thereof, both individually and in their representative capacities, and insurers, Company employee benefit plans, programs, arrangements and their administrators, functionaries and fiduciaries (collectively, the "Released Parties"), of and from any and all claims, debts, liabilities, demands, and causes of action (collectively, "Claims") of any and every kind arising out of, relating to, or resulting from Employee's employment with Company or the termination thereof, known and unknown, asserted and unasserted, foreseeable and unforeseeable, including but not limited to, any claims for alleged violation of: the National Labor Relations Act, as amended; Title VII of the Civil Rights Act of 1964, as amended; the

Civil Rights Act of 1991, as amended; the Americans with Disabilities Act of 1990, as amended; the Family and Medical Leave Act, as amended; the Age Discrimination in Employment Act, as amended; the Occupational Safety and Health Act of 1990, as amended; the California Labor Code; the California Fair Employment and Housing Act; and any other federal, state or local civil or human rights law or any other federal, state or local law, regulation or ordinance; any public policy, contract, tort, or common law; or any allegations for compensation, damages, costs, fees, or other expenses, including attorneys' fees incurred in these matters.

This general release may not be construed to waive any right that is not subject to waiver by private agreement, including without limitation, any Claims arising under state unemployment insurance or workers compensation laws.

3. Notwithstanding anything to the contrary in this Agreement, Employee understands:

a. Notwithstanding anything to the contrary in this Agreement, Employee understands that nothing in this Agreement is intended to prohibit Employee and Employee is not prohibited from reporting possible violations of law to, filing charges with, making disclosures protected under the whistleblower provisions of U.S. federal law or regulation, or participating in investigations of U.S. federal law or regulation by the U.S. Securities and Exchange Commission, National Labor Relations Board, Equal Employment Opportunity Commission, the Occupational Safety and Health Administration, the U.S. Department of Justice, the U.S. Congress, any U.S. agency Inspector General or any other self-regulatory agencies or federal, state or local governmental agencies (collectively, "Government Agencies," and each a "Government Agency"). Accordingly, Employee does not need the prior authorization of Company to make any such reports or disclosures or otherwise communicate with Government Agencies and is not required to notify Company that Employee has engaged in any such communications or made any such reports or disclosures. Employee agrees, however, to waive any right to receive any monetary award resulting from such a report, charge, disclosure, investigation or proceeding, except that Employee may receive and fully retain any award from a whistleblower award program administered by a Government Agency.

b. Employee is advised that 18 U.S.C. § 1833)(b) states:

> "An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that—(A) is made—(i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal."

Accordingly, Employee has the right to disclose in confidence trade secrets to Federal, State, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law. Employee also has the right to disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. § 1833(b).

4. Employee agrees that the payment in Paragraph 2.a. shall constitute the entire amount of monetary consideration provided to Employee under this Agreement and that Employee will not seek any further compensation for any other claimed damages, costs or attorneys fees in connection with the matters encompassed by this Agreement.

5. The parties acknowledge that California Civil Code Section 1542 provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

The parties acknowledge that they intend for Employee's releases in this Agreement to include known and unknown Claims and Employee therefore waives his or her rights under California Civil Code Section 1542.

6. Employee understands that:

a.Employee has seven (7) days in which to consider signing this Agreement;

b.Employee has carefully read and fully understands all of the terms of the Agreement;

c.Employee is, through this Agreement, releasing Company from any and all claims Employee may have against it;

d.Employee knowingly and voluntarily agrees to all of the terms set forth in this Agreement; and

e.Employee knowingly and voluntarily intends to be legally bound by this Agreement.

7. This Agreement is in full satisfaction of disputed claims and by entering into this Agreement, Company is in no way admitting liability of any sort. This Agreement, therefore, does not constitute an admission of liability of any kind.

8. Employee agrees that Employee will keep the fact, terms and amount of this Agreement completely confidential and that he/she will not disclose any information concerning this Agreement to anyone. However, Employee may make such disclosures to a spouse, partner, tax preparer or attorney, or as are required by law and as necessary for legitimate law enforcement or compliance purposes.

9. Employee acknowledges and reaffirms Employee's obligations under the Company's Proprietary Information Agreement.

10. Should any provision of this Agreement be determined by any court to be wholly or partially illegal, invalid or unenforceable, the legality, validity and enforceability of the

remaining provisions shall not be affected, and said illegal, unenforceable or invalid provisions shall be deemed not to be a part of this Agreement.

11. The parties agree that this Agreement contains their complete and final agreement and that there are no representations, statements, or agreements which have not been included within this Agreement.

12. The parties acknowledge that in signing this Agreement, they do not rely upon and have not relied upon any representation or statement made by any of the parties or their agents with respect to the subject matter, basis or effect of this Agreement, other than those specifically stated in this written Agreement.

13. The parties agree that any dispute regarding the application and interpretation or alleged breach of this Agreement shall be subject to final and binding arbitration before a neutral arbitrator referred by the Judicial Arbitration and Mediation Service ("JAMS"). That arbitrator shall be selected by the parties from the list of proposed arbitrators referred by JAMS. The losing party to the arbitration will be responsible for paying all costs and attorneys' fees. Any arbitration proceeding shall be conducted in accordance with the then current Employment Arbitration Rules & Procedures of JAMS. Such rules are available for review at www.jamsadr.com/rules-employment-arbitration.

EMPLOYEE

Date: ___________________________ ________________________________

COMPANY

Date: ___________________________ By: ___________________________

Exhibit 15.1

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 statements of McGrath RentCorp and subsidiaries as of March 31, 2017, and for the three-month periods ended March 31, 2017 and 2016, as indicated in our report dated May 2, 2017; because we did not perform an audit, we expressed no opinion on those statements.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended March 31, 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 are also 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
May 2, 2017

Exhibit 31.1

McGRATH RENTCORP
SECTION 302 CERTIFICATION

I, Joseph F. Hanna, 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: May 2, 2017

By: /s/ Joseph F. Hanna
Joseph F. Hanna
Chief Executive Officer

Exhibit 31.2

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: May 2, 2017

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

Exhibit 32.1

McGRATH RENTCORP
SECTION 906 CERTIFICATION

In connection with the periodic report of McGrath RentCorp (the "Company") on Form 10-Q for the period ended March 31, 2017, as filed with the Securities and Exchange Commission (the "Report"), I, Joseph F. Hanna, 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: May 2, 2017

By: /s/ Joseph F. Hanna
Joseph F. Hanna
Chief Executive Officer

Exhibit 32.2

McGRATH RENTCORP
SECTION 906 CERTIFICATION

In connection with the periodic report of McGrath RentCorp (the “Company”) on Form 10-Q for the period ended March 31, 2017, 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: May 2, 2017

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