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Letter to Shareholders

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2017 Annual Meeting of Shareholders Notice and Proxy Statement

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2016 Annual Report on Form 10-K

Dear Fellow Shareholders,

This is my first annual letter as the new McGrath RentCorp President and CEO, and it is my honor and privilege to serve you. As many of you are aware, I previously held the position of COO for fourteen years and I am looking forward to my tenure as CEO. I will reflect on the CEO leadership transition later on in this letter, but first let me talk about our businesses.

In 2016 we operated with improved discipline in an economy that was uncertain. We realized continued recovery in our modular business, offset by weakness in our tank and box business and to a lesser extent, our electronics business. Despite headwinds, we grew our total revenues by 5% to $424 million and our operating profit by 3% to $79 million. During the year our important work concerning return on invested capital (ROIC) also progressed well, enabling us to allocate capital more effectively and pay down debt by $55 million due to our strong cash flows.

Additionally, the Company raised its dividend for the 25th consecutive year, placing McGrath RentCorp in the category of “dividend champion” with just over 100 other publicly traded companies. This is an honor for a corporation our size and speaks to our stability and enduring business model.

2016 Recap

The last 15 months presented numerous changes for the Company. We have an outstanding group of leaders and employees and everyone has been receptive to evaluating the business from different perspectives as we seek to improve performance. We are very clear on our objective to deliver improving results over the years ahead. Here are the most important things as shareholders you should know about the Company:

Modulars:

The modular business performance was a highlight of 2016, resulting in rental revenue growth of 11% and EBIT growth of 34%. We worked diligently to improve ROIC and made solid progress. We analyzed transactions across regions and industry verticals, assessed our competitive position and prioritized our most attractive market segments. By doing so, we were able to allocate capital more effectively and as a result reduced our overall CAPEX spend by $28 million while growing rental revenues. Our pricing discipline also improved and we are pricing more effectively for the opportunities we want. With modulars being our largest and most important business in the portfolio, this work will benefit the enterprise on a long term basis. In November, California voters passed $30 billion in state and local bonds for education infrastructure that should provide a nice runway for rental demand over the next 3-5 years. In all of our regions, we are positioned well to take advantage of increased activity in construction and infrastructure work and also classroom rentals as funding for education facilities improves. The team running the business is seasoned, stable and very focused on providing our customers with value and service as we seek to improve our financial returns. We believe the business is on a good growth trajectory that we expect to continue.

Electronics:

Our electronics business executed well in 2016. While the demand for high margin wireless test equipment continued to slow, we aggressively managed our inventory to account for market conditions. Rental revenues contracted but we also reduced depreciation expense as we scaled back the fleet by over $16 million. ROIC improved as a result of our discipline at selling off underutilized assets, a big lever to maximize returns in a soft market. Demand improved in other industry segments and we saw an increase in rental revenues from our general-purpose equipment during the year. The technology cycle for wireless communications continues to be driven by mobile devices and their ongoing need for bandwidth. We are hopeful we should see renewed demand for next generation testing gear in the coming years. TRS-RenTelco continues to provide the best economic returns in our portfolio and excellent cash flows. It's a great business and we have a skilled team that can capably manage through market fluctuations.

Tanks and Boxes:

Our tank and box business faced significant market headwinds in 2016, particularly at the start of the year when the price of oil dropped. Our cautious outlook was warranted as rental revenues and EBIT were impacted negatively as the year unfolded. The competitive environment was intense as fewer rental opportunities in upstream oil and gas caused increased focus on deploying idle tanks into other industry segments. Despite a disappointing performance for the business, Adler generated healthy cash flows in 2016. As the price of oil stabilized, project activity increased which provided rental opportunities later in the year. 21K tank rental pricing remains under pressure and that is expected to last until industry-wide utilization improves. We are committed to this business and believe there is opportunity for us to deliver better results; however, after several years of declining rental revenues we remain cautious in the near term. We are very focused on improving our operating processes to include success at national accounts, nurturing a highly effective salesforce and honing our consistency of business processes.

Portable Storage:

In 2016 we realized another year of strong growth and market penetration with rental revenues improving 20%. Pricing improved as a division wide effort to increase rates began to bear fruit. We did not expand geographically but instead we focused on growing our network of newer markets including Chicago, New Jersey, Maryland and the Charlotte/Atlanta corridor. Overall the business executed well on priorities for the year and we have a motivated workforce that really enjoys serving customers. We believe we have many years ahead of expansion opportunities.

ROIC:

Our journey started in 2016 on improving ROIC and we made solid progress during the year. Our focus was in the modular business due to the largest market opportunity and equipment pools being in that division. We now have better clarity on how to improve financial returns and we are encouraged by the initial results. Along the way, we shook up some long standing beliefs that challenged the business leaders and employees involved in this effort and they all responded admirably. Improvement to our profitability will take time as the changes flow into the base of business. Everyone is engaged in this work and understands the importance to our overall performance.

2017 Outlook

For 2017 we are expecting growth in both rental revenues and EBIT. Our EBIT growth will be driven by modulars with roughly flat performance from electronics and our tank and box business. As mentioned before, the California education bond passages are a positive development and school districts are in the planning stages for future projects. This should help fuel further recovery of our modular business. In our other markets, fleet investments will be made as market dynamics and ROIC hurdle rates are met, with a primary eye towards our modular Mid-Atlantic, Texas and Florida markets. Portable Storage fleet investment also continues across all regions. At electronics, we will support our general-purpose rental demand with appropriate equipment purchases.

For 2017, our ROIC work will continue as we turn our focus to Adler and Portable Storage. This is the most important multi-year initiative we are tackling right now, as we work to make our portfolio of equipment deliver better long term performance to our shareholders. Our deep dive continues and we are committed to this ROIC effort. Every day we continue to refine our strategy, disciplines and processes.

Historically, when we have put our talented group of business leaders to the task of exploring new opportunities, we have had positive results, e.g. we entered the Florida market, expanded operations in Texas and launched the Mid-Atlantic and Portable Storage businesses. We have a wonderful chance to get that flywheel turning again and when moving we should have a flow of opportunities to explore and grow the Company in future years. As we complete our ROIC work, it is my intention to get that flywheel turning again. Our strong balance sheet and low leverage provide a great foundation for growth.

Leadership

After 35 years of service, Dennis Kakures announced his early retirement in February. He truly loved the Company and always gave 100%. His impact as CEO was broad, but most important he scaled the organization to operate as a portfolio company with a platform of strong businesses. The Company is in great condition and we have so much to work with as we plan the next phase of McGrath RentCorp's growth thanks to Dennis. He left a wonderful opportunity for leadership, our employees and shareholders. We will miss Dennis and wish him all of the best. I would also like to acknowledge and thank our employees for making the CEO leadership transition seamless. Everyone has done an excellent job and it speaks to our strong culture and willingness to serve. Our people are great!

Thank you for your continued investment in McGrath RentCorp. We hope to see you on June 7, 2017 at our Livermore, California office for the Annual Shareholders' Meeting, which will also be webcast.

Sincerely,
Joe Hanna
President and Chief Executive Officer

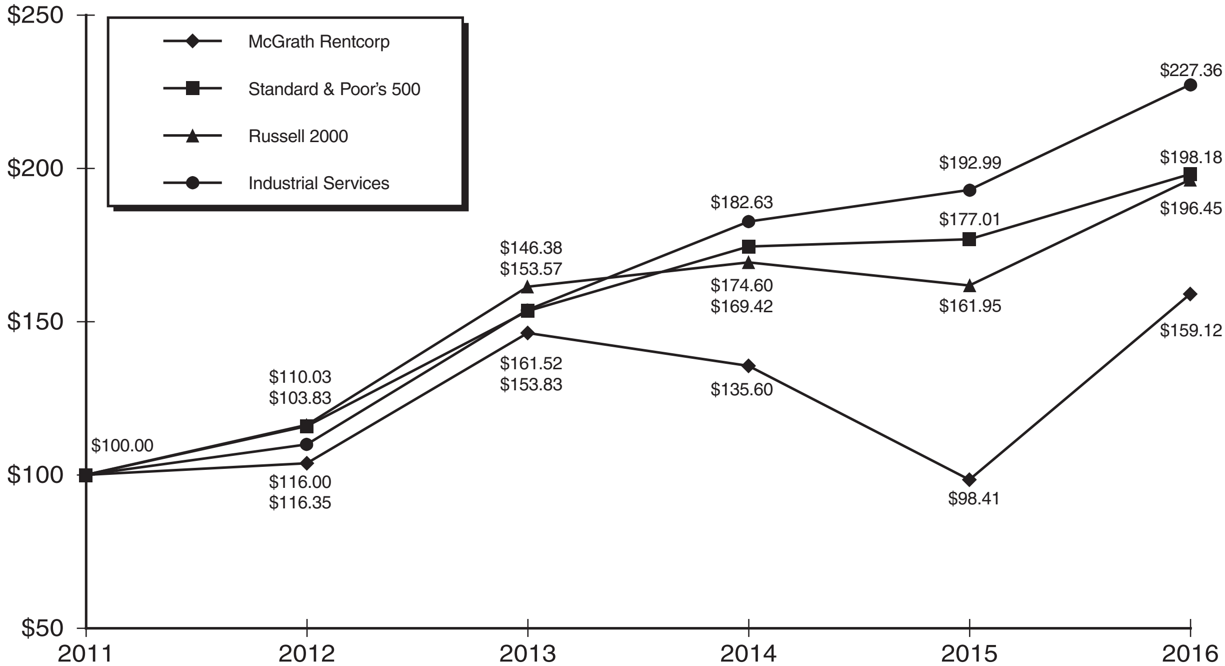
FORWARD-LOOKING STATEMENTS

Statements in this letter which are not historical facts are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, regarding McGrath RentCorp's business strategy, future operations, financial position, estimated revenues or losses, projected costs, growth, 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," "goals" or "certain" or the negative of these terms or other variations or comparable terminology. In particular, the statements made in this letter in the "2017 Outlook" section, including our expected growth in both rental revenues and EBIT for 2017, positive impact of the California education bond passage and further recovery of our modular business, are forward looking statements. Additional forward looking statements include the California education bond passage providing a nice runway for rental demand over the next 3-5 years; our ability to take advantage of increased activity in construction and infrastructure work and classroom rentals; our belief regarding the positive growth trajectory of the modular and portable storage businesses; and our hopefulness relating to renewed demand for next generation testing gear in the coming years.

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 including, without limitation, the following: the extent of and timetable for the recovery underway in our modular building division; the utilization levels of our Adler Tanks liquid and sold containment tank and box rental assets, the potential for continuing softness in general-purpose test equipment rental demand in our electronics division; the positive impact of the California education bond passage; seasonality of our businesses; and intense industry competition including increasing price pressure.

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 including the risks set forth above, those discussed in Part II—Item 1A "Risk Factors" and elsewhere in our Form 10-K for the year ended December 31, 2016, and those that may be identified from time to time in our reports and registration statements filed with the SEC. Forward-looking statements are made only as of the date of this letter and are based on management's reasonable assumptions; however, these assumptions can be wrong or affected by known or unknown risks and uncertainties. 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 do not undertake any duty to update any forward-looking statements.

Comparison of Five-Year Cumulative Total Return*
McGrath RentCorp, Standard & Poor's 500, Russell 2000 and Value Line Industrial Services Index
(Performance Results Through 12/31/16)



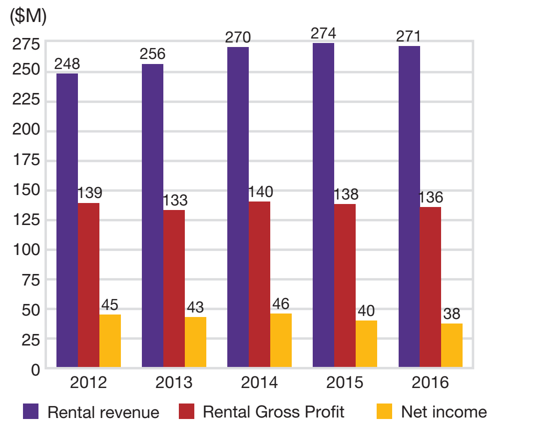
*Cumulative total return assumes reinvestment of dividends. Source: Zacks Investment Research, Inc.

CUMULATIVE TOTAL RETURN SUMMARY

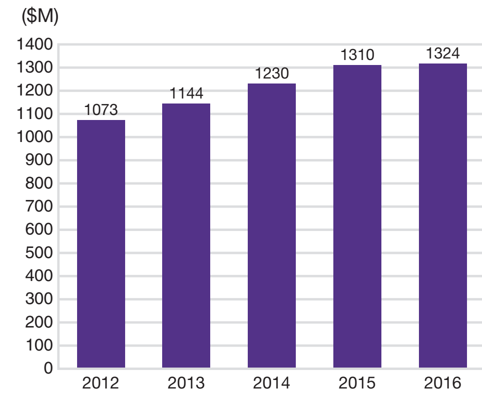
	2011	2012	2013	2014	2015	2016
McGrath Rentcorp	$100.00	$103.83	$146.38	$135.60	$ 98.41	$159.12
S&P 500 Index – Total Returns	$100.00	$116.00	$153.57	$174.60	$177.01	$198.18
Russell 2000 Index	$100.00	$116.35	$161.52	$169.42	$161.95	$196.45
Value Line Industrial Services Index	$100.00	$110.03	$153.83	$182.63	$192.99	$227.36

FINANCIAL HIGHLIGHTS

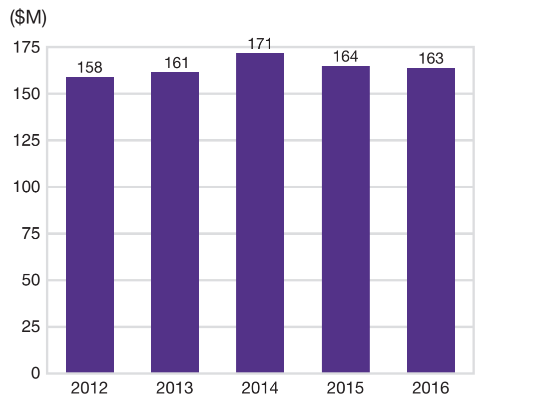
RENTAL REVENUE, RENTAL GROSS PROFIT & NET INCOME



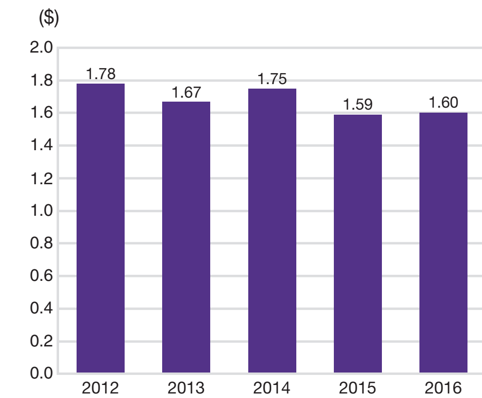
RENTAL EQUIPMENT, at cost (year-end)



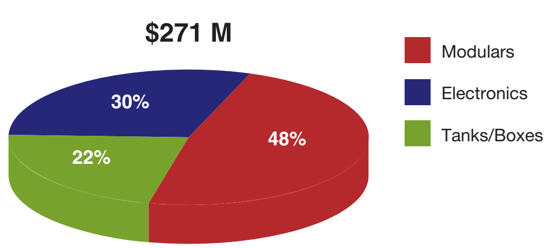
ADJUSTED EBITDA[(a)(b)]



EPS (diluted)



RENTAL REVENUE 2016 BY BUSINESS SEGMENT



(a) Adjusted EBITDA is a non-GAAP financial measure. For a reconciliation of Adjusted EBITDA to net income and to Net Cash Provided by Operating Activities, both GAAP financial measures, see pages 33 and 34 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 which is included in this Annual Report.

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

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McGRATH RENTCORP

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held June 7, 2017

To the Shareholders of McGrath RentCorp:

NOTICE IS HEREBY GIVEN that the 2017 Annual Meeting of Shareholders (the "Annual Meeting") of McGrath RentCorp, a California corporation (the "Company"), will be held at the Company's principal executive offices located at 5700 Las Positas Road, Livermore, California 94551, on Wednesday, June 7, 2017, at 2:00 p.m., local time. Shareholders who are unable to attend may listen to a live webcast of the Annual Meeting on the Company's website at www.mgrc.com under the Investor Relations section. The Annual Meeting will be held for the following purposes:

1. To elect seven (7) directors of the Company, as specifically set forth in the attached proxy statement, to serve until the 2018 annual meeting of shareholders or until their successors are elected and qualified;

2. To ratify the appointment of Grant Thornton LLP as the independent auditors for the Company for the year ending December 31, 2017;

3. To hold a non-binding, advisory vote to approve the compensation of the Company's named executive officers;

4. To recommend, in a non-binding vote, whether a non-binding shareholder vote to approve the compensation of the Company's named executive officers should occur every one, two or three years; and

5. To transact such other business as may properly come before the Annual Meeting and any adjournment or postponement thereof.

The foregoing items of business are more fully described in the proxy statement which is attached and made a part hereof.

The Board of Directors of the Company has fixed the close of business on April 12, 2017 as the record date for determining the shareholders entitled to notice of and to vote at the Annual Meeting and any adjournment or postponement thereof.

I M P O R T A N T

Shareholders are cordially invited to attend the Annual Meeting in person. Whether or not you expect to attend the Annual Meeting, please complete, date, sign and return the enclosed proxy card using the enclosed return envelope, as promptly as possible in order to ensure your representation at the Annual Meeting. Even if you have voted by proxy, you may still vote in person if you attend the Annual Meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the Annual Meeting, you must obtain a proxy card issued in your name from such broker, bank or other nominee.

If you hold your shares in a brokerage account, your shares will not be voted in the election of directors or the non-binding, advisory vote on the compensation of the Company's named executive officers unless you provide explicit instructions to your broker as to how you wish to vote your shares. Under the NASDAQ Stock Market rules governing discretionary voting of proxies by the exchange's members, your broker is not permitted to vote shares with respect to non-routine matters such as the election of directors or the vote on compensation without voting instructions from the beneficial owner of such shares.

By Order of the Board of Directors,

Randle F. Rose
Senior Vice President,
Chief Administrative Officer and Secretary

Livermore, California
April 28, 2017

McGRATH RENTCORP
5700 Las Positas Road
Livermore, California 94551

PROXY STATEMENT
FOR 2017 ANNUAL MEETING OF SHAREHOLDERS

General Information

This proxy statement (this “Proxy Statement”) is made available to the shareholders of McGrath RentCorp, a California corporation (the “Company”, “we”, “us”, or “our”), in connection with the solicitation by the Board of Directors of the Company (the “Board of Directors” or the “Board”) of proxies in the accompanying form for use in voting at the 2017 Annual Meeting of Shareholders of the Company (the “Annual Meeting”) to be held on Wednesday, June 7, 2017, at 2:00 p.m., local time, at the Company’s principal executive offices located at 5700 Las Positas Road, Livermore, California 94551, and any adjournment or postponement thereof. The shares represented by the proxies received, properly marked, dated, executed and not revoked will be voted at the Annual Meeting.

The Company expects to mail this Proxy Statement and the enclosed form of proxy to shareholders on or about May 8, 2017.

The rules of the Securities and Exchange Commission (the “SEC”) require us to notify our shareholders of the availability of our proxy materials through the Internet.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be held on Wednesday, June 7, 2017

Our Proxy Statement and 2016 Annual Report to Shareholders are available at https://materials.proxyvote.com/580589

The following questions and answers provide important information about the Annual Meeting and this Proxy Statement:

Where are the Company’s principal executive offices located and what is the Company’s main telephone number?

The Company’s principal executive offices are located at 5700 Las Positas Road, Livermore, California 94551. The Company’s main telephone number is (925) 606-9200.

What matters will be considered at the Annual Meeting?

Shareholders will vote on the following items at the Annual Meeting:

1. To elect seven (7) directors of the Company, as specifically set forth in this Proxy Statement, to serve until the 2018 annual meeting of shareholders or until their successors are elected and qualified (Proposal No. 1);
2. To ratify the appointment of Grant Thornton LLP as the independent auditors for the Company for the year ending December 31, 2017 (Proposal No. 2);
3. To hold a non-binding, advisory vote to approve the compensation of the Company’s named executive officers (Proposal No. 3);

4. To recommend, in a non-binding vote, whether a non-binding shareholder vote to approve the compensation of the Company's named executive officers should occur every one, two or three years (Proposal No. 4); and

5. To transact such other business as may properly come before the Annual Meeting and any adjournment or postponement thereof.

How does the Board of Directors recommend that shareholders vote on these matters?

The Board of Directors believes that the election of the nominated directors, the ratification of the appointment of Grant Thornton LLP and the approval on an advisory basis of the compensation of the Company's named executive officers are in the best interests of the Company and its shareholders and, accordingly, recommends a vote "FOR" the approval of each of these proposals. The Board of Directors further believes that an annual advisory vote to approve the compensation of the Company's named executive officers is in the best interests of the Company and its shareholders and, accordingly, recommends a vote for "ONE YEAR" as the preferred frequency with which shareholders are provided an advisory vote on executive compensation.

How are proxy materials being made available to shareholders?

The SEC adopted amendments to the proxy rules that change how companies must provide proxy materials. These rules are often referred to as "Notice and Access." Under the Notice and Access model, a company may select either of the following two options for making proxy materials available to shareholders:

- the full set delivery option; or
- the notice only option.

Full Set Delivery Option

Under the full set delivery option, a company delivers all proxy materials to its shareholders as it would have done prior to the change in the rules. This can be by mail or, if a shareholder has previously agreed, by e-mail. In addition to delivering proxy materials to shareholders, a company must post all proxy materials on a publicly-accessible website and provide information to shareholders about how to access that website. The Company's proxy materials are available on the following website: https://materials.proxyvote.com/580589.

Notice Only Option

Under the notice only delivery option, a company must post all its proxy materials on a publicly accessible website. However, instead of delivering its proxy materials to shareholders, the company instead delivers a one-page notice of internet availability of proxy materials which includes, among other matters:

- information regarding the date, time and location of the annual meeting of shareholders as well as the items to be considered at the meeting;
- information regarding the website where the proxy materials are posted; and
- various means by which a shareholder may request paper or e-mail copies of the proxy materials.

A company may use a single method for all its shareholders, or use full set delivery for some while adopting the notice only option for others. The Company is required to comply with these Notice and Access rules in connection with its Annual Meeting, and has elected to use the full set delivery option under the rules for all shareholders in connection with this year's Annual Meeting.

Although the Company has elected to use the full set delivery option for the Annual Meeting, we may choose to use the notice only option in the future.

What is the difference between a shareholder of record and a beneficial owner of shares held in street name?

Shareholder of Record. If your shares are registered directly in your name with the Company's transfer agent, Computershare Trust Company, N.A. ("Computershare"), you are considered the shareholder of record with respect to those shares, and the proxy materials were sent directly to you by the Company.

Beneficial Owner of Shares Held in Street Name. If your shares are held in an account at a brokerage firm, bank, broker-dealer, or other similar organization, then you are the beneficial owner of shares held in "street name," and the proxy materials were forwarded to you by that organization. The organization holding your account is considered the shareholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct that organization on how to vote the shares held in your account.

How do I vote?

You may vote by signing and dating each paper proxy card you received and returning it in the prepaid envelope. The enclosed proxy will be voted in accordance with the instructions thereon. Unless otherwise stated, all shares represented by such proxy will be voted as instructed. Proxies may be revoked in the manner described below.

What does it mean if I received more than one proxy card?

If you received more than one proxy card, it may mean that you hold shares registered in more than one account. If you received more than one paper proxy card, sign and return each proxy card you received to ensure that all of your shares are voted. If you have any questions regarding your share information or address appearing on the paper proxy card you may call Computershare, the Company's transfer agent, at (800) 962-4284 if you are a shareholder of record, or contact your brokerage firm, bank, broker-dealer or other similar organization if you are a beneficial owner of shares held in "street name."

Can I change my vote after I have voted?

You may revoke your proxy and change your vote at any time before the final vote at the Annual Meeting. You may vote again on a later date by signing and returning a new proxy card with a later date or by attending the Annual Meeting and voting in person. However, your attendance at the Annual Meeting will not automatically revoke your proxy unless you vote again at the Annual Meeting or specifically request that your prior proxy be revoked by delivering a written notice of revocation to the Company's Corporate Secretary at 5700 Las Positas Road, Livermore, California 94551 prior to the Annual Meeting. See "*May I vote my shares in person at the Annual Meeting?*" below.

Who is entitled to vote?

The close of business on April 12, 2017 has been fixed as the record date (the "Record Date") for determining the holders of shares of common stock of the Company ("Common Stock") entitled to notice of and to vote at the Annual Meeting.

What constitutes a quorum?

As of the close of business on the Record Date, there were 23,979,848 shares of Common Stock outstanding and entitled to vote at the Annual Meeting. The presence at the Annual Meeting of a majority of these shares of Common Stock, either in person or by proxy, will constitute a quorum for the transaction of business at the Annual Meeting.

How are votes counted and who will count the votes?

Each outstanding share of Common Stock on the Record Date is entitled to one vote on each matter properly brought before the Annual Meeting. However, every shareholder voting for the election of directors may cumulate such shareholder's votes and give one candidate a number of votes equal to the number of directors to be elected (seven) multiplied by the number of shares held, or may distribute such shareholder's votes on the same principle among as many candidates as the shareholder may select. However, no shareholder shall be entitled to cumulate votes for any candidate unless the candidate's name has been placed in nomination prior to the voting and the shareholder, or any other shareholder, has given notice at the Annual Meeting prior to the voting of the intention to cumulate such shareholder's votes. The proxy holders are given discretionary authority, under the terms of the proxy, to cumulate votes represented by shares for which they are named in the proxy. In electing directors, the seven candidates receiving the highest number of affirmative votes shall be elected.

An automated system administered by Computershare will tabulate votes cast by proxy and Randle F. Rose, the Company's Corporate Secretary, will act as the inspector of elections to tabulate votes cast in person at the Annual Meeting.

Is my vote confidential?

Proxy instructions, ballots and voting tabulations that identify individual shareholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within the Company or to third parties, except:

- as necessary to meet applicable legal requirements;
- to allow for the tabulation and certification of votes; and
- to facilitate a successful proxy solicitation.

Occasionally, shareholders provide written comments on their proxy cards, which may be forwarded to the Company's management and the Board of Directors.

How are abstentions and broker "non-votes" treated?

Under the General Corporation Law of the State of California, an abstaining vote and a broker "non-vote" are counted as present and are, therefore, included for purposes of determining whether a quorum is present at the Annual Meeting. However, abstentions are not included in determining the number of shares voting on the proposals submitted to shareholders. Generally, a broker "non-vote" occurs when a nominee (such as a brokerage firm, bank, broker-dealer, or other similar organization) holding shares for a beneficial owner in "street name" does not vote on a particular matter because the nominee does not have discretionary voting power with respect to that matter and has not received voting instructions from the beneficial owner. Broker "non-votes," and shares as to which proxy authority has been withheld with respect to any matter, are not deemed to be entitled to vote for purposes of determining whether shareholders' approval of that matter has been obtained.

What is the voting requirement to approve each of the proposals?

With respect to Proposal No. 1 of this Proxy Statement, a plurality of the votes cast is required for the election of directors. This means that the director nominee with the most votes for a particular slot is elected for that slot. You may vote "FOR" or "WITHHELD" with respect to the election of directors. Only votes "FOR" or "WITHHELD" are counted in determining whether a plurality has been cast in favor of a director. Abstentions and broker "non-votes," if any, will have no effect on this proposal. Brokerage firms, banks, broker-dealers and other nominees holding shares for holders who have not given specific voting instructions are not permitted to vote in their discretion with respect to Proposal No. 1. If you do not instruct your broker how to vote, your broker may not vote with respect to this proposal and these votes will be counted as broker "non-votes," as is described in "*What happens if I do not give specific voting instructions?*" below. Our Corporate Governance Guidelines, as amended and restated by the Board of Directors on February 23, 2016, set forth our procedures if a director-nominee is elected, but receives a majority of "WITHHELD" votes. In an uncontested election, any director nominee who receives a greater number of votes "WITHHELD" from his or her election than votes "FOR" such election is required to tender his or her resignation following certification of the shareholder vote. The Corporate Governance and Nominating Committee is required to make recommendations to the Board of Directors with respect to any such letter of resignation. The Board of Directors is required to take action with respect to this recommendation within 90 days following certification of the shareholder vote and to disclose its decision-making process.

With respect to Proposal No. 2 of this Proxy Statement, the affirmative vote of a majority of the shares of Common Stock represented and voting at the Annual Meeting is required. Abstentions will have the same effect as voting against this proposal. Broker "non-votes," if any, will have no effect on this proposal.

With respect to Proposal No. 3 of this Proxy Statement, the affirmative vote of a majority of the shares of Common Stock represented and voting at the Annual Meeting is required for approval, on an advisory basis, of the compensation of the Company's named executive officers. You may vote "FOR" or "AGAINST" with respect to approval of the compensation of the Company's named executive officers. Abstentions will have the same effect as voting against this proposal. Broker "non-votes," if any, will have no effect on this proposal.

With respect to Proposal No. 4 of this Proxy Statement, we have determined to view the frequency vote that receives the greatest number of votes cast by the holders of the Company's Common Stock represented and voting at the Annual Meeting as the advisory vote of shareholders on the frequency of approval of the compensation of the Company's named executive officers. Broker "non-votes," if any, will have no effect on this proposal.

What happens if I do not give specific voting instructions?

For Shares Directly Registered in the Name of the Shareholder: If you return your signed proxy but do not indicate your voting preferences, the Company will vote on your behalf "FOR" the election of the nominated directors, "FOR" the ratification of the appointment of Grant Thornton LLP, "FOR" approval of the compensation of the Company's named executive officers and for the option of "ONE YEAR" as the preferred frequency with which shareholders are provided an advisory vote on executive compensation. If any other matter properly comes before the shareholders for a vote at the Annual Meeting, the proxy holders will vote your shares in accordance with their best judgment.

For Shares Registered in the Name of a Brokerage Firm, Bank, Broker-Dealer or Other Similar Organization: If your shares are held in street name, your brokerage firm, bank, broker-dealer or nominee will ask you how you want your shares to be voted. If you provide voting instructions, your shares must be voted as you direct. If you do not furnish voting instructions with respect to shares registered in the name of organizations that are not governed by NASDAQ Rule 2251, those shares will not be voted at the meeting because such organizations do not have discretionary voting power. If you do not furnish voting instructions to brokerage firms that are governed by NASDAQ Rule 2251, one of two things can happen, depending upon whether a proposal is "routine." Under NASDAQ Rule 2251, brokerage firms, banks, broker-dealers and other similar organizations have discretion to cast votes on routine matters, such as the ratification of the appointment of an independent auditor, without voting instructions from their clients. Brokerage firms, banks, broker-dealers and other similar organizations are not permitted, however, to cast votes on "non-routine" matters, such as the election of directors or votes on the compensation of the Company's named executive officers, without such voting instructions.

May I vote my shares in person at the Annual Meeting?

For Shares Directly Registered in the Name of the Shareholder: Yes. However, we encourage you to vote by proxy card even if you plan to attend the Annual Meeting. If you wish to give a proxy to someone other than the individuals named as proxies on the enclosed proxy card, you may cross out the names appearing on the enclosed proxy card, insert the name of some other person, sign the card and give the proxy card to that person for use at the Annual Meeting.

For Shares Registered in the Name of a Brokerage Firm or Bank: Yes, but in order to do so you will first have to ask your bank, broker or other intermediary to furnish you with a legal proxy. You will need to bring the legal proxy with you to the Annual Meeting and hand it in with a signed ballot that you can request at the Annual Meeting. You will not be able to vote your shares at the Annual Meeting without a legal proxy and a signed ballot.

Your attendance at the Annual Meeting in and of itself will not automatically revoke a proxy that was submitted earlier by mail.

Where can I find the voting results of the Annual Meeting?

The preliminary voting results will be announced at the Annual Meeting. The final voting results will be tallied by the inspector of elections and reported in a current report on Form 8-K to be filed by the Company within four business days after the end of the Annual Meeting.

Who pays for this proxy solicitation?

The Company will bear the entire cost of soliciting proxies, including the costs of preparing, assembling, printing and mailing this Proxy Statement, the proxy and any additional soliciting material furnished to shareholders. Arrangements will be made with brokerage firms, banks, broker-dealers, nominees and fiduciaries to send proxies and proxy materials to the beneficial owners of our Common Stock, and these entities may be reimbursed by the Company for their expenses. Proxies may be solicited by directors, officers or employees of the Company in person or by telephone, e-mail or other means. No additional compensation will be paid to such individuals for these services.

What is the deadline for receipt of shareholder proposals?

Requirements for Shareholder Proposals to be Considered for Inclusion in the Company's Proxy Materials. Shareholder proposals submitted pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and intended to be presented at the annual meeting of the Company's shareholders to be held in 2018 must be received by the Company no later than January 9, 2018 in order to be considered for inclusion in the Company's proxy materials for that meeting.

Discretionary Authority. The proxies to be solicited by the Board of Directors for the 2018 annual meeting of the Company's shareholders will confer discretionary authority on the proxyholders to vote on any shareholder proposal presented at such annual meeting if the Company fails to receive notice of such proposal by March 30, 2018.

Householding of Annual Meeting Materials

Some brokerage firms, banks, broker-dealers, or other nominees who are record holders may participate in the practice of "householding" proxy statements and their accompanying documents. This means that only one copy of the proxy materials will be sent to your household regardless of the number of shareholders who reside there. We will promptly deliver a separate copy of these documents without charge to you upon written request to

McGrath RentCorp, 5700 Las Positas Road, Livermore, California 94551 Attn: Investor Relations. If you want to receive separate copies of our proxy materials in the future, or if you are receiving multiple copies and would like to receive only one copy per household, you should contact your brokerage firm, bank, broker-dealer or other nominee who is a record holder, or you may contact us at the address and phone number listed above.

Financial and Other Information

We are required to file annual, quarterly and current reports, proxy statements and other reports with the SEC. Copies of these filings are available through our Internet website at www.mgrc.com under the Investor Relations section or the SEC's website at www.sec.gov. We will furnish copies of our SEC filings (without exhibits), including our annual report on Form 10-K for the fiscal year ended December 31, 2016 and filed with the SEC on February 28, 2017 (the "2016 Annual Report"), without charge to any shareholder upon written request to McGrath RentCorp, 5700 Las Positas Road, Livermore, California 94551 Attn: Investor Relations.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

The Company's bylaws authorize the number of directors to be not less than five (5) and not more than nine (9). The number of directors on the Board of Directors is currently fixed at seven (7). Each director serves a one-year term. The Board of Directors is currently composed of the following seven (7) directors whose terms will expire upon the election and qualification of directors at the Annual Meeting: William J. Dawson, Elizabeth A. Fetter, Joseph F. Hanna, Robert C. Hood, M. Richard Smith, Dennis P. Stradford and Ronald H. Zech. At each annual meeting of shareholders, directors will be elected for full terms of one year to succeed those directors whose terms are expiring.

At the Annual Meeting, the shareholders will elect seven (7) directors. Messrs. Dawson, Hanna, Hood, Smith, Stradford and Zech and Ms. Fetter have each been nominated to serve a one-year term, until the annual meeting of shareholders to be held in 2018, until their successors are elected or appointed and qualified, or until their earlier death, resignation or removal. The Board of Directors has no reason to believe that any of Messrs. Dawson, Hanna, Hood, Smith, Stradford or Zech or Ms. Fetter will be unable or unwilling to serve as a nominee or as a director if elected.

Nominees

The names of the nominees and certain information about them are set forth below.

Name of Nominee	Age	Principal Occupation	Director Since
William J. Dawson	62	Chief Financial Officer of Adamas Pharmaceuticals, Inc.	1998
Elizabeth A. Fetter	58	Former Chief Executive Officer of Symmetricom, Inc.	2014
Joseph F. Hanna	54	Chief Executive Officer and President of the Company	2017
Robert C. Hood	76	Former Executive Vice President and Chief Financial and Administrative Officer of Excite, Inc.	1999
M. Richard Smith	69	Former Senior Vice President of Bechtel Group, Inc.	2010
Dennis P. Stradford	70	Former Chairman, President and Chief Executive Officer of Nomis Solutions, Inc.	2002
Ronald H. Zech	73	Chairman of the Board of Directors of the Company	1989

William J. Dawson was elected a director of the Company in 1998. In August 2014, Mr. Dawson was named Chief Financial Officer at Adamas Pharmaceuticals, Inc. (NASDAQ: ADMS), a specialty pharmaceutical company. He previously served as Chief Financial Officer at Catalyst Biosciences, Inc., a privately-held biotechnology company for two years from 2010 to 2012 and he was Vice President, Finance and Chief Financial Officer with Cerus Corporation, a publicly held biopharmaceutical company from August 2004 to April 2009. Prior to joining Cerus, he spent a total of 26 years in senior financial positions at companies in biotechnology, healthcare services and information technology, investment banking, energy and transportation, where he was responsible for strategic, business and financial planning, SEC reporting, investor relations, and numerous equity, debt and structured financings, mergers and acquisitions, and advisory assignments. As an investment banker, Mr. Dawson assisted in three public equity offerings for McGrath RentCorp, beginning with its initial public offering in 1984. He also serves on the board of directors of Wellington Trust Company, a subsidiary of Wellington Management Company, LLP, a private institutional investment management company. With his wealth of experience in financial and strategic transactions, as well as his experiences as Chief Financial Officer of publicly traded companies, Mr. Dawson provides significant value to the Board of Directors. Mr. Dawson received an A.B. in Mechanical Engineering from Stanford University and an M.B.A. from Harvard Business School.

Elizabeth A. Fetter was elected a director of the Company in 2014. Ms. Fetter also serves on the Board of Directors of Alliant International University, Inc., a private equity funded university since 2015 and Connexed Technologies, Inc., a provider of web-based camera management and video storage solutions since 2004. Ms. Fetter served as a member of the Board of Directors of Symmetricom, Inc., a provider of timekeeping technologies, instruments and solutions from 2000 to 2013 and was appointed as President and Chief Executive Officer of Symmetricom in April 2013. She served in these capacities until Symmetricom's acquisition by Microsemi Corporation in November 2013. Ms. Fetter previously served as President and Chief Executive Officer of NxGen Modular LLC, a provider of modular buildings and assemblies from 2011 to 2012. In 2007, Ms. Fetter was President, Chief Executive Officer and a director of Jacent Technologies, a privately held supplier of on-demand ordering solutions for the restaurant industry. Ms. Fetter also served on the boards of Quantum Corporation, a data storage company, from 2005 to 2013 and Ikanos Corporation, a provider of broadband solutions from 2008 to 2009. She previously held the position of Chair of the Board of Trustees of Alliant International University, Inc. where she served as a trustee from 2004 to 2013. With her nearly 20 years of public and private company board service and past CEO experience at multiple firms, she is a valuable complement to the Board of Directors. Ms. Fetter holds a B.A., Communications from Penn State University, an M.S., Industrial Administration from Carnegie Mellon University (Tepper & Heinz Schools) and an Advanced Professional Director Certification from the American College of Corporate Directors, a public company director education and credentialing organization.

Joseph F. Hanna was appointed President, Chief Executive Officer and a Director of the Company in February 2017 after serving 14 years in positions of progressive responsibility. Mr. Hanna served as the Chief Operating Officer from 2007 to 2017. From 2005 to 2007, he served as Senior Vice President of Operations, and he joined the Company in 2003 as Vice President of Operations. Mr. Hanna has been instrumental in developing and driving the strategic product and geographic expansion of the Company's varied rental businesses throughout his tenure. He is well qualified to serve as Chief Executive Officer and as a member of the Board of Directors as a result of his deep institutional knowledge of the Company, its products, services, strategies and customers. Previously, Mr. Hanna held various sales and operational leadership positions at SMC Corporation of America (a subsidiary of SMC Corporation, Tokyo, Japan). His prior experience also includes serving as an officer in the United States Army. Mr. Hanna received a B.S. in Electrical Engineering from the United States Military Academy, West Point, New York.

Robert C. Hood was elected a director of the Company in 1999. Since 1999, he has been an independent investor. From 1996 to 1999, Mr. Hood was Executive Vice President and Chief Financial and Administrative Officer at Excite, Inc., one of the early internet portal companies. At Excite, Mr. Hood helped guide the company through its substantial growth phase, was responsible for all financial and administrative functions, spearheaded several rounds of equity financing and helped negotiate and integrate eight acquisitions. Prior to working at Excite, Mr. Hood accumulated over thirty years of business and senior-level financial experience, in both large-scale multi-national and fast growth technology companies. This experience included SEC reporting, legal affairs, human resource administration, investor relations, large-scale information systems, controllership and internal control functions, debt and equity financing, international operations, budgeting and strategic planning, acquisitions and mergers. Company affiliations included companies engaged in equipment leasing, electronic test equipment manufacturing and financial services. With his many years of senior-level business and financial experience and management positions at publicly traded companies, Mr. Hood provides valued perspective on numerous financial, administrative and strategic issues facing public companies. Mr. Hood holds an A.B. in Economics from Bates College and an M.B.A. from The Tuck School, Dartmouth College.

M. Richard Smith was elected a director of the Company in 2010. Mr. Smith also serves as a member of the Board of Directors of Aegion Corporation (NASDAQ:AEGN) (formerly Insituform Technologies, Inc.), a global provider of pipeline infrastructure protection services and technologies since 2009. He also served as a director of Sithe Global Power, LLC, an international power development company from 2008 to 2016. Mr. Smith served as Senior Vice President of Bechtel Group, Inc. and President of its fossil power business unit, where he managed Bechtel's global fossil power engineering and construction activities, until 2007. This position culminated a 26 year career with Bechtel. During that tenure, he also served as Chief Executive Officer of Intergen, a joint venture between Shell and Bechtel, from 2004 to 2005. From 1992 to 2000, Mr. Smith was at a PG&E joint venture and at PG&E Corporation where he was responsible for all corporate development activities. With his extensive experience serving as a board member and in executive management roles for a number of public companies, Mr. Smith brings to the Board of Directors a valuable perspective on issues facing public companies as well as considerable guidance on corporate development, business operations and the energy industry. Mr. Smith received a B.S. in Aerospace Engineering from Auburn University, a M.S. in Mechanical Engineering from Northeastern University and a M.B.A. from Golden Gate University.

Dennis P. Stradford was elected a director of the Company in 2002. From 2004 to 2010, Mr. Stradford was Chairman, President and Chief Executive Officer of Nomis Solutions, Inc., a provider of price optimization solutions to the financial services industry. He served as Nomis Solutions' Chief Executive Officer until July 2009 and Chairman until February 2010. Mr. Stradford was also the Chief Executive Officer of CascadeWorks, Inc., a provider of e-procurement software to Fortune 1000 companies, from 2000 to 2003. From 1998 to 2000, he was Chief Executive Officer of SupplyBase, Inc. a provider of web-based supply-chain management software and services. From 1985 to 1997, Mr. Stradford was with Flextronics International, Ltd., a publicly traded company, and served as its Senior Vice President, Sales and Marketing. He previously held executive and sales positions with Zehntel, Inc. and International Business Machines Corp. With his wealth of experience in senior management, Mr. Stradford brings to the Board of Directors considerable expertise on strategic, operational, and sales and marketing issues. Mr. Stradford holds a B.A. from San Jose State University and an M.A., M. Div. from St. Patrick's University.

Ronald H. Zech was elected a director of the Company in 1989 and elected to the position of non-executive Chairman of the Board of Directors in June 2009. He retired in 2005 as Chairman and Chief Executive Officer of GATX Corporation, a NYSE listed company and leading provider of lease financing and related services to customers operating rail, marine, and other targeted assets. Mr. Zech was elected Chairman of GATX Corporation in April 1996, Chief Executive Officer in January 1996, and President in July 1994. Prior to that time he had served both as President and Chief Financial Officer of GATX Capital Corporation and as an officer with a major international bank. He also served on the board of The PMI Group, a former provider of mortgage insurance from 1998 to 2013. His experiences in these senior management and financial roles have included a wide range of activities associated with the management of a public company. Accordingly, he brings to the Board of Directors a valued perspective on many issues faced by the Company. He holds a B.S. in Electrical Engineering from Valparaiso University and an M.B.A. from the University of Wisconsin.

Required Vote

The nominees will be elected by a plurality of the votes cast. Abstentions and broker "non-votes," if any, will not be counted toward the nominees' total. However, under our Corporate Governance Guidelines, in an uncontested election, any nominee for director who receives a greater number of votes "WITHHELD" from his or her election than votes "FOR" such election (a "Majority Withheld Vote") is required to tender his or her resignation following certification of the shareholder vote.

If a nominee for director is required to tender his or her resignation pursuant to our Corporate Governance Guidelines, then the Corporate Governance and Nominating Committee shall consider the tendered resignation and recommend to the Board of Directors whether to accept it. The Board of Directors will act on the Corporate Governance and Nominating Committee's recommendation within 90 days following certification of the shareholder vote. The Board of Directors will promptly disclose its decision whether to accept or reject the director's resignation offer (and the reasons for rejecting the resignation offer, if applicable) in a current report on Form 8-K filed by the Company with the SEC.

Any director who tenders his or her resignation pursuant to this provision shall not participate in the Corporate Governance and Nominating Committee recommendation or the Board of Directors' action regarding whether to accept the resignation offer.

If all members of the Corporate Governance and Nominating Committee receive a Majority Withheld Vote at the same election, then the independent directors who did not receive a Majority Withheld Vote shall appoint a committee among themselves to consider the resignation offers and recommend to the Board of Directors whether to accept them; provided, however, that if the only directors who did not receive a Majority Withheld Vote in the same election constitute three or fewer directors, then all directors may participate in the action regarding whether to accept the resignation offers.

Each nominee elected as a director will continue in office until his or her successor has been elected and qualified, or until his or her earlier death, resignation or retirement.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF EACH OF THE NOMINEES NAMED ABOVE.

EXECUTIVE OFFICERS AND DIRECTORS

The following table sets forth certain information with respect to the executive officers and directors of the Company as of March 31, 2017:

Name	Age	Position Held with the Company
Joseph F. Hanna	54	Chief Executive Officer, President and Director
Keith E. Pratt	54	Executive Vice President and Chief Financial Officer
Randle F. Rose	59	Senior Vice President, Chief Administrative Officer and Secretary
David M. Whitney	52	Vice President, Principal Accounting Officer and Corporate Controller
Kay Dashner	58	Vice President, Human Resources
Philip B. Hawkins	41	Vice President, Mobile Modular
John P. Skenesky	50	Vice President, TRS-RenTelco
Kristina VanTrease	47	Vice President, Adler Tank Rentals
John P. Lieffrig	52	Vice President, Portable Storage
William J. Dawson(1)(2)	62	Director
Elizabeth A. Fetter(1)(3)	58	Director
Robert C. Hood(2)(3)	76	Director
M. Richard Smith(1)(3)	69	Director
Dennis P. Stradford(1)(2)	70	Director
Ronald H. Zech(2)(3)	73	Chairman of the Board of Directors

(1) Member of the Compensation Committee
(2) Member of the Audit Committee
(3) Member of the Corporate Governance and Nominating Committee

William J. Dawson, Elizabeth A. Fetter, Joseph F. Hanna, Robert C. Hood, M. Richard Smith, Dennis P. Stradford and Ronald H. Zech are nominees to the Board of Directors and their descriptions appear under "*Proposal No. 1: Election of Directors—Nominees.*"

Keith E. Pratt was appointed Executive Vice President of the Company in February 2017. Prior to that he served as Senior Vice President from June 2007. He joined the Company in January 2006 as Vice President and was appointed Chief Financial Officer in March 2006. Prior to joining the Company, he was most recently with Advanced Fibre Communications (AFC), a public telecommunications equipment company in Petaluma, California, where he served as Senior Vice President and Chief Financial Officer. Mr. Pratt served as Chief Financial Officer from 1999 until AFC was acquired by Tellabs, Inc. at the end of 2004. He also served as Director of Corporate Development at AFC from 1997 to 1999 prior to becoming Chief Financial Officer. Prior to Mr. Pratt joining AFC, he served as Director, Strategy & Business Development Group at Pacific Telesis Group, Inc. from 1995 to 1997. Mr. Pratt has an undergraduate degree from Cambridge University in Production Engineering and an M.B.A. from Stanford University.

Randle F. Rose was appointed Senior Vice President and Chief Administrative Officer of the Company in June 2007. He joined the Company in 1997 as its Vice President of Administration and was elected Secretary of the Company in 1999. Prior to joining the Company, he served in a variety of senior finance and general management roles with Silicon Valley real estate development companies. Mr. Rose received a B.S. in Finance from San Jose State University.

David M. Whitney joined the Company as its Corporate Controller in 2000 and was elected Vice President and Principal Accounting Officer in March 2006. Previously he was Manager of Regional Accounting for The Permanente Medical Group in Oakland, California. Mr. Whitney holds a B.S. in Accounting from California State University at Hayward, and is a Certified Public Accountant.

Kay Dashner joined the Company in 2005 as the Director of Human Resources and was promoted to Vice President, Human Resources in June 2008. Previously, she held various HR leadership positions in the retail, insurance and software industries, most recently at NetSuite from April 2005 to July 2005 and BMC Software, Inc. from March 1999 to April 2005. Ms. Dashner graduated from Santa Clara University with a B.S. in Management.

Philip B. Hawkins was appointed Vice President and Division Manager of Mobile Modular in November 2011. He previously served as Vice President and Division Manager of TRS-RenTelco from June 2007 to November 2011 and also held the role of Manager, Corporate Financial Planning and Analysis from June 2004 to June 2007. Mr. Hawkins was a Senior Business Analyst for Technology Rentals and Services (TRS), an electronics equipment rental division of CIT Technologies Corporation from December 2003 until TRS was acquired by the Company in June 2004. He previously served as Director of Portfolio Management and held other leadership roles with Dell Financial Services from April 1999 to December 2003. Mr. Hawkins received B.S. degrees in Accounting, Finance and Computer Information Systems from Arizona State University.

John P. Skenesky was appointed Vice President and Division Manager of TRS-RenTelco in November 2011. He previously served as the division's Director of Sales and Product Management from June 2007 to November 2011 and Director of Operations and Product Management from June 2004 to June 2007. Mr. Skenesky joined the Company in 1995 and served in branch management and sales roles for the RenTelco division. Prior to joining the Company, Mr. Skenesky served in lab and product management roles at Genstar Rentals from 1991 to 1994. He also served in the United States Navy from 1984 to 1990 as an electronics technician on submarines. Mr. Skenesky received an M.B.A. from Texas Christian University in 2007.

Kristina VanTrease was appointed Vice President and Division Manager of Adler Tank Rentals, LLC in August 2016. She previously served as Vice President and Division Manager of Mobile Modular Portable Storage from June 2009 to August 2016. She previously served as Director of Corporate Development from July 2007 to June 2009. She joined the Company in 1992 and has served in corporate management roles as well as sales and management positions for the Company's TRS-RenTelco division. Ms. VanTrease received a B.S. in Business Administration with a concentration in marketing from San Jose State University.

John P. Lieffrig joined the Company and was appointed Vice President and Division Manager of Mobile Modular Portable Storage in August 2016. He previously served as Vice President Sales North America for Modular Space Corporation from 2005 to 2015. Mr. Lieffrig has held several executive leadership roles with equipment rental and business-to-business service organizations including Aramark Corporation from 2002 to 2005 and GE Capital from 1988 to 2002. He also served on the Modular Building Institute Board of Directors for eight years and was elected President in 2013. Mr. Lieffrig received B.A. Degrees in Business Administration and Marketing from Carthage College.

Each executive officer of the Company serves at the pleasure of the Board of Directors.

Corporate Governance Overview

Our Board of Directors is committed to strong and effective corporate governance, and, as a result, it regularly monitors our corporate governance policies and practices to ensure compliance with applicable laws, regulations and rules, as well as the best practices.

Our corporate governance program features the following:

- We have an independent Chairman of the Board of Directors;
- All of our directors, other than our Chief Executive Officer, are independent;
- All of our directors are up for re-election annually;
- Each director attended at least 75% of the aggregate of the total number of Board meetings and total number of meetings of board committees on which such director served during the time he or she served on the Board or committees in 2016;
- We have no shareholder rights plan in place;
- Our Board committees regularly review and update, as necessary, the committee charters, which clearly establish the roles and responsibilities of each such committee, and such charters are posted on our website for review;
- Our Board generally has an executive session among our non-employee and independent directors after every board meeting;
- All of our Audit Committee members qualify as audit committee financial experts;
- Our Board enjoys unrestricted access to the Company's management, employees and professional advisers;
- We have a code of business conduct and ethics that is reviewed regularly for best practices and is posted on our website for review;
- We have a clear set of corporate governance guidelines that is reviewed regularly for best practices and is posted on our website for review;
- We have no supermajority voting provisions in our charter documents;
- We have a compensation recoupment policy;
- Our insider trading policy prohibits hedging, pledging or shorting of our stock by all executive officers and directors;
- None of our Board members is serving on an excessive number of public company boards;
- Our Board performs an annual self-assessment to evaluate its effectiveness in fulfilling its obligations;
- Our corporate governance documents do not contain a supermajority standard for the approval of a merger or a business combination, which transaction requires the affirmative vote of a majority of the outstanding shares; and
- We have a stock ownership and holdback requirement to ensure that our executive officers remain aligned with the interests of the Company and our shareholders.

Director Independence

The Board of Directors has determined that the six non-employee directors on the Board of Directors, consisting of Messrs. Dawson, Hood, Smith, Stradford and Zech and Ms. Fetter, are "independent" as defined in the listing standards of the NASDAQ Stock Market, regulations of the SEC and any other laws applicable to the Company. Mr. Hanna, as an executive officer of the Company, is not considered independent. In making these determinations, our Board of Directors considered transactions and relationships between each director and his or her immediate family and the Company and our subsidiaries, including those reported in the section below captioned "Certain Relationships and Related Transactions." The purpose of this review was to determine whether any such relationships or transactions were material and, therefore, inconsistent with a determination that such director is independent. As a result of this review, the Board of Directors affirmatively determined, based on its understanding of such transactions and relationships, that the six non-employee directors are independent of the Company and, therefore, a majority of the members of our Board of Directors is independent, under the applicable listing standards of the NASDAQ Stock Market.

Leadership Structure of the Board of Directors

Our Board of Directors is currently comprised of six independent directors and one management director. Our Corporate Governance Guidelines state that the Board of Directors should remain free to decide whether the Chairman and CEO positions should be held by the same person. This allows the Board of Directors to determine the best arrangement for the Company and its shareholders, given changing circumstances of the Company and the composition of the Board of Directors. Currently the positions are separated. Mr. Zech, our non-executive chairman, has extensive knowledge and experience in a similarly complex industry from his 27 years with GATX, has a significant understanding of the Company based on his 28 years on the Board of Directors, and has a solid relationship with the other directors and management. Mr. Hanna, our Chief Executive Officer, is a seasoned leader with over 14 years of management and operational experience in the Company, clearly understands and drives its strategic growth and interacts well with Mr. Zech and the other directors. We believe our current leadership structure is optimal at this time.

Meetings and Committees of the Board of Directors

During 2016, the Board of Directors met six times. No director attended fewer than 75% of either (i) the total number of meetings of the Board of Directors held in 2016, or (ii) the total number of meetings of the committees of the Board of Directors held in 2016 on which he or she served. All seven directors then in office attended the 2016 annual meeting of shareholders. All directors are expected to attend the Annual Meeting. The standing committees of the Board of Directors currently consist of the Compensation Committee, the Audit Committee and the Corporate Governance and Nominating Committee.

Compensation Committee

The Compensation Committee held three meetings in 2016. The Compensation Committee currently consists of Messrs. Dawson, Smith and Stradford and Ms. Fetter; Mr. Dawson serves as its Chairman. The Board of Directors has determined that all current members of the Compensation Committee are "independent" as defined in the listing standards of the NASDAQ Stock Market, SEC regulations and any other laws applicable to the Company. In addition, the Board of Directors has determined that all current members of the Compensation Committee qualify as "non-employee directors" within the meaning of SEC Rule 16b-3 as promulgated under the Exchange Act, and as "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").

The Board of Directors adopted and approved a charter for the Compensation Committee, which was most recently amended and restated on December 7, 2016. A copy of this charter is posted on our website at www.mgrc.com under the Investor Relations section. The functions of the Compensation Committee, which are discussed in detail in its charter, are to (a) evaluate executive officer and director compensation policies, goals, plans and programs; (b) determine the cash and non-cash compensation of the executive officers of the Company; (c) review and oversee the Company's equity-based and other incentive compensation plans for employees; (d) evaluate the performance of the Company's executive officers; and (e) direct and review the production of any reports required by the applicable rules and regulations of the SEC.

Compensation decisions for the executive officers of the Company are made by the Compensation Committee. The Compensation Committee directs the Chief Executive Officer to develop the incentive compensation guidelines for the other executive officers and to recommend the incentive compensation bonuses for each of the other executive officers, subject to approval by the Compensation Committee. Compensation decisions for directors are made by the Board of Directors after recommendations by the Compensation Committee.

Audit Committee

The Audit Committee held six meetings in 2016. The Audit Committee currently consists of Messrs. Dawson, Hood, Stradford and Zech; Mr. Hood serves as its Chairman. After considering transactions and relationships between each member of the Audit Committee or his or her immediate family and the Company and its subsidiaries and reviewing the qualifications of the members of the Audit Committee, the Board of Directors has determined that all current members of the Audit Committee are "independent," as defined in the listing standards of the NASDAQ Stock Market, SEC regulations and any other laws applicable to the Company. The Board of Directors has also determined that all current members of the Audit Committee are financially literate and have the requisite financial sophistication as required by the listing standards of the NASDAQ Stock Market. Furthermore, the Board of Directors has determined that Messrs. Dawson, Hood, Stradford and Zech each qualify as an Audit Committee financial expert, as defined by the applicable SEC rules, pursuant to the fact that, among other things, Mr. Hood was Chief Financial Officer at several public and private companies and was most recently the former Executive Vice President and Chief Financial Officer of Excite, Inc., Mr. Dawson was Chief Financial Officer at several public and private companies and is currently the Chief Financial Officer of Adamas Pharmaceuticals, Inc., Mr. Stradford is the former Chief Executive Officer of Nomis Solutions, Inc., Mr. Zech is the former Chief Executive Officer of GATX Corporation, and in those respective capacities each has acquired the relevant experience and expertise and has the attributes set forth in the applicable rules as being required for an Audit Committee financial expert.

The Board of Directors adopted and approved a charter for the Audit Committee, which was most recently amended and restated on February 23, 2016. A copy of this charter is posted on our website at www.mgrc.com under the Investor Relations section. The functions of the Audit Committee, which are discussed in detail in its charter, are to (a) oversee the engagement, replacement, compensation, qualification, independence and performance of the Company's independent auditors; (b) oversee the conduct of the Company's accounting and financial reporting processes and the integrity of the Company's audited financial statements and other financial reports; (c) oversee the performance of the Company's internal accounting, financial and disclosure controls function; and (d) oversee the Company's compliance with its policies and other legal requirements as such compliance relates to the integrity of the Company's financial reporting. The Audit Committee has also established procedures for (a) the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters, and (b) the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters. The Audit Committee also oversees the preparation of a report for inclusion in our annual proxy statements and is charged with the other duties and responsibilities listed in its charter. The Audit Committee's report is included in this Proxy Statement on page 51. The Audit Committee is a separately designated standing audit committee as defined in Section 3(a)(58)(A) of the Exchange Act.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee held two meetings in 2016. The Corporate Governance and Nominating Committee consists of Messrs. Hood, Smith and Zech and Ms. Fetter; Ms. Fetter serves as its Chairman. Our Board of Directors has determined that all current members of the Corporate Governance and Nominating Committee are "independent," as defined in the listing standards of the NASDAQ Stock Market, SEC regulations and any other laws applicable to the Company.

The Board of Directors adopted and approved a charter for the Corporate Governance and Nominating Committee, which was most recently amended and restated on February 23, 2016. A copy of this charter is posted on our website at www.mgrc.com under the Investor Relations section. The functions of the Corporate Governance and Nominating Committee, which are discussed in detail in its charter, are to assist the Board of Directors in all matters relating to (a) the establishment, implementation and monitoring of policies and processes regarding the recruitment and nomination of candidates to the Board of Directors and committees of the Board of Directors; (b) the review and making of recommendations to the Board of Directors regarding the composition and structure of the Board of Directors and committees of the Board of Directors; (c) the development, evaluation and monitoring of the Company's corporate governance processes and principles; (d) the development and implementation of, and monitoring of compliance with, the Company's Code of Business Conduct and Ethics and making recommendations to the Board of Directors of revisions to the Code of Business Conduct and Ethics from time to time as appropriate; and (e) the administration of the Board of Directors' annual self-evaluation process and the sharing of the results thereof with the Board of Directors for discussion and deliberation.

The Role of the Board of Directors in the Oversight of Risk

While Company management is primarily responsible for managing risk, the Board of Directors and each of its committees plays a role in overseeing the Company's risk management practices. The full Board of Directors is ultimately responsible for risk oversight, and it discharges this responsibility by, among other things, receiving regular reports from Company management concerning the Company's business and the material risks facing the Company. Each of the Board's committees also plays a role in risk oversight as follows:

Audit Committee. Under its charter, the Audit Committee plays a key role in the Board of Directors' risk oversight process. The Audit Committee's duties include discussing the Company's guidelines and policies with respect to risk assessment and risk management with Company management and the Company's independent auditors. The Audit Committee also receives regular reports from Company management and discusses with management the steps taken to monitor and control risk exposures. In addition, the Audit Committee reviews all of the Company's quarterly financial reports, including any disclosure therein of risk factors affecting the Company and its businesses. The Audit Committee regularly receives reports from, among others, the Company's Chief Financial Officer, Principal Accounting Officer, and its Compliance Officer. The Audit Committee provides regular reports to the full Board of Directors on its risk oversight activities and any issues identified.

Compensation Committee. Under its charter, the Compensation Committee reviews with its independent compensation consultant and management, as appropriate, the Company's compensation and succession plans, policies and practices. The Compensation Committee also sets performance goals under the Company's annual bonus and long-term incentive plans. In setting the performance targets and overseeing the Company's compensation plans, policies and practices, the Compensation Committee considers whether such plans, policies and practices are confluent with the long-term interests of the Company's shareholders. The Compensation Committee also considers risks that may be created and whether any such risks are reasonably likely to have a material adverse impact on the Company. The Compensation Committee considers the overall mix of compensation for all employees as well as the various risk control and mitigation features of its compensation plans, including appropriate performance measures and targets and incentive plan payout maximums. The Compensation Committee provides regular reports to the full Board of Directors on the Company's compensation plans, policies and practices and the Compensation Committee's oversight of compensation-related risks.

Corporate Governance and Nominating Committee. Under its charter, the Corporate Governance and Nominating Committee is responsible for, among other things, developing and recommending to the Board of Directors a set of effective corporate governance guidelines and procedures designed to assure compliance with applicable governance standards. The Corporate Governance and Nominating Committee provides regular reports to the Board of Directors.

Through the activities of the Audit, Compensation and Corporate Governance and Nominating Committees, as well as the full Board of Directors' interactions with management concerning the Company's business and the material risks that may impact the Company, the independent directors on the Board of Directors are able to monitor the Company's risk management process and offer critical insights to Company management.

Qualifications of Directors and Assessment of Diversity

The Corporate Governance and Nominating Committee will consider for nomination all bona fide candidates proposed by management or shareholders and will nominate directors that it believes will serve the best interests of the Company and its shareholders. Candidates must have the education, business or organizational experience and skills that will enable them to excel in carrying out their responsibilities on the Board of Directors. Candidates must possess and have demonstrated in professional endeavors the highest personal and professional ethics, integrity and values, and be committed to representing the long-term best interests of shareholders. Further, candidates must have an inquisitive and objective perspective, practical wisdom and mature judgment, and be willing and able to challenge management in a constructive manner. Candidates will also be judged on their ability to work in a collegial manner with a sense of common purpose, energy, industry knowledge, business sense and trust with other members of the Board of Directors and management, as one group acting in unison to solve difficult problems as they may arise. The candidate’s specific knowledge of the Company, its markets, and its strategy will also be considered.

When evaluating candidates, the Corporate Governance and Nominating Committee considers the diversity of the backgrounds, experience and skills of the current directors on the Board of Directors, including their gender, age, ethnic and cultural backgrounds, the long-term needs of the Company based on its strategic direction and responsible succession planning for all Board positions, and selects the candidates who will provide the most value to the Board of Directors, management and shareholders. The Corporate Governance and Nominating Committee assesses the effectiveness of its policy regarding diversity as part of the annual self-evaluation process.

The Board of Directors’ recommendations for inclusion in the slate of directors at an annual or special meeting of shareholders, or for appointment by the Board of Directors to fill a vacancy, are based on its determination, after reviewing recommendations from the Corporate Governance and Nominating Committee, as to the suitability of each recommended individual.

Director Nomination Process

Continuing Directors

The Corporate Governance and Nominating Committee will apply its director candidate selection criteria described above, including a director’s past contributions to the Board of Directors, prior to recommending a director for re-election to another term. Directors may not be re-nominated annually as a matter of course. Once the Corporate Governance and Nominating Committee evaluations are completed and the Corporate Governance and Nominating Committee has considered all other potential director candidates, it recommends the best slate of candidates for approval by the full Board of Directors.

New Directors

Generally, once a need to add a new member to the Board of Directors is identified, the Corporate Governance and Nominating Committee will initiate a search by working with staff support, seeking input from members of the Board of Directors and senior management and hiring a consultant or search firm, if necessary.

After a slate of possible candidates is identified, certain members of the Corporate Governance and Nominating Committee, other members of the Board of Directors and senior management have the opportunity to interview the prospective candidate(s). The remaining members of the Board of Directors who do not interview the prospective candidate(s) are kept informed. After completing its selection process, the Corporate Governance and Nominating Committee ultimately determines and recommends the best candidate(s) for approval by the full Board of Directors.

A description of the procedure to be followed by security holders in submitting director recommendations is set forth in "*Shareholder Recommendations for Membership on our Board of Directors*" below. The director candidate selection criteria will be equally applied to both continuing directors and shareholder-submitted director candidates.

Director Compensation

Our Compensation Committee periodically seeks input from independent compensation consultants on a range of external market factors, including evolving compensation trends, appropriate peer companies and market survey data. The Compensation Committee reviews non-employee director compensation every two years. In October 2014, our Compensation Committee retained Pearl Meyer & Partners, LLC ("Pearl Meyer") to conduct a review and analysis of the non-employee director compensation program to be considered by the Compensation Committee in establishing the two-year 2015 and 2016 compensation review cycle remuneration levels for our non-employee directors.

The 2015 and 2016 compensation described below was approved by the Board of Directors based on Pearl Meyer's analysis and recommendations of the Compensation Committee. For a more complete description of the methodologies used by our compensation consultants, and the Compensation Committee, please refer to "*Compensation Consultant and Peer Group Selection*" on page 24 of this Proxy Statement.

For 2016, each non-employee director of the Company was compensated for his or her services as a director with an annual retainer of $42,000. In addition to the annual retainers, the Chairs of the Board of Directors, Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee received additional annual retainers of $20,000, $20,000, $14,000 and $9,000 respectively. Each other member of the Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee received annual retainers of $8,000, $6,000 and $4,000 respectively. Members of the Board of Directors do not receive additional compensation for attending Board or committee meetings. All non-employee directors are reimbursed for expenses incurred in connection with attending Board of Directors or committee meetings. Mr. Kakures received no additional compensation for his services as a director. These annual retainers are included in the 2016 Director Compensation Table below.

For fiscal years 2017 and 2018, based on Pearl Meyer's November 2016 updated analysis and the recommendations of the Compensation Committee, non-employee directors received increases to their retainers to adjust to the 2017 and 2018 peer group median. For fiscal years 2017 and 2018, each non-employee director of the Company will receive an annual retainer of $50,000. In addition to the annual retainers, the Chairs of the Board of Directors, Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee will receive additional annual retainers of $30,000, $20,000, $15,000 and $10,000, respectively. Each other member of the Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee will receive annual retainers of $10,000, $7,000 and $5,000, respectively. Mr. Hanna will not receive any additional compensation for his services as a director.

In addition to cash compensation, each of the non-employee directors of the Company has historically received an annual Restricted Stock Unit ("RSU") equity grant denominated as a fair value and then converted to shares rounded to the nearest 100 at the date of grant. Based on Pearl Meyer's 2014 analysis, the Compensation Committee recommended and the Board of Directors approved the fair value of the 2016 equity grant of approximately $95,000. On February 29, 2016, the Board of Directors granted each non-employee director RSUs under the 2007 Plan for 3,900 shares of the Company's Common Stock with a vesting date of April 1, 2017. Each of these grants represented an equivalent total equity compensation of $95,940, based on the NASDAQ Stock Market close price of $24.60 on February 29, 2016. The total equity compensation values can fluctuate slightly each year due to rounding. These 2016 RSU grants are included in the 2016 Director Compensation Table below.

Proxy Statement

Based on Pearl Meyer's 2016 updated analysis, the Compensation Committee recommended, and the Board of Directors approved, the fair value of the 2017 equity grant of approximately $110,000. On March 2, 2017, the Board of Directors granted each non-employee director RSUs under the 2016 Plan for 3,200 shares of the Company's Common Stock with a vesting date of April 1, 2018. Each of these grants represented an equivalent total equity compensation of $110,624 based on the NASDAQ Stock Market close price of $34.57 on March 2, 2017. The total equity compensation values can fluctuate slightly each year due to rounding. These 2017 RSU grants will be included in the 2017 Director Compensation Table in next year's Proxy statement.

The table below summarizes the compensation paid by the Company to its non-employee directors for the fiscal year ended December 31, 2016.

2016 NON-EMPLOYEE DIRECTOR COMPENSATION TABLE

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Total ($)
William J. Dawson	$64,000	$95,940	$159,940
Elizabeth A. Fetter	$56,000	$95,940	$151,940
Robert C. Hood	$66,000	$95,940	$161,940
M. Richard Smith	$52,000	$95,940	$147,940
Dennis P. Stradford	$52,000	$95,940	$147,940
Ronald H. Zech	$79,000	$95,940	$174,940

Director Stock Ownership

The Board of Directors believes that, in order to align the interests of directors and shareholders, directors should have a significant financial (equity) stake in the Company. Each director has a target ownership level of 5,000 shares of Common Stock to be achieved by each director within five years of joining the Board of Directors or as soon thereafter as practicable. In evaluating whether the Common Stock value ownership guideline has been met, all Common Stock owned and 50% of the value (market price less stock option exercise price) of all vested unexercised stock options is considered. As of April 12, 2017, all directors were in compliance with the stock ownership requirements.

Director Annual Evaluation

It is important to the Company that the Board and its committees are performing effectively and in the best interests of the Company and its shareholders. The Board performs an annual self-assessment, led by the Chair of the Corporate Governance and Nominating Committee to evaluate its effectiveness in fulfilling its obligations. As part of this annual self-assessment, directors are able to provide feedback on the performance of other directors. The Chair of the Corporate Governance and Nominating Committee then follows up on this feedback and takes such further action as he deems appropriate.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

Compensation Discussion and Analysis

In this Proxy Statement, we refer to Messrs. Kakures, Hanna, Pratt, Hawkins and Rose collectively as our named executive officers. Mr. Kakures was our Chief Executive Officer; Mr. Pratt was our Chief Financial Officer and Messrs. Hanna, Hawkins and Rose were our next three highest compensated executive officers serving as of December 31, 2016. Mr. Kakures' early retirement from the Company was deemed to be March 16, 2017.

Overview

We achieved most of our 2016 financial targets despite another challenging year. Our modular division continued to strengthen while we were impacted by persistent weakness in our tank and box division, as well as a slower communications test equipment environment in our electronics division. The Company's balance sheet remains strong with low leverage compared to many of our peers in the business-to-business rental industry. We continue to believe the Company is well-positioned to execute on our long-term strategic objectives.

During 2016, we continued to selectively invest in rental assets and infrastructure in support of our portfolio of rental businesses as we focused on growing market share and optimizing our operating metrics. In support of that focus, we adjusted one component of the executive officers' profitability cash bonus plan, placing more emphasis on the rate of return achieved on rental assets to include both rental and sales margins. We also significantly increased the weighting of this particular profitability component. We continue to increase our focus on pricing optimization and enhanced return on invested capital ("ROIC") measures.

Throughout 2016, our executive management team continued to build increasingly capable leadership groups in support of a larger McGrath RentCorp and long-term shareholder value growth. In 2010, the Company began to grant stock appreciation rights ("SARs") and restricted stock units ("RSUs") in equal values annually, split between personal merit / service-based awards and three-year profitability performance-based awards, respectively. At the core of our programs to grant SARs and RSUs to our key employees is a strong belief that these equity-linked vehicles allow us to recruit and retain key employees and align their interests with those of our shareholders. Due to a variety of factors, the recipients of many of these equity grants awarded since 2012 have not realized any or only a minor benefit to date. As a result of these dynamics, in an effort to retain key managers, solidify leaders in newly promoted positions, and to continue to build senior leader equity positions, the Company issued all personal merit/service-based SARs to all recipients on its 2016 annual equity grant date. For 2017, we returned to the 50% SARs and 50% performance-based RSUs approach. As we do each year, we will continue to reevaluate our forms of equity and consider the most appropriate grant methodology, including the mix of personal merit / service-based SARs versus profitability performance-based RSUs.

Executive Compensation Practices at a Glance

We strive to have compensation programs that serve to attract and retain our best people, align the interests of our employees with that of our shareholders by focusing incentive compensation on pay for performance, and at the same time assure good corporate governance. Over the years, always with a focus on enhancing long-term shareholder value, we have implemented many changes including using SARs and RSUs with longer term targets, stock ownership guidelines, a compensation recoupment policy, a risk-hedging policy, change in control arrangements, limited perquisites, net settlement features in equity grants to reduce the effect of dilution, and setting realistic stretch targets specifically focused on our rental industry metrics.

What We Do	What We Do Not Do
Pay for Performance under Our Bonus Plan: We link pay to performance and shareholder interests by establishing an annual bonus plan based on financial metrics and personal annual priorities established in advance by the CEO and/or the Compensation Committee. **Performance-Based Long Term Incentive Compensation:** The restricted stock units granted to our executive officers have performance-based vesting subject to goals associated with EPS or EBIT performance of specified divisions within the Company. **Compensation Recoupment Policy:** The policy may require an executive officer in the event of a financial restatement to reimburse the Company with respect to any incentive compensation (including cash and equity awards) received during the past three years. **Capped Incentives under Our Annual Bonus Plan:** Bonuses under our annual bonus plan are capped for our executive officers — the cap is tied to their base salary for the relevant year. **Equity Awards Generally Five-Year Vesting:** All of our equity award grants to our executive officers are subject to a five-year vesting schedule. **Stock Ownership and Holdback Guidelines:** Our executive officers are subject to stock ownership and holdback guidelines. **Compensation Committee Independence and Experience:** The Compensation Committee is comprised solely of independent directors who have extensive experience. **Thorough Compensation Risk Assessment:** The Compensation Committee conducts a comprehensive assessment of the Company's executive compensation programs every two years to ensure prudent risk management. **Independent Compensation Advisor:** The Compensation Committee has the authority to select and engage its own independent advisor.	**No "Single Trigger" Change of Control Payments:** We do not have "single trigger" severance payments owing solely on account of the occurrence of a change of control event. **No Guaranteed Bonuses:** We do not provide guaranteed minimum bonuses or uncapped incentives under our annual bonus plans. **No Nonqualified Defined Contribution or Other Deferred Compensation Plan:** We do not have any such plans. **No Re-Pricing of Equity Awards:** Our equity plans prohibit repricing of equity awards without shareholder approval. **No Special Perquisites or Retirement Benefits:** We do not provide special perquisites or retirement benefits to our executive officers that are not generally made available to all of our employees except that any executive officer employed with the Company for at least 20 years may remain on the Company's health insurance policy after retiring if he or she pays 100% of the premiums. **No Tax Gross-Ups:** We do not provide tax gross-ups. **No Hedging in Company Securities:** Our executive officers and directors are prohibited from engaging in any hedging transaction with respect to company equity securities. **No Pledging of Company Securities:** Our executive officers and directors are prohibited from engaging in any pledging transaction with respect to company equity securities.

The following sections describe all features of our executive compensation in more detail. In addition, this year's disclosure includes more details of our profitability goals and results for further clarity.

Compensation Philosophy and Objectives

The purpose of the Company's executive compensation program is to attract and retain exceptional managerial talent and to reward performance by establishing measurable objectives to drive future performance, thus aligning our executive officers' interests with those of our shareholders. We believe the most effective compensation program is one that is designed to reward the achievement of specific annual, long-term and strategic goals of the Company. Our primary objective is to align our executive officers' interests with the interests of our shareholders by rewarding achievement of established goals that contribute to increased long-term shareholder value. To that end, part of our executive officers' compensation is directly tied to identifiable, objective goals by which performance can be measured. In addition, in structuring our executive compensation program, we set the compensation of our executive officers to be competitive relative to the compensation paid to similarly situated executives of our peer group companies and the broader general market.

Advisory Vote on Executive Compensation

At the 2016 Annual Meeting, 88.1% of the shares of Common Stock represented and voting on the advisory vote on executive compensation proposal were in favor of our named executive officer compensation as disclosed in our 2016 proxy statement. The Board of Directors and Compensation Committee reviewed these final vote results and determined that given the significant level of support, our executive compensation policies and decisions discussed in the Compensation Discussion and Analysis were appropriate to achieve our objectives.

We believe that it is important for our shareholders to have an opportunity to vote on executive compensation on an annual basis. The advisory vote provides shareholders with the opportunity to express their views regarding our executive compensation philosophy, policies, programs, and decisions, as disclosed in our proxy statement for the applicable year. Our Board of Directors and Compensation Committee value the opinions of our shareholders, and to the extent there is any significant vote against our compensation practices for executive officers, we will consider our shareholders' concerns and assess whether any actions should be taken. In addition to our annual advisory votes on executive compensation, we are committed to ongoing engagement with our shareholders on executive compensation and corporate governance issues. These dialogue opportunities take place throughout the year through meetings, telephone calls and correspondence involving our senior management, directors and representatives of our shareholders. We appreciate and welcome the support and feedback from our shareholders on these critical compensation topics as we seek to ensure we attract and retain the best leadership, reward measurable performance, and maximize shareholder value.

Accordingly, our Board of Directors recommends that you vote "FOR" Proposal 3 at the Annual Meeting and that you vote for "ONE YEAR" for Proposal 4 as the preferred frequency with which shareholders are provided with an advisory vote on executive compensation. For more information, see "*Proposal 3—Non-Binding Advisory Vote To Approve the Compensation of the Company's Named Executive Officers*" and "*Proposal 4 – Non-Binding, Advisory Vote on the Frequency of an Advisory Vote on Executive Compensation"* in this Proxy Statement.

Executive Compensation Program Design

The Compensation Committee has the responsibility for establishing, implementing and continually monitoring the compensation of the Company's executive officers. The Compensation Committee oversees and approves the design of the executive compensation program to ensure that the total compensation paid to our executive officers is fair, reasonable, competitive, and is aligned with the goals and objectives of the Company. For the fiscal year ended December 31, 2016, the principal components of compensation for executive officers were:

1. Annual base salary;
2. Non-equity annual performance-based incentive compensation ("Annual Bonus") pursuant to the Non-Equity Performance-Based Incentive Plan (the "Bonus Plan");

3. Long-term equity incentive compensation;
4. Double trigger change in control severance benefits; and
5. Involuntary termination severance policy.

The Compensation Committee determined that these five elements, with a significant percentage of total compensation allocated to “at-risk” performance-based incentives, best align the interests of our executive officers with our shareholders and achieve our overall goals for executive compensation. The Annual Bonus rewards achievement of annual incentive goals and the long-term equity incentive compensation rewards achievement of long-term growth in shareholder value and sustained financial health of the Company. There is no pre-established policy or target for the allocation between either cash and non-cash or short-term and long-term incentive compensation. Rather, the Compensation Committee reviews relevant market compensation data from its compensation consultant and other sources, and uses its judgment to determine the appropriate level and mix of incentive compensation on an annual basis.

Compensation Consultant and Peer Group Selection

The Compensation Committee periodically seeks input from its outside compensation consultant on a range of external market factors, including evolving compensation trends, appropriate peer companies and market survey data. In October 2014, the Compensation Committee retained Pearl Meyer to conduct a review and analysis of our current compensation program to be considered by the Compensation Committee in establishing the 2015-2016 compensation levels for our non-employee directors and executive officers; and in October 2016, the Compensation Committee retained Pearl Meyer to conduct a review and analysis of our current compensation program to be considered by the Compensation Committee in establishing the 2017-2018 compensation levels for our non-employee directors and executive officers. After consideration of several factors relating to the independence of Pearl Meyer, including those guidelines set forth in the NASDAQ listing standards, the Compensation Committee determined that Pearl Meyer is independent.

In late 2014, Pearl Meyer provided an analysis with relevant market data and alternatives to consider when making compensation decisions for our non-employee directors and executive officers. The analysis compared each element of total compensation against a peer group of publicly-traded companies. The Compensation Committee primarily used this peer group in 2015 and 2016 for purposes of assessing our total compensation program. Accordingly, we refer to this peer group as the “2015-2016 Compensation Peer Group.” We believe that the 2015-2016 Compensation Peer Group consisted of companies against which we competed for recruiting and retaining qualified line and staff executives and independent non-employee directors. In selecting the Compensation Peer Group, the Compensation Committee also sought to comply with best practice parameters by including companies in a similar industry or geography and with similar financial metrics, such as revenue, market capitalization and net income. These selected companies consisted of a combination of primarily technology companies of comparable size based in the San Francisco Bay Area, business services companies, and national rental, leasing and equipment finance companies. Based on the competitive landscape for attracting and retaining qualified executive officers and board members, particularly in the San Francisco Bay Area where the Company’s corporate offices and Northern California operational center are located, the Compensation Committee gave appropriate consideration and weighting to the subset of San Francisco Bay Area-based technology companies within the 2015-2016 Compensation Peer Group. The Compensation Committee generally targets the total compensation for our non-employee directors and executive officers at or slightly above the median (the 50th percentile) of compensation paid to similarly situated executives of the companies in the applicable year’s compensation peer group.

Other factors were also taken into consideration when determining executive officer remuneration levels, including:

1) Divisional size (revenues or earnings) contribution to Company-wide results relative to other divisions.
2) Divisional business complexity relative to other divisions of the Company.

3) Stature / experience of executive officer in role relative to market comparisons.

4) Geographic location of executive officer and relative market comparisons.

5) Definition and extent of responsibilities of executive officer role by the Company versus peer group sources.

6) Divisional leadership transition or new business initiatives.

7) Appropriate weighting or relativeness of different peer group sources.

8) Other factors the Compensation Committee may deem appropriate.

The companies comprising the 2015-2016 Compensation Peer Group are as follows:

Aircastle LTD.	CAI International, Inc.	Coherent Inc.
Electro Rent Corp.	Electronics for Imaging, Inc.	General Finance Corporation
H&E Equipment Service, Inc.	Integrated Device Technologies, Inc.	Integrated Silicon Solution Inc.
Micrel Inc.	Mobile Mini Inc.	Monolithic Power Systems, Inc.
Power Integrations, Inc.	Synaptics, Inc.	TAL International Group, Inc.
Willis Lease Finance Corp.		

In connection with Pearl Meyer's November 2016 non-employee director and executive compensation assessment for fiscal years 2017-2018, the Company updated the Compensation Peer Group to eliminate companies that were no longer publically traded. The Company also complied with best practice parameters by including companies in a similar industry or geography and with similar financial metrics such as, revenue, market capitalization and net income. Based on this update, the Compensation Committee approved removing two acquired companies from the 2015–2016 list (Integrated Silicon Solution Inc. and Micrel Inc.), and added two new companies to the group utilizing the above criteria (G&K Services, Inc. and Nanometrics Incorporated). TAL International Group, Inc. was acquired by Triton International LTD in 2016 but remains a comparator as the compensation data is still available.

The companies comprising the 2017-2018 Compensation Peer Group are as follows:

Aircastle LTD.	CAI International, Inc.	Coherent Inc.
Electro Rent Corp.	Electronics for Imaging, Inc.	G&K Services, Inc.
General Finance Corporation	H&E Equipment Service, Inc.	Integrated Device Technologies, Inc.
Mobile Mini Inc.	Monolithic Power Systems, Inc.	Nanometrics Incorporated
Power Integrations, Inc.	Synaptics, Inc.	Triton International LTD
Willis Lease Finance Corp.		

Process of Setting and Approving Executive Compensation; Role of Chief Executive Officer

The Compensation Committee approves annual compensation levels and equity awards to all of our executive officers. The process is described below:

The five steps below describe the process of setting and approving executive compensation and the role of the Chief Executive Officer in a typical year. In October 2016, in Mr. Kakures' absence, an Interim Office of the Chief Executive Officer was established and Mr. Hanna was designated to work directly with the Compensation Committee on behalf of the CEO.

1. The Compensation Committee reviews an independent compensation consultant's analysis (performed every other year) to evaluate for each executive officer (1) a target total compensation amount, (2) the appropriate allocation of base salary, annual bonus and long-term equity incentive compensation, (3) risk of any compensation element that could have an adverse impact on the Company, and (4) if there should be any change to the forms of compensation to better align our executive officers' interests with those of our shareholders.

2. For the Chief Executive Officer, the allocation of base salary, annual bonus and long term equity incentive compensation and the applicable performance target levels are determined by the Compensation Committee, in consultation with the Chairman of the Board of Directors and separately with all of the independent directors. The Chief Executive Officer has no role in setting his compensation.

3. For the other executive officers, the Chief Executive Officer recommends the allocation of base salaries, annual bonuses and long-term equity incentive compensation, and the applicable performance target levels for each of the other executive officers. These recommendations are presented to the Compensation Committee for the Compensation Committee's consideration and, if appropriate, approval.

4. Shortly after the end of the year, the Chief Executive Officer reviews the performance of each executive officer (other than himself) against his or her established personal objectives for the year and general management responsibilities. The conclusions reached and recommendations based on these reviews are presented by the Chief Executive Officer to the Compensation Committee for consideration. The Compensation Committee exercises its discretion in modifying any recommended adjustments or awards. The Compensation Committee then approves, as presented or modified, all compensation for these executive officers.

5. Shortly after the end of the fiscal year, the Compensation Committee reviews the Chief Executive Officer's performance. The Compensation Committee then determines, based on the market data and the Chief Executive Officer's performance, and after consultation with the Chairman of the Board of Directors and separately with all independent directors, the compensation of the Chief Executive Officer.

2016 Executive Compensation Elements

Annual Base Salary

The Company provides its executive officers and other employees with a base salary to compensate them for services rendered in the fiscal year. Base salary ranges for executive officers are determined for each executive based on his or her position using the following criteria:

1. Market data provided by our independent consultant;
2. Internal review of each executive's compensation, both individually and relative to other executive officers; and
3. Individual performance of each executive.

Salary levels are typically considered as part of the Company's performance review process on an annual basis as well as upon promotion or other change in job responsibility. Merit increases to salaries of each executive officer are based on the Chief Executive Officer and the Compensation Committee's assessment of the individual's performance in his or her annual performance.

2016 and 2017 Annual Base Salary

The table below sets forth the annual base salary of each of our named executive officers in 2016. Based on the performance results of 2016, the outlook for the Company in 2017, the updated analysis conducted by the Compensation Committee's consultant, the appointment of Mr. Hanna to the positions of President and CEO, the promotion of Mr. Pratt to the position of Executive Vice President in addition to his CFO role on February 27, 2017 and Mr. Hanna's input for executive officers other than himself, the Compensation Committee considered and approved the increased base salaries for the named executive officers in 2017 also shown in the table below.

Name	2016 Base Salary	2017 Base Salary
Dennis C. Kakures(1)	$567,000	$ —
Joseph F. Hanna(2)	$375,000	$475,000
Keith E. Pratt	$368,000	$400,000
Philip B. Hawkins	$250,000	$260,000
Randle F. Rose	$283,000	$292,000

(1) Mr. Kakures' early retirement from the Company was deemed to be March 16, 2017.
(2) Mr. Hanna was appointed President and CEO of the Company effective as of February 23, 2017.

Non-Equity Performance-Based Incentive Compensation

The Bonus Plan is comprised of two components. The first component compensates the executive for his or her efforts leading to the Company's success at meeting its annual profitability goals. The second component measures the executive officer's success at accomplishing his or her personal annual priorities. These two components are used to assure an emphasis on annual profitability and to define each executive officer's specific role with measurable goals to achieve annual and long-term increases in shareholder value. The weighting of these two components varies depending on the individual executive officer's ability to influence profitability; however, generally the profitability component is approximately two-thirds of the total so as to better align compensation with total shareholder return.

Component 1—Profitability:

Most of our executive officers are eligible to earn a cash bonus tied to the Company's success at meeting certain annual profitability goals. The profitability goal of the Company for most of its executive officers (including four of its named executive officers) has three components—approximately 60% is based on the Company's pre-tax income ("PTI"), 25% is based on the Company's return on rental equipment pool ("RREP") and 15% is based on total Company sales, general and administrative expenses ("TSGA") in relation to overall Company revenue.

The profitability goal for a Vice President & Division Manager will vary by division; however, in most cases (including one of the Company's named executive officers, Mr. Hawkins, who holds a divisional officer position), it is based 55% on his or her respective divisional EBIT ("DEBIT") profitability, 30% on divisional RREP ("DRREP") and 15% on divisional sales, general and administrative expenses ("DSGA") in relation to divisional revenue.

PTI and TSGA are calculated from results reported on the Company's income statement. RREP is calculated by taking gross profit on rents and subtracting direct SG&A, then adding gross profit on used sales, dividing the result by the monthly average original acquisition cost of equipment (including held-for-resale equipment and accessories).

The Company believes these are the most appropriate metrics to support the long-term financial health of the Company. We use a collaborative process between our Chief Executive Officer, Chief Financial Officer and various other executive officers to determine the annual profitability goal for each of the executive officers of the Company, which goals are then recommended to the Compensation Committee. The Compensation Committee then reviews each executive officer's compensation history and performance before determining final levels for such profitability goals.

The annual profitability goals for each division and the Company are established at the beginning of each fiscal year based upon a "realistic stretch" philosophy. The Company's management determines the potential annual financial performance for each division and the Company based upon its outlook for the opportunity levels in the markets in which it operates, strategic and tactical initiatives and other key factors and special circumstances, applying a "realistic stretch" view to what potentially can be accomplished. We expect that although it would take a significant amount of effort on the part of each individual, 100% of the target annual profitability level can be achieved for the year. We assume any amount in excess of the target annual profitability goal would be difficult to achieve without extraordinary effort or the occurrence of significant and unforeseen changes in the competitive landscape. Each executive officer has a designated percentage of base salary for the calendar year that can be earned for achieving 100% of his or her respective annual profitability goal. For levels achieved between 80% and 99% of the profitability goal, a rapidly reducing scale is utilized to determine bonus percentage amounts of base salary as shown in the table below.

% of Profitability Goal Achieved	% of Total Profitability Goal Bonus Monies Available
100%	100%
98%	90%
96%	80%
94%	70%
92%	60%
90%	55%
89%	50%
88%	45%
87%	40%
86%	35%
85%	30%
84%	25%
83%	20%
82%	15%
81%	10%
80%	5%

No amount under the Bonus Plan is paid for levels below 80% achievement of the PTI, RREP, DEBIT or DRREP profitability components. There is zero payout potential for achievement below 100% of the TSGA and DSGA components. For each 1% increase achieved above 100% of the profitability goals an additional 2% of base salary is awarded, multiplied by the individual profitability component factor. The maximum overage percentage of base salary that can be earned by an executive officer cumulatively for all profitability goals is the individual executive officer's maximum profitability percentage at 100% of achievement of the goal, as listed below for the named executive officers under "*Bonus Plan Percentages*," so that the maximum he or she can earn is two times the target bonus percentage for profitability.

Component 2—Personal Annual Priorities:

The second component for the Bonus Plan measures each executive officer's success at accomplishing his or her personal annual priorities. Final determination of the personal annual priorities for each executive officer rests with the Chief Executive Officer (other than the personal annual priorities of the Chief Executive Officer, which are determined by the Compensation Committee, after consultation with the Chairman of the Board of Directors and separately with all independent directors). These personal annual priorities are measured periodically throughout the year and paid annually, using a collaborative process between the Chief Executive Officer or a Senior Vice President and each executive officer. The personal annual priorities generally are comprised of a maximum of four items deemed to be the most critical priorities that require action to be taken for the current evaluation period. Each priority is weighted according to (1) the critical nature of the priority relative to other priorities, and (2) the amount of time and effort involved in accomplishing the priority relative to other priorities.

Listed below under "*Bonus Plan Percentages*" is a schedule identifying each named executive officer and the percentage amounts of base salary for the calendar year 2016 that could have been earned under this component for achieving a 100% rating for all personal priorities. In the event of outstanding achievement under an individual personal annual priority, an executive officer may receive up to a maximum score of 125%. Although infrequent, it is possible for an executive officer to achieve 125% in each of his or her personal annual priorities. Each personal annual priority goal represents a challenge and complete success is not always solely in the control of the executive officer. There are factors that may affect the outcome, including changes in market conditions and unanticipated variables. Each personal annual priority is measured and the overall weighted average of achievement for all personal annual priorities is multiplied by the total percentage of base salary allotted to personal annual priorities available to each executive officer. The Compensation Committee annually uses its discretion to allocate specific percentages of profitability and personal annual priorities for each executive officer.

Bonus Plan Percentages:

Based on each named executive officer's performance results in 2015, the outlook for the Company in 2016, the analysis conducted by the Compensation Committee's consultant, and the CEO's input for executive officers other than himself, the Compensation Committee considered and approved the bonus plan percentages for the profitability goal and the personal annual priorities components in 2016 for the named executive officers as shown in the table below (which includes percentages applicable if the target is met for each goal, as well as the maximum percentages applicable if the target is exceeded for each goal).

Name	Profitability (at 100% of Achievement)	Maximum Profitability (at maximum overage percentage)	Personal Annual Priorities (at 100% of Achievement)	Maximum Personal Annual Priorities (at 125% of Achievement)	Total Annual Bonus (at 100% of Achievement)	Maximum Annual Bonus
Dennis C. Kakures	60.00%	120.00%	25.00%	31.25%	85.00%	151.25%
Joseph F. Hanna	45.00%	90.00%	20.00%	25.00%	65.00%	115.00%
Keith E. Pratt	40.00%	80.00%	20.00%	25.00%	60.00%	105.00%
Philip B. Hawkins	40.00%	80.00%	20.00%	25.00%	60.00%	105.00%
Randle F. Rose	20.00%	40.00%	30.00%	37.50%	50.00%	77.50%

Based on each named executive officer's performance results in 2016, the outlook for the Company in 2017, the appointments of Mr. Hanna to President and CEO and Mr. Pratt to Executive Vice President in addition to his CFO role on February 23, 2017 and the CEO's input for executive officers other than himself, the Compensation Committee considered and approved the bonus plan percentages for the profitability goal and the personal annual priorities components in 2017 for the named executive officers as shown in the table below (which includes percentages applicable if the target is met for each goal, as well as the maximum percentages applicable if the target is exceeded for each goal).

Name	Profitability (at 100% of Achievement)	Maximum Profitability (at maximum overage percentage)	Personal Annual Priorities (at 100% of Achievement)	Maximum Personal Annual Priorities (at 125% of Achievement)	Total Annual Bonus (at 100% of Achievement)	Maximum Annual Bonus
Joseph F. Hanna	55.00%	110.00%	20.00%	25.00%	75.00%	135.00%
Keith E. Pratt	40.00%	80.00%	20.00%	25.00%	60.00%	105.00%
Philip B. Hawkins	40.00%	80.00%	20.00%	25.00%	60.00%	105.00%
Randle F. Rose	20.00%	40.00%	30.00%	37.50%	50.00%	77.50%

Under the terms of the Bonus Plan, in the event of a named executive officer's termination with the Company, voluntarily or involuntarily, with or without cause, which occurs prior to the end of the fiscal year, his or her cash bonus is prorated accordingly and distributed to that named executive officer upon termination.

2016 Goals and Results:

The Company's 2016 annual profitability goals for PTI, RREP and TSGA were $62,980,000, 5.9% and $107,709,000 respectively. Results achieved for PTI, RREP and TSGA were $66,931,000 (106.3% of goal), 6.06% (102.7% of goal) and $104,904,000 (102.6% of goal) respectively. Mr. Hawkins had division specific goals for DEBIT, DRREP and DSGA which were $31,131,000, 4.1% and $25,074,000. Actual division achievement for DEBIT, DRREP and DSGA was $36,894,000 (118.5% of goal) , 4.67% (113.9% of goal) and $24,998,000 (100.3% of goal) respectively. Therefore, based on the terms of the 2016 Bonus Plan, total profitability goal bonus amounts earned for each of Messrs. Kakures, Hanna, Pratt, Hawkins and Rose were $388,512, $206,333, $184,122, $172,052 and $85,016 respectively.

Mr. Kakures achieved 85.3% of his 2016 personal annual priorities goals, consisting of managing strategic growth initiatives, tank and box division leadership development, officer succession planning, modular ROIC, and other strategic and tactical initiatives. Mr. Hanna was awarded 95% of his 2016 personal annual priorities goals, consisting of achieving the tank and box division operating metrics and leadership development, modular ROIC, and other strategic and tactical initiatives. In an executive session, the Compensation Committee determined 95% achievement was appropriate given the unique situations in 2016 consisting of leadership changes in the Adler and Portable Storage divisions and the early retirement of Mr. Kakures. In addition, Mr. Hanna was awarded a special bonus of $25,000 for his work as part of the Office of the CEO. Mr. Pratt achieved 96% of his 2016 personal annual priorities goals, consisting of modular ROIC, tank and box transactional profitability, securing new credit agreements and other strategic and tactical initiatives. Mr. Pratt was also awarded a special bonus of $25,000 for his work as part of the Office of the CEO. Mr. Hawkins achieved 102% of his 2016 personal annual priorities goals, consisting of improvement on divisional operating metrics, including rental rate optimization, enhanced focus of divisional safety initiatives and divisional leadership development. Mr. Rose achieved 85% of his 2016 personal annual priorities goals, consisting of enhanced recruiting / hiring training methods, corporate compliance policies, and other strategic and tactical initiatives. Consequently, each of Messrs. Kakures, Hanna, Pratt, Hawkins and Rose received $118,094, $96,200, $95,626, $50,975 and $72,134, respectively, based on the achievement of their 2016 personal annual priorities goals.

The Annual Bonus amounts under the Bonus Plan paid to each of the named executive officers are listed in column (g) in the "*Summary Compensation Table*" on page 37 of this Proxy Statement.

Long-Term Incentive Compensation

In 2010, the Compensation Committee adopted an approach to grant equity awards in a mix of stock appreciation rights ("SARs") and restricted stock units ("RSUs") split equally between personal merit/service-based equity awards (SARs) and performance-based awards (RSUs). The goal was to increase the employee's focus on longer-term financial performance targets, decrease the share dilution impact of equity grants, and increase the likelihood of employees holding more shares over time.

For designated employees, including executive officers, the standard approach approved by the Compensation Committee was to grant 50% of the equity value to be granted as SARs and 50% of the equity value to be granted as RSUs. SARs vest over five (5) years and in effect are merit/service-based equity remuneration. RSUs are earned based upon achievement of a three-year cumulative EPS goal for all corporate employees/officers, and achievement of a three-year cumulative division EBIT (DEBIT), or division rental revenue (DRR) target for employees/officers of a specific division. Having each divisional officer's performance tied directly to his or her respective division's performance allows for that officer to be measured with diminished influence, positive or negative, of any other division's performance. RSUs vest 60% upon meeting the EPS/DEBIT/DRR target at the end of year three with subsequent vesting of 20% per year over the next two years for the remainder of the RSUs.

The 2014 to 2016 Company RSU grant three-year cumulative earnings per share ("EPS") target was $5.85 and the actual three-year cumulative EPS total achieved was $4.94 (84% of goal) and no Company RSUs were earned by any executive officers. The 2014 to 2016 modular division RSU grant three-year cumulative DEBIT target was $50,873,000 and the actual three-year cumulative DEBIT total achieved was $53,988,000 (106.1% of goal) and 4,160 shares were earned by Mr. Hawkins.

Consistent with the Company's Equity Granting Policy, as described under that heading below, in February 2016, designated employees, including executive officers, received equity grants, the amounts of which that were granted to our named executive officers are listed in the "*2016 Grant of Plan-Based Awards*" table on page 38 of this Proxy Statement.

Due to a variety of factors, the recipients of many of the equity grants awarded since 2012 have not realized any or only a minor benefit to date. As a result of these dynamics, in an effort to retain key managers, solidify leaders in newly promoted positions, and to continue to build senior leader equity positions, the Company issued all personal merit/service-based SARs to all recipients on its 2016 annual equity grant date. As we do each year, we will continue to reevaluate our forms of equity and consider the most appropriate grant approach, including the mix of personal merit / service-based SARs versus profitability performance-based RSUs.

When making annual executive officer equity grants, we first establish a dollar value of the total equity compensation to be awarded to each executive officer based on input from the Compensation Committee's consultant's analysis, and the CEO's recommendations for executives other than himself. We take 50% of the award amount and divide that number by the current Black-Scholes option pricing model value per share then round to the nearest 100 shares to determine the total number of option or SARs shares to be awarded. We take the remaining 50% of the award amount and divide by the closing price of our shares on the NASDAQ Global Select Market on the date of the grant then round to the nearest 100 shares to determine the total number of RSU full value shares to be awarded, subject to achievement of a three-year cumulative EPS (corporate) or DEBIT/DRR (divisional) goal. Although we use what we consider to be a reasoned approach in determining the number of SARs or RSUs to award our executive officers with a formula that is based on a widely accepted option pricing model, the ultimate value of the equity issued only becomes clear when underlying shares vest and are sold. The SARs may not realize any value, while RSUs may decline in value. Conversely, SARs and RSUs may be worth much more than the fair value initially estimated on the date of grant. As a result, we do not consider realizable gains from prior stock option or other types of equity grants or existing levels of share ownership when setting new grant amounts.

Executive Officer Stock Ownership and Stock Holdback Guidelines

The Board of Directors believes that, in order to better align the interests of management and shareholders, executive officers should have a significant financial (equity) stake in the Company. Each executive officer has a target level of Company Common Stock value to achieve within seven (7) years of the later of his or her date of hire or March 1, 2007. The target level of Common Stock value to be achieved is a multiple of each executive officer's base salary. The multiples of executive officer base salary are four (4) times for the Chief Executive Officer and two (2) times for all other executive officer positions. In evaluating whether the Common Stock value ownership guideline has been met, all shares of Common Stock owned, Employee Stock Ownership Plan ("ESOP") shares and 50% of the value (market price less strike price) of all vested unexercised stock options are considered. The Board of Directors evaluates whether exceptions should be made for any executive officer on whom this requirement would impose a financial hardship.

Each executive officer has a 10% holdback provision for RSU equity grant settlements to facilitate earlier achievement of stock ownership under the Company's stock ownership guidelines.

Equity Granting Policy

In 2007, the Board of Directors adopted an equity granting methodology (part of the 2007 Plan) whereby there is one annual equity grant date, which is the date when the blackout window opens after the year-end earnings are released. All designated non-employee directors, executive officers and key employees are eligible to receive an equity grant on the annual equity grant date with an exercise price (for stock options or SARs), or grant price (for RSUs), equal to the NASDAQ Stock Market close price on that day. The Board of Directors convenes a meeting on this date after the NASDAQ Stock Market closes to determine the number of shares to be granted. The Board of Directors may authorize the Chief Executive Officer an additional allotment of options or shares to be granted at his discretion to new hires and promotion candidates, other than executive officers, over the course of a given timeframe, with the grant date and exercise or grant price based on the last trading day of each month of the employment event. This allotment is not available to executive officers, as all grants to executive officers must be made by the Compensation Committee.

Compensation Recoupment Policy

In 2011, the Board of Directors adopted a Compensation Recoupment Policy that applies to executive officers if the Company is required to restate its financial statements. The Board believes it is desirable and in the best interests of the Company and its shareholders to maintain and enhance a culture that is focused on integrity and accountability and believes that this policy discourages conduct detrimental to the Company's sustained growth. This Compensation Recoupment Policy requires any current or former executive officer, in the event of a financial restatement, to reimburse the Company with respect to any incentive compensation (including cash and equity awards) received during the past three years that is in excess of that which would have been received if such compensation had been based upon the financial statements as so restated. The Compensation Recoupment Policy is posted on our web site at www.mgrc.com under the Investors/Corporate Governance section.

Risk-Hedging Policies

Pursuant to the Company's Insider Trading Policy, which was most recently amended and restated on February 23, 2017, executives of the Company are prohibited from engaging in short-term or speculative securities transactions with respect to the Company's Common Stock, such as short sales, puts, calls and other exchange-traded derivatives. These prohibited transactions can have the effect of reducing or cancelling the risk of an investment in the Common Stock, particularly in the short-term. Therefore, these prohibited transactions may create the appearance that the executives are trading on inside information. Additionally, certain forms of hedging or monetization transactions allow a shareholder to lock in much of the value of his or her stock holdings, often in exchange for all or part of the potential for upside appreciation in the stock. These transactions allow the holder to continue to own the covered securities, but without full risks and rewards of ownership. Therefore, executives are also prohibited from hedging transactions. The Company's Insider Trading Policy further provides that Company personnel who purchase or sell Company securities in the open market may not correspondingly sell or purchase any Company securities of the same class during the six months following the purchase. The Insider Trading Policy is posted on our web site at www.mgrc.com under the Investors/Corporate Governance section.

Perquisites and Other Personal Benefits

Executive officers are entitled to and eligible only for the same fringe benefits for which all of our employees are eligible. We do not have programs in place to provide personal perquisites for any employee. Our healthcare and other insurance programs, including the programs' participation costs, are the same for all eligible employees, except that any executive officer employed with the Company for at least 20 years may remain on the Company's health insurance policy after retiring from the Company, provided that such executive officer pays 100% of the premiums. Our annual matching contributions to the Company's KSOP, expressed as a percentage of eligible wages, up to a stated percentage of eligible wages (and any discretionary contributions that we may make to the KSOP, expressed as a percentage of eligible wages), are also the same for all eligible employees, including each named executive officer, subject to all applicable Internal Revenue Service contribution limits and formulas for plans of these types.

Change in Control Arrangements

In 2013, the Compensation Committee adopted a "Change in Control Severance Plan." The adopted plan had an initial two-year term with no automatic renewal. This action was taken by the Compensation Committee to help ensure appropriate behavior by individuals in key management roles in evaluating, presenting, and acting upon change in control opportunities involving the Company that may arise. The Compensation Committee believes that adopting this Plan is in the best interests of shareholders in helping to ensure a) the individuals in those management roles most likely to influence a change in control opportunity are appropriately incentivized to act in the best interests of shareholders, b) continuity of management before and during an impending transaction, or the need for continuity in management after a change in control, and c) the Company's continuing ability to attract talented senior management members, as well as to avoid executives departing due to limited or no remuneration protections in the event of a change in control transaction. Further, the Compensation Committee believes that stable corporate leadership exhibiting the desired management behaviors is imperative in order for shareholders to be in a position to realize a favorable premium in a potential sale of the Company. In April 2017, the Compensation Committee renewed the Plan for another two-year term with the same terms and conditions.

Key provisions of the adopted Plan include:

1) Initial executive roles covered by the Plan include the CEO, CFO and COO.

2) No "single trigger" payouts; all Plan payouts are contingent upon a change of control (as defined in the Plan) coupled with an involuntary termination of a covered executive, including for "good reason," within 12 months of a change in control.

3) No payouts for "cause" based terminations.

4) Plan benefits: (a) one times annual base salary, (b) amount equal to target bonus for year of termination, (c) medical benefits under COBRA for up to twelve (12) months and (d) reasonable outplacement assistance.

5) No tax gross up provisions on payouts.

6) Participants must execute a general release to receive Plan benefits.

Existing equity compensation plans provide for full acceleration of equity awards upon a qualifying termination after a change in control for all employees of the Company. The Compensation Committee believes that providing this vesting acceleration assists us in attracting and retaining key employees, including our executives, and promotes stability and continuity of our key employees, which we believe is in the best interests of our shareholders. For details, see "*Potential Payments upon Termination or Change in Control*" on page 40 of this Proxy Statement.

Involuntary Termination Severance Policy

In 2013, the Compensation Committee established general guidelines to address involuntary termination severance eligibility and payments for executive officer level positions. The Compensation Committee believes that adopting this Policy is in the best interests of shareholders in helping to ensure the Company's continuing ability to attract and retain talented senior executives. The guidelines provided are considered to be a general policy statement and are not intended to create a binding right to severance on the part of any person. The Compensation Committee also may take into consideration other factors in determining any deviation from the general guidelines. The general guidelines of the Policy will not apply in any case to an individual for any termination which would entitle them to severance pursuant to a written plan of or agreement with the Company. Therefore, the severance benefits outlined below are not additive to any change of control benefits that any individual may otherwise be eligible to receive.

Key provisions of the adopted Policy include:

1) A severance payment of up to the equivalent of twelve (12) months of base salary.

2) Medical benefits under COBRA for up to twelve (12) months.

3) Reasonable outplacement assistance.

4) No acceleration of vesting of outstanding equity awards, except in the event of a change in control, as provided for in existing equity agreements.

5) No payouts for "cause" based terminations.

6) No tax gross up provisions on payouts.

7) Participants must execute a general release to receive Policy benefits.

Tax and Accounting Implications

Deductibility of Executive Compensation

Section 162(m) of the Code limits the corporate deduction for compensation paid to executive officers to $1 million unless such compensation qualifies as "performance-based compensation." Among other things, Section 162(m) requires approval of the performance-based compensation by our shareholders. The Compensation Committee intends to maximize our ability to deduct executive compensation for tax purposes to the extent structuring our executive compensation for tax purposes is in alignment with our compensation philosophy. The Compensation Committee nonetheless reserves the right to use its judgment to authorize compensation payments that do not comply with the exemptions in Section 162(m) of the Code when the committee believes that such payments are appropriate and in the best interests of our shareholders, after taking into account changing business conditions or the executive officer's performance. In addition, the Compensation Committee cannot provide any assurances that compensation intended to qualify for deductibility under Section 162(m) will in fact be deductible because: (1) a number of requirements must be satisfied in order for the compensation to qualify; and (2) uncertainties as to the application and interpretation surrounding this section currently exist. With respect to the compensation paid to our named executive officers in 2016, the non performance-based compensation was below the $1 million Section 162(m) limit for all of our named executive officers.

Accounting for Stock-Based Compensation

We accrue our named executive officers' salaries and incentive awards as an expense when earned. For our stock based compensation, the Financial Accounting Standards Board's Accounting Standards Codification Topic 718, *Compensation—Stock Compensation* ("ASC 718"), requires us to recognize compensation expense within our income statement for all share-based payment arrangements, which includes employee stock option plans. The expense is based on the grant-date fair value of the equity award granted, and is recognized ratably over the requisite service period. The Compensation Committee considers the expense of equity awards as part of its overall evaluation of our equity compensation program.

Compensation Policies and Practices and Risk Management

The Compensation Committee considers potential risks when reviewing and approving the compensation programs for our executive officers and other employees. We have designed our compensation programs, including our incentive compensation plans, with specific features to address potential risks while rewarding employees for achieving long-term financial and strategic objectives through prudent business judgment and appropriate risk taking. The following elements have been incorporated in our programs available for our executive officers:

- A Balanced Mix of Compensation Components—The target compensation mix for our executive officers is composed of base salary, annual cash bonus incentives and long-term equity awards.
- Multiple Performance Factors—Our incentive compensation plans use both company-wide metrics (revenue targets) and individual annual priorities, which encourage focus on the achievement of objectives for the overall benefit of the Company.
- Capped Cash Incentive Awards—Annual cash bonus incentive awards are capped for our executive officers.
- Multi-Year Vesting—Equity awards vest over multiple years requiring long-term commitment on the part of employees.
- Competitive Positioning—The Compensation Committee has compared our executive compensation to our peers to ensure our compensation program is consistent with industry practice. The Compensation Committee generally targets the total compensation for our non-employee directors and executive officers at or slightly above the median (the 50th percentile) of compensation paid to similarly situated executives of the peer companies.
- Corporate Governance Programs—We have implemented corporate governance guidelines, a code of conduct, a compensation recoupment policy and other corporate governance measures and internal controls.

The Compensation Committee also reviews the key design elements of our compensation programs in relation to industry practices, as well as the means by which any potential risks may be mitigated, such as through our internal controls and oversight by management and the board. Based on this review, the Compensation Committee concluded that based on a combination of factors, our compensation policies and practices do not incentivize excessive risk-taking that could have a material adverse effect on the Company.

Compensation Committee Report

Notwithstanding anything to the contrary set forth in any of the Company's previous filings under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, that might incorporate future filings, including this Proxy Statement, with the SEC, in whole or in part, the following report shall not be deemed to be incorporated by reference into any such filings, nor shall the following report be deemed to be incorporated by reference into any future filings under the Securities Act or the Exchange Act, unless specifically stated to be incorporated by reference therein.

The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Submitted by the Compensation Committee:

William J. Dawson, Chair
Elizabeth A. Fetter
M. Richard Smith
Dennis P. Stradford

Summary Compensation Table

The following table provides summary information concerning the compensation earned during the fiscal years ended December 31, 2016, December 31, 2015 and December 31, 2014 by each of our named executive officers.

Summary Compensation Table

(a) Name and Principal Position	(b) Year	(c) Salary ($)	(d) Bonus ($)	(e) Stock Awards ($)(1)	(f) Option Awards ($)(1)	(g) Non-Equity Incentive Plan Compensation ($)(2)	(h) Nonqualified Deferred Compensation Earnings ($)	(i) All Other Compensation ($)(3)	(j) Total ($)
Dennis C. Kakures(4)	2016	$553,654	—	—	$558,553	$506,606	—	$10,600	$1,629,413
Former President and	2015	$568,654	—	$451,059	$450,232	$222,297	—	$10,600	$1,702,842
Chief Executive Officer	2014	$500,026	—	$300,288	$290,185	$391,355	—	$10,400	$1,492,254
Joseph F. Hanna(5)	2016	$374,739	—	—	$356,531	$302,533	—	$10,600	$1,044,403
President and	2015	$371,119	—	$211,134	$212,310	$127,017	—	$10,600	$ 932,180
Chief Executive Officer	2014	$344,564	—	$212,160	$206,137	$225,206	—	$10,400	$ 998,467
Keith E. Pratt (6)	2016	$367,846	—	—	$293,306	$279,748	—	$10,600	$ 951,500
Executive Vice President	2015	$371,219	—	$175,945	$175,240	$122,651	—	$10,600	$ 855,655
and Chief Financial Officer	2014	$346,564	—	$176,256	$169,864	$209,384	—	$10,400	$ 912,468
Philip B. Hawkins	2016	$249,877	—	—	$167,603	$223,027	—	$10,600	$ 651,107
Vice President,	2015	$250,708	—	$ 99,169	$ 99,752	$204,595	—	$10,600	$ 664,824
Mobile Modular	2014	$229,610	—	$ —	$193,751	$179,051	—	$10,400	$ 612,812
Randle F. Rose	2016	$282,877	—	—	$142,538	$157,150	—	$10,600	$ 593,165
Senior Vice President,	2015	$285,177	—	$ 86,373	$ 84,924	$ 93,367	—	$10,600	$ 560,441
Chief Administrative, Officer and Secretary	2014	$266,702	—	$ 84,864	$ 82,278	$129,530	—	$10,400	$ 573,774

(1) The amounts in columns (e) and (f) reflect the aggregate grant date fair value amounts, in accordance with the Financial Accounting Standards Board's Accounting Standards Codification Topic 718, of awards granted pursuant to the 1998 Plan and the 2016 Plan. Assumptions used in the calculation of these amounts are included in Note 5 to the Company's audited financial statements for the fiscal year ended December 31, 2016 included in the 2017 Annual Report. These amounts reflect the Company's accounting expense and do not correspond to the actual value that may be realized by the named executive officers. In 2014 as previously disclosed, Mr. Kakures requested a reduction in his annual equity grant levels of 50% and 33% respectively, to allow for additional equity compensation for certain key employees. In 2016, Mr. Kakures received a 33% reduction in his annual equity grant level, and all other key employees received a 10% reduction of their annual grant levels to accommodate for possible equity grants to certain key employee new hires and promotions for the remainder of 2016.

(2) The amounts in column (g) reflect amounts earned by the named executive officers during the fiscal year ended December 31, 2016 and paid in 2017 pursuant to the Bonus Plan, which is discussed in further detail on page 27 under the heading "*Non-Equity Performance-Based Incentive Plan Compensation*."

(3) The amounts in column (i) reflect the cash contributions allocated to each named executive officer pursuant to the provisions of the Company's Employee Stock Ownership and 401(k) Plan.

(4) Mr. Kakures' early retirement from the Company was deemed to be March 16, 2017.

(5) Mr. Hanna served as Vice President and Chief Operating Officer from 2007 until Mr. Hanna was appointed President and Chief Executive Officer of the Company effective as of February 23, 2017.

(6) Mr. Pratt served as Senior Vice President and Chief Financial Officer from 2007 until Mr. Pratt was appointed Executive Vice President and Chief Financial Officer of the Company effective as of February 23, 2017.

2016 GRANTS OF PLAN-BASED AWARDS

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1) Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards(2) Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)(3)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards
Dennis C. Kakures . . .		$16,610	$470,606	$837,402	—	—	—	—	—	—	—
	2/29/2016	—	—	—	—	—	—		149,300(4)	$24.60	$558,553
Joseph F. Hanna		$ 8,432	$243,580	$430,950	—	—	—	—	—	—	—
	2/29/2016	—	—	—	—	—	—	—	95,300	$24.60	$356,531
Keith E. Pratt		$ 7,357	$220,708	$386,238	—	—	—	—	—	—	—
	2/29/2016	—	—	—	—	—	—	—	78,400	$24.60	$293,306
Philip B. Hawkins . . .		$ 4,998	$149,926	$262,371	—	—	—	—	—	—	—
	2/29/2016	—	—	—	—	—	—	—	44,800	$24.60	$167,603
Randle F. Rose		$ 2,829	$141,439	$219,230	—	—	—	—	—	—	—
	2/29/2016	—	—	—	—	—	—	—	38,100	$24.60	$142,538

(1) The amounts listed in these columns reflect the threshold, target, and maximum amounts payable to the named executive officers pursuant to the Bonus Plan, which is discussed in further detail on page 27 under the heading "*Non-Equity Performance-Based Incentive Plan Compensation*". The threshold assumptions assume achieving 80% of the profitability target and no achievement of the personal annual priorities.

(2) No RSUs were granted in 2016.

(3) On February 29, 2016, each named executive officer received a grant of SARs; the exercise price was based on the NASDAQ Stock Market close price of $24.60 on that date. The SAR grants have a seven-year term and vest 20% at the end of year one, and 5% per quarter thereafter.

(4) In connection with Mr. Kakures' early retirement from the Company, the award and vesting schedule on Mr. Kakures' SARs were modified per the terms of the Consulting, Transition and Proprietary Information Agreement dated March 16, 2017 by and between the Company and Mr. Kakures (the "Consulting Agreement"). Pursuant to the Consulting Agreement, all vesting on the SARs ceased on March 16, 2017 and any vested SARs held by Mr. Kakures under this grant are exercisable until September 16, 2017.

2016 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
	Exercisable	Unexercisable							
Dennis C. Kakures(1)	36,200	0		$27.99	02/25/2018	—	—	—	—
	35,250	11,750		$28.90	02/25/2020	—	—	—	—
	18,040	1,640		$32.64	03/03/2021	—	—	—	—
	23,380	3,340		$31.99	03/02/2022	—	—	—	—
	0	29,860		$24.60	02/28/2023	—	—	—	—
Joseph F. Hanna	16,530	870		$31.35	03/02/2019	—	—	—	—
	16,650	5,550		$28.90	02/25/2020	—	—	—	—
	12,815	10,485		$32.64	03/03/2021	—	—	—	—
	11,025	20,475		$31.99	03/02/2022	—	—	6,600	$258,654
	0	95,300		$24.60	02/28/2023	—	—	—	—
Keith E. Pratt	0	790		$31.35	03/02/2019	—	—	—	—
	0	4,575		$28.90	02/25/2020	—	—	—	—
	10,560	8,640		$32.64	03/03/2021	—	—	—	—
	9,100	16,900		$31.99	03/02/2022	—	—	5,500	$215,545
	0	78,400		$24.60	02/28/2023	—	—	—	—
Philip B. Hawkins	8,550	450		$31.35	03/02/2019	—	—	—	—
	7,800	2,600		$28.90	02/25/2020	—	—	2,800	$109,732
	12,045	9,855		$32.64	03/03/2021	—	—	—	—
	5,180	9,620		$31.99	03/02/2022	—	—	3,100	$121,489
	0	44,800		$24.60	02/28/2023	—	—	—	—
Randle F. Rose	385	385		$31.35	03/02/2019	—	—	—	—
	0	2,225		$28.90	02/25/2020	—	—	—	—
	465	4,185		$32.64	03/03/2021	—	—	—	—
	630	8,190		$31.99	03/02/2022	—	—	2,700	$105,813
	0	38,100		$24.60	02/28/2023	—	—	—	—

(1) Pursuant to Mr. Kakures' Consulting Agreement dated March 16, 2017, (i) all vesting on unvested equity awards held by Mr. Kakures ceased on March 16, 2017, (ii) all unvested equity awards as of March 16, 2017 held by Mr. Kakures were cancelled and cease to exist and (iii) all vested equity awards held by Mr. Kakures shall be cancelled and cease to exist if such vested equity awards are not exercised by September 16, 2017.

2016 OPTION EXERCISES AND STOCK VESTED

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Dennis C. Kakures	36,000	$468,000	4,964	$122,114
Joseph F. Hanna	36,100	$305,273	2,369	$ 58,277
Keith E. Pratt	54,835	$314,688	2,369	$ 58,277
Philip B. Hawkins	18,300	$137,497	5,400	$132,840
Randle F. Rose	38,335	$255,350	1,128	$ 27,748

(1) The "value realized on exercise" represents the number of shares of Common Stock acquired on exercise of the applicable option multiplied by the NASDAQ Stock Market close price of our Common Stock on the applicable date of exercise, less the number of shares of Common Stock acquired on exercise of the option multiplied by the exercise price of the option.

Proxy Statement

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information regarding our equity compensation plans as of December 31, 2016:

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	1,584,435	$28.14	2,251,074
Equity compensation plans not approved by security holders	—	—	—
Total	1,584,435	$28.14	2,251,074

Our 1998 Stock Option Plan and 2016 Stock Incentive Plan were both approved by shareholders and have been filed as exhibits to our Annual Report on Form 10-K.

Potential Payments upon Termination or Change-in-Control

Under the terms of our Bonus Plan, 1998 Plan, 2016 Plan, and Employee Stock Ownership and 401(k) Plan ("KSOP"), payments may be made to each of our named executive officers upon his or her termination of employment or a change in control (as defined in each plan) of the Company. See "*Compensation Discussion and Analysis*" and "*Equity Compensation Plan Information*" for a description of, and an explanation of the specific circumstances that would trigger payments under, each plan. The following table sets forth the estimated payments that would be made to each of our named executive officers upon voluntary termination, involuntary termination—not for cause, for cause, or as a qualifying termination in connection with a change in control (as defined in each plan)—and death or permanent disability. The payments would be made pursuant to the plans identified in this paragraph. The information set forth in the table below assumes the termination event occurred on December 31, 2016.

The actual amounts to be paid out can only be determined at the time of an executive's separation from the Company and may differ materially from the amounts set forth in the table below. The amounts set forth in the table below do not reflect the withholding of applicable state and federal taxes.

Name	Voluntary Termination	Involuntary Termination Not For Cause	Involuntary Termination For Cause	Involuntary Termination & Change in Control	Death or Permanent Disability
Dennis C. Kakures(4)					
Non-Equity Incentive Plan(1)	$0	$ 0	$0	$ 506,606	$0
Accelerated Awards Under Equity Incentive Plans(2)	0	0	0	3,621,624	0
Base Salary(3)	0	567,000	0	567,000	0
Continuation of Medical Benefits Under COBRA (present value)(3)	0	14,997	0	14,997	0
Reasonable Outplacement Assistance(4)	0	15,000	0	15,000	0
Total	$0	$596,997	$0	$4,725,227	$0
Joseph F. Hanna(4)					
Non-Equity Incentive Plan(1)	$0	$ 0	$0	$ 302,533	$0
Accelerated Awards Under Equity Incentive Plans(2)	0	0	0	2,183,843	0
Base Salary(3)	0	375,000	0	375,000	0
Continuation of Medical Benefits Under COBRA (present value)(3)	0	12,717	0	12,717	0
Reasonable Outplacement Assistance(3)	0	15,000	0	15,000	0
Total	$0	$402,717	$0	$2,889,093	$0
Keith E. Pratt(4)					
Non-Equity Incentive Plan(1)	$0	$ 0	$0	$ 279,748	$0
Accelerated Awards Under Equity Incentive Plans(2)	0	0	0	1,802,569	0
Base Salary(3)	0	368,000	0	368,000	0
Continuation of Medical Benefits Under COBRA (present value)(3)	0	22,477	0	22,477	0
Reasonable Outplacement Assistance(3)	0	15,000	0	15,000	0
Total	$0	$405,477	$0	$2,487,794	$0
Philip B. Hawkins(4)					
Non-Equity Incentive Plan	$0	$ 0	$0	$ 0	$0
Accelerated Awards Under Equity Incentive Plans(2)	0	0	0	1,048,949	0
Base Salary(3)	0	250,000	0	250,000	0
Continuation of Medical Benefits Under COBRA (present value)(3)	0	22,477	0	22,477	0
Reasonable Outplacement Assistance(3)	0	15,000	0	15,000	0
Total	$0	$287,477	$0	$1,336,426	$0
Randle F. Rose(4)					
Non-Equity Incentive Plan	$0	$ 0	$0	$ 0	$0
Unvested and Accelerated Awards Under Equity Incentive Plans(2)	0	0	0	875,879	0
Base Salary(3)	0	283,000	0	283,000	0
Continuation of Medical Benefits Under COBRA (present value)(3)	0	21,476	0	21,476	0
Reasonable Outplacement Assistance(3)	0	15,000	0	15,000	0
Total	$0	$319,476	$0	$1,195,355	$0

(1) In the event of termination of employment with the Company due to an involuntary termination and change of control trigger that occurs prior to the end of the fiscal year, payments under the Bonus Plan are pro-rated accordingly.
(2) Includes our 1998 Plan and 2016 Plan. Assumes termination event on December 31, 2016 with a closing NASDAQ Stock Market price of $39.19 per share.
(3) In the event of termination of employment with the Company due to an involuntary not for cause termination or an involuntary termination coupled with a change in control of the Company, the base salary, continuous medical benefits under COBRA and reasonable outplacement services would be provided for up to twelve (12) months. The maximum amounts are reported herein; the actual amount would be determined at the discretion of the Compensation Committee.
(4) The payout based on a change in control trigger is not additive to any other termination trigger payouts.

Treatment of Certain Compensation Elements Upon Termination

Executive Severance Policy. We do not have employment agreements, but in 2013, the Compensation Committee established guidelines to address involuntary termination severance eligibility and payments for executive officer level positions. For details, see "*Involuntary Termination Severance Policy*" on page 34 of this Proxy Statement.

Pension Benefits. All employees who participate in our KSOP are entitled to their vested amounts upon termination of their employment.

Health and Welfare Benefit and Executive Benefits and Perquisites Continuation. An executive officer is not entitled to any continuation of his or her health and welfare benefits, executive benefits or perquisites (other than pursuant to COBRA) following the termination of his or her employment, except that any executive officer employed with the Company for at least 20 years may remain on the Company's health insurance policy after he or she retires from the Company, provided he or she pays 100% of the premiums.

Long-Term Incentives. Except in the circumstances discussed above, an executive officer forfeits his or her stock options to the extent they are unvested and is not entitled to any continuation of vesting or acceleration of vesting with respect to his or her options. Such executive is entitled to exercise any vested options for a period of 90 days after termination and is entitled to continue to hold his or her shares of unrestricted stock after termination in the same manner as any other employee of the Company. In the event of a qualifying termination following a change in control, an executive officer is entitled to the acceleration of vesting with respect to all of his or her equity awards, consistent with the Change in Control Arrangements described above.

President and Chief Executive Officer Retirement and Transition

Mr. Kakures was deemed to retire from the Company on March 16, 2017. In connection with his retirement, he entered into a Consulting, Transition and Proprietary Information Agreement with the Company dated March 16, 2017 (the "Consulting Agreement"), that provided him with the following, among other things: (i) the engagement by the Company of Mr. Kakures as a consultant for 18 months from and inclusive of March 16, 2017, (ii) monthly payments by the Company to Mr. Kakures in the amount of $47,250 per month, (iii) continued exercisability of vested stock appreciation rights previously granted to Mr. Kakures until September 16, 2017, (iv) the cession of vesting, as of March 16, 2017, of all unvested equity awards held by Mr. Kakures, (v) the cancellation, as of March 16, 2017, of all unvested Company equity awards held by Mr. Kakures, (vi) the cancellation of all vested Company equity awards held by Mr. Kakures if such vested Company equity awards are not exercised by September 16, 2017, (vii) a monthly cash stipend of $1,283 for 18 months following March 16, 2017 for healthcare premiums, (viii) a mutual release of claims, (ix) certain restrictive covenants applicable to Mr. Kakures, including a covenant not to compete and a non-solicitation agreement, for a period of 18 months following March 16, 2017, and (x) an agreement for Mr. Kakures to refrain from disclosure of confidential and/or proprietary information of the Company.

Relationships Among Directors or Executive Officers

There are no family relationships among any of the directors or executive officers of the Company, except that David M. Whitney and Kristina VanTrease are husband and wife.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee of the Company during 2016 consisted of Messrs. Dawson, Smith, Stradford and Ms. Fetter. No member of the Compensation Committee is a present or former executive officer or employee of the Company or any of its subsidiaries. No executive officer of the Company has served on the board of directors or compensation committee of any entity which has one or more executive officers serving as a member of the Company's Board of Directors or Compensation Committee.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Indemnification Agreements

The Company has entered into indemnification agreements with each of our directors and executive officers. These agreements require the Company to indemnify our executive officers or directors against expenses and, in certain cases, judgments, settlements or other payments incurred by an executive officer or director in suits brought by the Company, derivative actions brought by our shareholders and suits brought by other third parties. Indemnification has been granted under these agreements to the fullest extent permitted under California law in situations where an executive officer or director is made, or threatened to be made, a party to the legal proceeding because of his or her service to the Company.

Consulting Agreement with Mr. Kakures

Please see "*Executive Compensation and Other Information*" for information regarding the Consulting, Transition and Proprietary Information Agreement dated March 16, 2017 by and between the Company and Mr. Kakures.

Policies and Procedures Regarding Related Party Transactions

Pursuant to the Audit Committee charter, the Audit Committee is responsible for reviewing and discussing with management any transactions or courses of dealing with related parties. The Audit Committee considers the following factors in determining whether to approve or disapprove (with referral to the Board of Directors) any such related party transaction or course of action: (i) the financial accounting accorded the transaction or course of action; (ii) whether the terms or other aspects differ from those that would likely be negotiated with independent parties; and (iii) whether the proposed disclosure of the transaction or course of dealing, if any, is in accordance with generally accepted accounting principles and SEC regulations.

SECURITY OWNERSHIP OF
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information known to the Company with respect to beneficial ownership of our Common Stock as of April 12, 2017, by (i) each shareholder known to the Company to own beneficially more than 5% of our Common Stock; (ii) each of our directors; (iii) each executive officer named in the Summary Compensation Table above; and (iv) all directors and executive officers of the Company as a group:

Beneficial Owner(1)(2)	Shares Beneficially Owned(3)	Percentage of Class of Shares Beneficially Owned
The Vanguard Group(4) 100 Vanguard Blvd. Malvern, PA 19355	1,778,997	7.5%
Dimensional Fund Advisors LP(5) Building One, 6300 Bee Cave Road Austin, TX 78746	1,729,316	7.2%
Franklin Resources, Inc.(6) One Franklin Parkway San Mateo, CA 94403	1,614,028	6.7%
T. Rowe Price Associates, Inc.(7) 100 E. Pratt Street Baltimore, MD 21202	1,603,464	6.7%
BlackRock, Inc.(8) 40 East 52nd Street New York, NY 10022	1,476,516	6.2%
Brown Advisory, Inc.(9) 901 South Bond Street, Suite 400 Baltimore, MD 21231	1,333,883	5.6%
Dennis C. Kakures(10)	491,771	2.1%
Joseph F. Hanna(11)(12)	126,758	*
Keith E. Pratt(11)(12)	73,948	*
Philip B. Hawkins(11)(12)	70,508	*
Ronald H. Zech(11)	47,989	*
Robert C. Hood(11)	30,033	*
Randle F. Rose(11)(12)	29,915	*
M. Richard Smith(11)	23,400	*
William J. Dawson(11)	19,543	*
Dennis P. Stradford(11)	11,900	*
Elizabeth A. Fetter(11)	8,200	*
All executive officers and directors as a group (16 persons)(13)	1,092,155	4.6%

* The percentage of shares beneficially owned by this director or executive officer constitutes less than 1% of our Common Stock as of April 12, 2017.

(1) Except as otherwise indicated, the address of each of the executive officers and directors is c/o McGrath RentCorp, 5700 Las Positas Road, Livermore, California 94551.

(2) To the Company's knowledge, except as set forth in the footnotes to this table, and subject to applicable community property laws, each shareholder named in this table has sole voting and investment power with respect to the shares set forth opposite such shareholder's name.

(3) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to the securities. Shares of the Company's Common Stock subject to equity awards currently exercisable or that will become exercisable within 60 days of April 12, 2017 are deemed outstanding for computing the percentage of the person holding such equity awards, but are not deemed outstanding for computing the percentage of any other person. Percentages are based on 23,979,848 shares of the Company's Common Stock outstanding as of April 12, 2017.

(4) The Vanguard Group filed Amendment No. 4 to Schedule 13G with the SEC on February 9, 2017 and reported beneficial ownership of 1,788,997 shares, sole voting power with respect to 28,212 shares, sole dispositive power with respect to 1,757,389 shares of Common Stock, shared voting power with respect to 4,700 shares of Common Stock and shared dispositive power with respect to 31,608 shares of Common Stock. Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 26,908 shares of Common Stock as a result of its serving as investment manager of collective trust accounts. Vanguard Investments Australia, Ltd., a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 6,004 shares of Common Stock as a result of its serving as investment manager of Australian investment offerings. The Schedule 13G/A contained information as of December 31, 2016 and may not reflect current holdings of the Company's stock.

(5) Dimensional Fund Advisors LP filed Schedule 13G with the SEC on February 9, 2017 and reported beneficial ownership of 1,729,316 shares, sole voting power with respect to 1,656,218 shares and sole dispositive power with respect to 1,729,316 shares of Common Stock. Dimensional Fund Advisors LP is an investment advisor registered under Section 203 of the Investment Advisors Act of 1940. It furnishes investment advice to four investment companies who are registered under the Investment Company Act of 1940 and serves as investment manager or sub-adviser to certain other commingled funds, group trusts and separate accounts (the "Funds"). In its role as investment advisor, sub-adviser and/or manager, Dimensional Fund Advisors LP or its subsidiaries (collectively, "Dimensional") may possess voting and/or investment power over the securities of the Company that are owned by the Funds, and may be deemed to be the beneficial owner of the shares of the Company held by the Funds. However, all securities reported here are owned by the Funds. Dimensional disclaims beneficial ownership of such securities. The Schedule 13G/A contained information as of December 31, 2016 and may not reflect current holdings of the Company's stock.

(6) Franklin Resources, Inc. ("Franklin Resources") filed Amendment No. 3 to Schedule 13G with the SEC on January 25, 2017 and reported beneficial ownership of 1,614,028 shares. These securities are beneficially owned by various open-or closed-end investment companies or other managed accounts that are investment management clients of investment managers that are direct or indirect subsidiaries of Franklin Resources. Franklin Advisory Services, LLC ("Franklin Advisory") is an investment management subsidiary of Franklin Resources, to which Franklin Resources has delegated investment discretion and voting power over the Company's securities beneficially owned by Franklin Resources and may be deemed to beneficially own 1,614,028 shares, representing 6.7% of the outstanding Common Stock. Charles B. Johnson and Rupert H. Johnson, Jr. each own in exceess of 10% of the outstanding common stock of Franklin Resources and are the principal stockholders of Franklin Resources and each may be deemed to beneficially own 1,614,028 shares, representing 6.7% of the outstanding Common Stock. Each of Messrs. Johnson and Franklin Advisory expressly disclaims that he or it is, in fact, the beneficial owner of such securities. The Schedule 13G/A contained information as of December 31, 2016 and may not reflect current holdings of the Company's stock.

(7) T. Rowe Price Associates, Inc. ("Price Associates") filed Amendment No. 15 to Schedule 13G with the SEC on February 7, 2017 and reported beneficial ownership of 1,603,464 shares. These securities are owned by various individual and institutional investors, including T. Rowe Price Small-Cap Value Fund, Inc. (which beneficially owns 927,660 shares, representing 3.8% of the outstanding Common Stock), for which Price Associates serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Exchange Act, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities. The Schedule 13G/A contained information as of December 31, 2016 and may not reflect current holdings of the Company's stock.

(8) BlackRock, Inc. filed Amendment No. 7 to Schedule 13G with the SEC on January 24, 2017 and reported beneficial ownership of 1,476,516 shares, sole voting power with respect to 1,419,648 shares and sole dispositive power with respect to 1,476,516 shares of Common Stock. The Schedule 13G/A contained information as of December 31, 2016 and may not reflect current holdings of the Company's stock.

(9) Brown Advisory, Incorporated ("BA, Inc.") filed Amendment No. 1 to Schedule 13G with the SEC on February 8, 2017 and reported beneficial ownership of 1,333,883 shares and sole voting power with respect to 1,327,029 shares. These securities are beneficially owned by various investment companies and other managed accounts of direct or indirect subsidiaries of BA, Inc., including Brown Advisory, LLC ("Brown Advisory") (which beneficially owns 1,308,277 shares, representing 5.5% of the outstanding Common Stock and sole voting power with respect to 1,301,945 of those shares), Brown Investment Advisory & Trust Company ("Brown Investment") (which beneficially owns 18,364 shares, representing 0.08% of the outstanding Common Stock and sole voting power with respect to 17,842 of those shares) and Highmount Capital LLC ("Highmount Capital") (which beneficially owns and has sole voting power with respect to 7,242 shares, representing 0.03% of the outstanding Common Stock). For purposes of the reporting requirements of the Exchange Act, Brown Advisory, Brown Investment and Highmount Capital may be deemed to be the beneficial owners of the respective reported securities because applicable investment advisory contracts provide for voting and/or investment power over such securities. The Schedule 13G/A contained information as of December 31, 2016 and may not reflect current holdings of the Company's stock.

(10) Includes (a) 150,060 shares issuable upon the exercise of stock options or RSUs within 60 days of April 12, 2017 and (b) 48,016 shares held by the KSOP for the benefit of Mr. Kakures (these shares are included because the beneficiary under the KSOP hold sole voting power over the shares whether or not rights to the shares have vested).

(11) Includes portions of outstanding stock options or RSUs held by executive officers and directors that will be exercisable within 60 days of April 12, 2017 as follows: 89,415 shares for Mr. Hanna; 49,935 shares for Mr. Hawkins; 46,400 shares for Mr. Pratt; 14,470 shares for Mr. Rose and 302,815 shares for all executive officers and directors as a group.

(12) Includes the shares held by the KSOP for the benefit of the named individual. The number of shares included is 1,256 shares for Mr. Hanna; 15,449 shares for Mr. Hawkins; 1,548 shares for Mr. Pratt; 12,026 shares for Mr. Rose and 45,228 shares for all executive officers. These shares are included because beneficiaries under the KSOP hold sole voting power over the shares (whether or not rights to the shares have vested).

(13) See footnotes (10), (11) and (12).

Communications with the Board of Directors

Our Board of Directors believes that full and open communication between shareholders and members of our Board of Directors is in the best interests of our shareholders. Shareholders may contact any director or committee of the Board of Directors by writing to the Compliance Officer, c/o McGrath RentCorp, 5700 Las Positas Road, Livermore, California 94551. The Compliance Officer will review all such communications for relevance to activities of the Board of Directors and will promptly forward all relevant written communications to the Board of Directors. Comments or complaints relating to our accounting, internal accounting controls, auditing matters, corporate fraud or violations of federal or state laws may be referred directly to our Audit Committee by writing to the Chairman of the Audit Committee, c/o Compliance Officer, McGrath RentCorp, 5700 Las Positas Road, Livermore, California 94551. Further details can be found in "Reporting Questionable Accounting and Auditing Practices and Policy Prohibiting Retaliation Against Reporting Employees" and "Corporate Governance Guidelines" found on our website at www.mgrc.com under the Investors/Corporate Governance section.

Shareholder Recommendations for Membership on our Board of Directors

The Corporate Governance and Nominating Committee will consider shareholder recommendations of director nominees. To recommend director nominee(s), a shareholder must submit the following relevant information in writing to the attention of the Compliance Officer at our principal executive offices: (1) the name, age, business and residence address of the prospective candidate; (2) a brief biographical description of the prospective candidate, including employment history for the past five years, and a statement of the qualifications of the prospective candidate; (3) the class and number of shares of our Common Stock, if any, which are beneficially owned by the prospective candidate; (4) a description of all arrangements or understandings between the shareholder and the prospective candidate pursuant to which the nomination is to be made by the shareholder if the shareholder and the prospective candidate are different individuals; (5) the candidate's signed consent to serve as a director if elected and to be named in our proxy statement; (6) a signed certificate providing the class and number of shares of our Common Stock which are beneficially owned by the shareholder; and (7) any other information that is required to be provided by the shareholder pursuant to Regulation 14A under the Exchange Act. Once the Corporate Governance and Nominating Committee receives the shareholder recommendation, it may deliver to the prospective candidate a questionnaire that requests additional information about the candidate's independence, qualifications and other matters, including a possible interview, that would assist the Corporate Governance and Nominating Committee in evaluating the candidate, as well as certain information that must be disclosed about the candidate in our proxy statement or other regulatory filings, if nominated.

The Corporate Governance and Nominating Committee will not evaluate candidates differently based on who has made the recommendation. The Corporate Governance and Nominating Committee will consider candidates from any reasonable source, in addition to shareholder recommendations. The Corporate Governance and Nominating Committee has the authority under its charter to hire and pay a fee to consultants or search firms to assist in the process of identifying and evaluating candidates. No such consultants or search firms were used for the slate of director nominees up for election at the Annual Meeting since all directors nominated are for re-election, and, accordingly, no fees have been paid to consultants or search firms in the 2016 fiscal year.

We have not received a director nominee recommendation from any shareholder (or group of shareholders) that beneficially owns more than five percent of our Common Stock.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors, executive officers and persons who own more than 10% of our Common Stock (collectively, "Reporting Persons") to file initial reports of ownership and changes in ownership of our Common Stock with the SEC and the NASDAQ Stock Market. Copies of these reports are also required to be delivered to us. See "*Security Ownership of Certain Beneficial Owners and Management*" above for identification of those persons who qualify as "Reporting Persons."

We believe, based solely on our review of the copies of such reports received or written representations from certain Reporting Persons, that during the fiscal year ended December 31, 2016, all Reporting Persons complied with all applicable filing requirements in a timely manner with the exception of (i) one late Form 4 filed on February 14, 2017 for Kay Dashner relating to fourteen purchases inadvertently made during fiscal years 2013 to 2016 pursuant to a broker-administered dividend reinvestment program, (ii) two late Forms 4 filed for Kristina Van Trease relating to ten purchases inadvertently made during fiscal years 2013 to 2016 pursuant to a broker-administered dividend reinvestment program, (iii) two late Forms 4 filed for David M. Whitney relating to ten purchases inadvertently made during fiscal years 2013 to 2016 pursuant to a broker-administered dividend reinvestment program.

Code of Business Conduct and Ethics

Our Board of Directors adopted a Code of Business Conduct and Ethics, which was most recently amended and restated on April 30, 2015. This code applies to all of our employees and our non-employee directors and is posted on our website at www.mgrc.com under the Investors/Corporate Governance section. The code satisfies the “Code of Ethics” requirements under the Sarbanes-Oxley Act of 2002 as well as the “Code of Conduct” requirements under the Market Place Rules of the NASDAQ Stock Market. The code, among other things, addresses issues relating to conflicts of interests, including internal reporting violations and disclosures, and compliance with applicable laws, rules and regulations. The purpose of the code is to promote, among other things, honest and ethical conduct, full, fair, accurate, timely and understandable public disclosures, compliance with applicable laws or regulations and to ensure to the greatest possible extent that our business is conducted in a legal and ethical manner. Any waivers or approvals granted under this code with respect to our executive officers and directors may be granted only by the Board of Directors. In addition, any waivers or approvals relating to the principal executive officer, the principal financial officer, the principal accounting officer or controller, or any person performing similar functions, must also be obtained from the Audit Committee. Any waivers or approvals to the code with respect to the remainder of the employees may be granted by our Compliance Officer, who is currently Randle F. Rose. Any amendments to the code will be promptly disclosed to our shareholders. Our Audit Committee has also established procedures for (a) the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters, and (b) the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters.

Corporate Governance Guidelines

Our Board of Directors adopted a set of corporate governance guidelines, amended and restated in February 23, 2016. The guidelines set forth the practices our Board follows with respect to, among other things, the composition of the Board and Board committees, director responsibilities, director continuing education and performance evaluation of the Board. The guidelines are posted on our web site at www.mgrc.com under the Investors/Corporate Governance section.

No Supermajority Vote on Approval of Mergers or Other Business Combinations

Our corporate governance documents do not contain a supermajority standard for the approval of a merger or a business combination. Such transactions require the affirmative vote of a majority of the outstanding shares.

PROPOSAL NO. 2

RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS

Grant Thornton LLP has been selected by the Audit Committee to be the Company's independent auditors for the Company's fiscal year ending December 31, 2017. Under the Sarbanes-Oxley Act of 2002 and the rules of the SEC promulgated thereunder, the Audit Committee is solely responsible for the appointment, compensation and oversight of the work of our independent auditors and shareholders are not required to ratify the selection of Grant Thornton LLP. However, we are submitting the selection of Grant Thornton LLP as our independent auditors to our shareholders for ratification as a matter of good corporate practice. In the event that ratification of this selection of independent auditors is not approved by a majority of the shares of Common Stock voting at the Annual Meeting in person or by proxy, the Audit Committee will review our future selection of independent auditors. Even if the appointment of Grant Thornton LLP is ratified by our shareholders, the Audit Committee, in its discretion, may direct the appointment of a different independent auditor at any time during the year if the Audit Committee determines that such a change is in the best interests of the Company and our shareholders.

A representative of Grant Thornton LLP is expected to be present at the Annual Meeting. The representative will have an opportunity to make a statement and will be available to respond to appropriate questions.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

Grant Thornton LLP performed services for the Company in fiscal years 2015 and 2016 related to financial statement audit work, quarterly reviews, quarterly earnings release reviews and tax services. Fees related to services rendered by Grant Thornton LLP for fiscal years 2015 and 2016 were as follows:

	2015	2016
Audit Fees(1)	$1,370,666	$1,490,055
Audit-Related Fees(2)	$ 32,246	$ 33,796
Tax Fees	$ 0	$ 0
All Other Fees	$ 0	$ 0
Total	$1,402,912	$1,523,853

(1) Audit fees represent fees for the audit of the Company's consolidated financial statements and internal controls over financial reporting included in our 2016 Annual Report and the review of the Company's consolidated financial statements included in our quarterly reports on Form 10-Q and fees in connection with statutory audits and regulatory filings or engagements.

(2) Audit-Related Fees include fees associated with obtaining consents in connection with regulatory filings and audit of the Company's Employee Stock Ownership and 401(k) Plans.

Audit and Non-Audit Services Pre-Approval Policy

Under the Sarbanes-Oxley Act of 2002, all audit and non-audit services performed by Grant Thornton LLP, the Company's independent registered public accounting firm, must be approved in advance by the Audit Committee to assure that such services do not impair the auditors' independence from the Company. In April 2004, the Audit Committee adopted an Audit and Non-Audit Services Pre-Approval Policy which sets forth the procedures and conditions pursuant to which audit and non-audit services to be performed by the independent auditors are to be pre-approved. Pursuant to the policy, certain services or categories of services described in detail in the policy may be pre-approved generally on an annual basis together with pre-approved maximum fee levels for such services. The services eligible for annual pre-approval consist of audit services, audit-related services, tax services and other services. If not pre-approved on an annual basis, proposed services must otherwise be separately approved prior to being performed by the independent auditors. The Audit Committee may also pre-approve particular services on a case-by-case basis. In addition, any services that receive annual pre-approval but exceed the pre-approved maximum fee level also will require separate approval by the Audit Committee. The Audit Committee may delegate authority to pre-approve audit and non-audit services to any member of the Audit Committee, but may not delegate such authority to management. The Company's independent auditors and Chief Financial Officer are required to periodically report to the Audit Committee regarding the extent of services provided by the independent auditors in accordance with the pre-approval policy and the fees for the services performed to date. The Audit Committee pre-approved all of the audit, audit-related, tax and all other services described as Audit Fees in the table above.

Report of the Audit Committee of the Board of Directors

Notwithstanding anything to the contrary set forth in any of the Company's previous filings under the Securities Act or the Exchange Act, that might incorporate future filings, including this Proxy Statement, with the SEC, in whole or in part, the following report shall not be deemed to be incorporated by reference into any such filings, nor shall the following report be deemed to be incorporated by reference into any future filings under the Securities Act or the Exchange Act, unless specifically stated to be incorporated by reference therein.

The Audit Committee currently has four members, consisting of four independent directors, William J. Dawson, Robert C. Hood, Dennis P. Stradford and Ronald H. Zech; Mr. Hood serves as its Chairman. The Company's management is responsible for the Company's internal controls, financial reporting, compliance with laws and regulations and ethical business standards. The Company's independent registered public accounting firm, Grant Thornton LLP, is responsible for performing an independent audit of the Company's consolidated financial statements and internal controls over financial reporting in accordance with generally accepted auditing standards of the Public Company Accounting Oversight Board ("PCAOB") (United States) and to issue reports thereon. The Audit Committee's responsibility is to monitor and oversee these processes as well as the independence and performance of the Company's independent registered public accounting firm. However, the members of the Audit Committee are not professionally engaged in the practice of accounting or auditing and are not experts in the fields of accounting or auditing. They rely, without independent verification, on the information provided to them and on the representations made by management and the independent auditors.

The Audit Committee hereby reports as follows:

1. The Audit Committee has reviewed and discussed the audited consolidated financial statements for the year ended December 31, 2016 and audit of internal controls over financial reporting as of December 31, 2016 with management.
2. The Audit Committee has discussed with Grant Thornton LLP, the Company's independent registered public accounting firm, the matters required to be discussed by the statement on Auditing Standards No. 61, as amended (AICPA Professional Standards, Vol. 1 AU section 380), as adopted by the PCAOB in Rule 3200T.
3. The Audit Committee has received an independence letter from Grant Thornton LLP as required by the standards of the PCAOB regarding Grant Thorton's communications with the Audit Committee concerning independence, and has discussed with Grant Thornton LLP its independence.
4. Based on the reviews and discussions referred to in paragraphs (1) through (3) above, the Audit Committee recommended to the Board of Directors, and the Board of Directors has approved, that the Company's audited consolidated financial statements be included in the 2016 Annual Report that was filed with the SEC on February 28, 2017.

Submitted by the Audit Committee:

Robert C. Hood, Chair
William J. Dawson
Dennis P. Stradford
Ronald H. Zech

Required Vote

The affirmative vote of the holders of a majority of the shares of the Company's Common Stock present or represented at the Annual Meeting is required to approve the ratification of the selection of Grant Thornton LLP as our independent auditors for the year 2017. Abstentions will have the same effect as a vote against this proposal and broker "non-votes," if any, will have no effect on this proposal.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE SELECTION OF GRANT THORNTON LLP.

PROPOSAL NO. 3

NON-BINDING, ADVISORY VOTE TO APPROVE THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("the Dodd-Frank Act") added Section 14A to the Exchange Act, which requires that we provide our shareholders with the opportunity to vote to approve, on an advisory, non-binding basis, the compensation of our named executive officers as disclosed in this Proxy Statement in accordance with the SEC's compensation disclosure rules. At the Company's 2011 annual meeting, the Company's shareholders voted to recommend, on an advisory basis, that advisory votes on executive compensation be held every year. Based on these voting results and consistent with the Company's recommendation, the Board of Directors is holding an advisory vote on the compensation of the Company's named executive officers at the 2017 Annual Meeting.

As described in detail under the heading "*Executive Compensation and Other Information—Compensation Discussion and Analysis*," our executive compensation program is designed to attract and retain exceptional talent, reward past performance and establish and reward measurable objectives for future performance. Our primary objective is to align our executive officers' interests with the interests of our shareholders by rewarding achievement of established goals that contribute to increased long-term shareholder value. Please read the "*Compensation Discussion and Analysis*" beginning on page 21 of this Proxy Statement for additional details about our executive compensation programs, including information about the fiscal year 2016 compensation of our named executive officers.

As part of designing and implementing the compensation programs for all employees, the Company considers the risks that may be created and whether any such risks may have an adverse impact on the Company, and whether, overall, the Company's compensation programs are reasonably likely to have a material adverse impact on the Company. In making this determination, the Company considers the overall mix of compensation for employees as well as the various risk control and mitigation features of our compensation plans, including appropriate performance measures and targets and incentive plan payout maximums.

The Compensation Committee continually reviews the compensation programs applicable to our named executive officers to ensure they achieve the desired goals of aligning our executive compensation structure with our shareholders' interests and current market practices.

A more complete explanation of these changes is included in the "*Compensation Discussion and Analysis*" section of this Proxy Statement.

We are asking our shareholders to indicate their support for our named executive officer compensation as described in this Proxy Statement. This proposal, commonly known as a "say-on-pay" proposal, gives our shareholders the opportunity to indicate whether they approve of our named executive officers' compensation. This vote is not intended to address any specific element of compensation, but rather relates to the overall compensation of our named executive officers and the philosophy, policies and practices described in this Proxy Statement in accordance with the SEC's compensation disclosure rules. Accordingly, we will ask our shareholders to vote "FOR" the following resolution at the Annual Meeting:

> "RESOLVED, that the Company's shareholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company's Proxy Statement for the 2017 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosure."

The say-on-pay vote is advisory, and therefore not binding on the Company, the Compensation Committee or the Board of Directors. The Board of Directors and our Compensation Committee value the opinions of our shareholders and to the extent there is any significant vote against the named executive officer compensation as disclosed in this Proxy Statement, we will consider our shareholders' concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns.

Required Vote

The affirmative vote of the holders of a majority of the shares of the Company's Common Stock present or represented at the Annual Meeting is required to approve, on an advisory basis, the compensation of the Company's named executive officers. Abstentions will have the same effect as a vote against this proposal and broker "non-votes," if any, will have no effect on this proposal.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS, AS DISCLOSED IN THIS PROXY STATEMENT PURSUANT TO THE COMPENSATION DISCLOSURE RULES OF THE SECURITIES AND EXCHANGE COMMISSION.

PROPOSAL NO. 4

NON-BINDING, ADVISORY VOTE ON THE FREQUENCY OF AN ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Dodd-Frank Act also provides that shareholders must be given the opportunity to vote, on a non-binding, advisory basis, for their preference as to how frequently we should seek an advisory vote on the compensation of our named executive officers as disclosed in accordance with the SEC's compensation disclosure rules, which we refer to as an advisory vote on executive compensation. By voting on this Proposal 4, shareholders may indicate whether they would prefer that we seek future advisory votes on executive compensation once every one, two or three years. Shareholders also may, if they wish, abstain from casting a vote on this proposal.

In consideration of good corporate governance, our Board of Directors has determined that an advisory vote on executive compensation that occurs every year is the most appropriate for the Company and therefore our Board of Directors recommends that you vote for a one-year interval for the advisory vote on executive compensation. The Company recognizes that the shareholders may have different views as to the best approach for the Company, and therefore we look forward to hearing from our shareholders as to their preferences on the frequency of an advisory vote on executive compensation.

Shareholders may cast a vote on the preferred voting frequency by selecting the option of one year, two years or three years (or abstain) when voting in response to the resolution set forth below.

> "RESOLVED, that the shareholders determine, on an advisory basis, whether the preferred frequency of an advisory vote on the executive compensation of the Company's named executive officers as set forth in the Company's Proxy Statement for the 2017 annual meeting of shareholders should be every year, every two years or every three years."

This vote is advisory and not binding on the Board of Directors or the Company in any way, however the Board of Directors and the Compensation Committee will take into account the outcome of the vote when considering the frequency of future advisory votes on executive compensation. The Board of Directors may decide that it is in the best interests of our shareholders and the Company to hold an advisory vote on executive compensation more or less frequently than the frequency receiving the most votes cast by our shareholders.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE OPTION OF ONE YEAR AS THE PREFERRED FREQUENCY WITH WHICH SHAREHOLDERS ARE PROVIDED WITH AN ADVISORY VOTE ON EXECUTIVE COMPENSATION.

OTHER MATTERS

The Board of Directors knows of no other business which will be presented at the Annual Meeting. If any other business is properly brought before the Annual Meeting, it is intended that proxies in the enclosed form will be voted in respect thereof in accordance with the judgments of the persons voting the proxies.

By Order of the Board of Directors,

Randle F. Rose
Senior Vice President,
Chief Administrative Officer and Secretary

April 28, 2017
Livermore, California

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

FORM 10-K

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

For the fiscal year ended December 31, 2016

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock	**NASDAQ Global Select Market**

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. 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 the definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one).

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

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

Aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of June 30, 2016 (based upon the closing sale price of the registrant's common stock as reported on the NASDAQ Global Select Market on June 30, 2016): $710,906,155.

As of February 27, 2017, 23,947,737 shares of Registrant's Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

McGrath RentCorp's definitive proxy statement with respect to its 2017 Annual Meeting of Shareholders to be held on June 7, 2017 which will be filed with the Securities and Exchange Commission within 120 days after the end of its fiscal year ended December 31, 2016, is incorporated by reference into Part III (Items 10, 11, 12, and 13).

Exhibit index appears on page 88

FORWARD LOOKING STATEMENTS

Statements contained in this Annual Report on Form 10-K ("this Form 10-K") 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 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-K. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements.

Forward-looking statements are made only as of the date of this Form 10-K 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-K to conform such statements to actual results or to changes in our expectations.

PART I

ITEM 1. BUSINESS.

General Overview

McGrath RentCorp (the "Company") is a California corporation organized in 1979 with corporate offices located in Livermore, California. The Company's common stock is traded on the NASDAQ Global Select Market under the symbol "MGRC". References in this report to the "Company", "we", "us", and "ours" refer to McGrath RentCorp and its subsidiaries, unless the context requires otherwise.

The Company is a diversified business to business rental company with four rental divisions: relocatable modular buildings, portable storage containers, electronic test equipment, and liquid and solid containment tanks and boxes. Although the Company's primary emphasis is on equipment rentals, sales of equipment occur in the normal course of business. The Company reports its divisions in four business segments: (1) modular building and portable storage segment ("Mobile Modular"); (2) electronic test equipment segment ("TRS-RenTelco"); (3) a wholly-owned subsidiary providing containment solutions for the storage of hazardous and non-hazardous liquids and solids segment ("Adler Tanks"); and (4) a wholly-owned subsidiary classroom manufacturing business selling modular buildings used primarily as classrooms in California ("Enviroplex"). The Mobile Modular business segment includes the Mobile Modular Portable Storage division, which represented approximately 7% of the Company's 2016 total revenues.

No single customer accounted for more than 10% of total revenues during 2016, 2015 and 2014. Revenue from foreign country customers accounted for 5% of the Company's revenues for the same periods, respectively.

Business Model

The Company invests capital in rental products and generally has recovered its original investment through rents less cash operating expenses in a relatively short period of time compared to the product's rental life. When the Company's rental products are sold, the proceeds generally have covered a high percentage of the original investment. With these characteristics, a significant base of rental assets on rent generates a considerable amount of operating cash flows to support continued rental asset growth. The Company's rental products have the following characteristics:

- The product required by the customer tends to be expensive compared to the Company's monthly rental charge, with the interim rental solution typically evaluated as a less costly alternative.
- Generally, we believe the Company's customers have a short-term need for our rental products. The customer's rental requirement may be driven by a number of factors including time, budget or capital constraints, future uncertainty impacting their ongoing requirements, equipment availability, specific project requirements, peak periods of demand or the customer may want to eliminate the burdens and risks of ownership.
- All of the Company's rental products have long useful lives relative to the typical rental term. Modular buildings ("modulars") have an estimated life of eighteen years compared to the typical rental term of twelve to twenty-four months, electronic test equipment has an estimated life range of one to eight years (depending on the type of product) compared to a typical rental term of one to six months, and liquid and solid containment tanks and boxes have an estimated life of twenty years compared to typical rental terms of one to six months.
- We believe short-term rental rates typically recover the Company's original investment quickly based on the respective product's annual yield, or annual rental revenues divided by the average cost of rental inventory. For modulars the original investment is recovered in approximately six years, in approximately three years for electronic test equipment and in approximately five years for liquid and solid containment tanks and boxes.
- When a product is sold from our rental inventory, a significant portion of the original investment is usually recovered. Effective asset management is a critical element to each of the rental businesses and the residuals realized when product is sold from inventory. Modular asset management requires designing and building the product for a long life, coupled with ongoing repair and maintenance investments, to ensure its long useful rental life and generally higher residuals upon sale. Electronic test equipment asset management requires understanding, selecting and investing in equipment technologies that support market demand and, once invested, proactively managing the equipment at the model level for optimum utilization through its technology life cycle to maximize the rental revenues and residuals realized. Liquid and solid containment tanks and boxes asset management requires selecting and purchasing quality product and making ongoing repair and maintenance investments to ensure its long rental life.

The Company believes that rental revenue growth from an increasing base of rental assets and improved gross profits on rents are the best measures of the health of each of our rental businesses. Additionally, we believe our business model and results are enhanced by operational leverage that is created from large regional sales and inventory centers for modulars, a single U.S. based sales, inventory and operations facility for electronic test equipment, as well as shared senior management and back office functions for financing, human resources, insurance, and operating and accounting systems.

Employees

As of December 31, 2016, the Company had 1,071 employees, of whom 85 were primarily administrative and executive personnel, with 589, 186, 144 and 67 in the operations of Mobile Modular, Adler Tanks, TRS-RenTelco and Enviroplex, respectively. None of our employees are covered by a collective bargaining agreement, and management believes its relationship with our employees is good.

Available Information

We make the Company's Securities and Exchange Commission ("SEC") filings available, free of charge, at our website www.mgrc.com. These filings include our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Act of 1934, which are available as soon as reasonably practicable after the Company electronically files such material with, or furnishes such material to, the SEC. Information included on our website is not incorporated by reference to this Form 10-K. Furthermore, all reports the Company files with the SEC are available, free of charge, through the SEC's website at www.sec.gov. In addition, the public may read and copy materials filed by the Company at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549. The public may also obtain additional information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

We also have a Code of Business Conduct and Ethics which applies to all directors, officers and employees. Copies of this code can be obtained free of charge at our website www.mgrc.com.

RELOCATABLE MODULAR BUILDINGS

Description

Modulars are designed for use as classrooms, temporary offices adjacent to existing facilities, sales offices, construction field offices, restroom buildings, health care clinics, child care facilities, office space, and for a variety of other purposes and may be moved from one location to another. Modulars vary from simple single-unit construction site offices to multi-floor modular complexes. The Company's modular rental fleet includes a full range of styles and sizes. The Company considers its modulars to be among the most attractive and well-designed available. The units are constructed with wood or metal siding, sturdily built and physically capable of a long useful life. Modulars are generally provided with installed heat, air conditioning, lighting, electrical outlets and floor covering, and may have customized interiors including partitioning, cabinetry and plumbing facilities.

Mobile Modular purchases new modulars from various manufacturers who build to Mobile Modular's design specifications. During 2016, Mobile Modular purchased 47% of its modular units from one manufacturer. The Company believes that the loss of any of its primary modular manufacturers could have an adverse effect on its operations since Mobile Modular could experience higher prices and longer lead times for delivery of modular units until other manufacturers were able to increase their production capacity.

The Company's modulars are manufactured to comply with state building codes, have a low risk of obsolescence, and can be modified or reconfigured to accommodate a wide variety of customer needs. Historically, as state building codes have changed over the years, Mobile Modular has been able to continue to use existing modulars, with minimal, if any, required upgrades. The Company has no assurance that it will continue to be able to use existing modular equipment with minimal upgrades as building codes change in the future.

Mobile Modular currently operates from regional sales and inventory centers in California, Texas, and Florida, serving large geographic areas in these states, and sales offices serving North Carolina, Georgia, Maryland, Virginia and Washington, D.C. The California, Texas and Florida regional sales and inventory centers have in-house infrastructure and operational capabilities to support quick and efficient repair, modification, and refurbishment of equipment for the next rental opportunity. The Company believes operating from large regional sales and inventory centers results in better operating margins as operating costs can be spread over a large installed customer base. Mobile Modular actively maintains and repairs its rental equipment, and management believes this ensures the continued use of the modular product over its long life and, when sold, has resulted in higher sale proceeds relative to its capitalized cost. When rental equipment returns from a customer, the necessary repairs and preventative maintenance are performed prior to its next rental. By making these expenditures for repair and maintenance throughout the equipment's life we believe that older equipment can generally rent for rates similar to those of newer equipment. Management believes the condition of the equipment is a more significant factor in determining the rental rate and sale price than its age. Over the last three years, used equipment sold each year represented less than 2% of rental equipment, and has been, on average, 13 years old with sale proceeds above its net book value.

Competitive Strengths

Market Leadership – The Company believes Mobile Modular is the largest supplier in California, and a significant supplier in Florida and Texas, of modular educational facilities for rental to both public and private schools. Management is knowledgeable about the needs of its educational customers and the related regulatory requirements in the states where Mobile Modular operates, which enables Mobile Modular to meet its customers' specific project requirements.

Expertise – The Company believes that over the more than 35 years during which Mobile Modular has competed in the modular rental industry, it has developed expertise that differentiates it from its competitors.

Mobile Modular has dedicated its attention to continuously developing and improving the quality of its modular units. Mobile Modular has expertise in the licensing and regulatory requirements that govern modulars in the states where it operates, and its management, sales and operational staffs are knowledgeable and committed to providing exemplary customer service. Mobile Modular has expertise in project management and complex applications.

Operating Structure – Part of the Company's strategy for Mobile Modular is to create facilities and infrastructure capabilities that its competitors cannot easily duplicate. Mobile Modular achieves this by building regional sales and inventory centers designed to serve a broad geographic area and a large installed customer base under a single overhead structure, thereby reducing its cost per transaction. The Company's regional facilities and related infrastructure enable Mobile Modular to maximize its modular inventory utilization through efficient and cost effective in-house repair, maintenance and refurbishment for quick redeployment of equipment to meet its customers' needs.

Asset Management – The Company believes Mobile Modular markets high quality, well-constructed and attractive modulars. Mobile Modular requires manufacturers to build to its specifications, which enables Mobile Modular to maintain a standardized quality fleet. In addition, through its ongoing repair, refurbishment and maintenance programs, the Company believes Mobile Modular's buildings are the best maintained in the industry. The Company depreciates its modular buildings over an 18 year estimated useful life to a 50% residual value. Older buildings continue to be productive primarily because of Mobile Modular's focus on ongoing fleet maintenance. Also, as a result of Mobile Modular's maintenance programs, when a modular unit is sold, a high percentage of the equipment's capitalized cost is recovered. In addition, the fleet's utilization is regionally optimized by managing inventory through estimates of market demand, fulfillment of current rental and sale order activity, modular returns and capital purchases.

Customer Service – The Company believes the modular rental industry to be service intensive and locally based. The Company strives to provide excellent service by meeting its commitments to its customers, being proactive in resolving project issues and seeking to continuously improve the customers' experience. Mobile Modular is committed to offering quick response to requests for information, providing experienced assistance, on time delivery and preventative maintenance of its units. Mobile Modular's goal is to continuously improve its procedures, processes and computer systems to enhance internal operational efficiency. The Company believes this dedication to customer service results in high levels of customer loyalty and repeat business.

Market

Management estimates relocatable modular building rental is an industry that today has equipment on rent or available for rent in the U.S. with an aggregate original cost of over $5.0 billion. Mobile Modular's largest market segment is for temporary classroom and other educational space needs of public and private schools, colleges and universities in California and Florida, and to a lesser extent in Texas, North Carolina, Georgia, Maryland, Virginia and Washington, D.C. Management believes the demand for rental classrooms is caused by shifting and fluctuating school populations, the limited state funds for new construction, the need for temporary classroom space during reconstruction of older schools, class size reduction and the phasing out of portable classrooms compliant with older building codes (see "Classroom Rentals and Sales to Public Schools (K-12)" below). Other customer applications include sales offices, construction field offices, health care facilities, church sanctuaries and child care facilities. Industrial, manufacturing, entertainment and utility companies, as well as governmental agencies commonly use large multi-modular complexes to serve their interim administrative and operational space needs. Modulars offer customers quick, cost-effective space solutions while conserving their capital. The Company's corporate offices, and California, Texas and Florida regional sales and inventory center offices are housed in various sizes of modular units.

Since most of Mobile Modular's customer requirements are to fill temporary space needs, Mobile Modular's marketing emphasis is on rentals rather than sales. Mobile Modular attracts customers through its website at www.mobilemodular.com, internet advertising and direct marketing. Customers are encouraged to visit a regional sales and inventory center to view different models on display and to see a regional office, which is a working example of a modular application.

Because service is a major competitive factor in the rental of modulars, Mobile Modular offers quick response to requests for information, assistance in the choice of a suitable size and floor plan, in-house customization services, rapid delivery, timely installation and field service of its units. On Mobile Modular's website, customers are able to view and select inventory for quotation and request in-field service.

Rentals

Rental periods range from one month to several years with a typical initial contract term between twelve and twenty-four months. In general, monthly rental rates are determined by a number of factors including length of term, market demand, product availability and product type. Upon expiration of the initial term, or any extensions, rental rates are reviewed, and when appropriate, are adjusted based on current market conditions. Most rental agreements are operating leases that provide no purchase options, and when a rental agreement does provide the customer with a purchase option, it is generally on terms management believes to be attractive to Mobile Modular.

The customer is responsible for obtaining the necessary use permits and for the costs of insuring the unit, and is financially responsible for transporting the unit to the site, preparation of the site, installation of the unit, dismantle and return delivery of the unit to Mobile Modular, and certain costs for customization. Mobile Modular maintains the units in good working condition while on rent. Upon return, the units are inspected for damage and customers are billed for items considered beyond normal wear and tear. Generally, the units are then repaired for subsequent use. Repair and maintenance costs are expensed as incurred and can include floor repairs, roof maintenance, cleaning, painting and other cosmetic repairs. The costs of major refurbishment of equipment are capitalized to the extent the refurbishment significantly improves the quality and adds value or life to the equipment.

At December 31, 2016, Mobile Modular owned 50,577 new or previously rented modulars and portable storage containers with an aggregate cost of $769.2 million including accessories, or an average cost per unit of $15,208. Utilization is calculated at the end of each month by dividing the cost of rental equipment on rent by the total cost of rental equipment, excluding new equipment inventory and accessory equipment. At December 31, 2016, fleet utilization was 77.3% and average fleet utilization during 2016 was 76.6%. The Mobile Modular segment includes the results of operations of Mobile Modular Portable Storage, which represented approximately 7% of the Company's 2016 total revenues.

Sales

In addition to operating its rental fleet, Mobile Modular sells modulars to customers. These sales typically arise out of its marketing efforts for the rental fleet and from existing equipment already on rent. Such sales can be of either new or used units from the rental fleet, which permits some turnover of older units. During 2016 Mobile Modular's largest sale represented approximately 7% of Mobile Modular's sales, 3% of the Company's consolidated sales and less than 1% of the Company's consolidated revenues.

Mobile Modular typically provides limited 90-day warranties on used modulars and passes through the manufacturers' one-year warranty on new units to its customers. Warranty costs have not been significant to Mobile Modular's operations to date, and the Company attributes this to its commitment to high quality standards and regular maintenance programs. However, there can be no assurance that warranty costs will continue to be insignificant to Mobile Modular's operations in the future.

Enviroplex manufactures portable classrooms built to the requirements of the California Division of the State Architect ("DSA") and sells directly to California public school districts and other educational institutions.

Seasonality

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.

Competition

Competition in the rental and sale of relocatable modular buildings is intense. Two major national firms, Williams Scotsman International, Inc. and Modspace, Inc., are engaged in the rental of modulars, have many offices throughout the country and we believe may have greater financial and other resources than Mobile Modular. In addition, a number of other smaller companies operate regionally throughout the country. Mobile Modular operates primarily in California, Texas, Florida, North Carolina, Georgia, Virginia, Maryland and Washington, D.C. Significant competitive factors in the rental business include availability, price, service, reliability, appearance and functionality of the product. Mobile Modular markets high quality, well-constructed and attractive modulars. Part of the Company's strategy for modulars is to create facilities and infrastructure capabilities that its competitors cannot easily duplicate. The Company's facilities and related infrastructure enable it to modify modulars efficiently and cost effectively to meet its customers' needs. Management's goal is to be more responsive at less expense. Management believes this strategy, together with its emphasis on prompt and efficient customer service, gives Mobile Modular a competitive advantage. Mobile Modular is determined to respond quickly to requests for information, and provide experienced assistance for the first-time user, rapid delivery and timely repair of its modular units. Mobile Modular's already high level of efficiency and responsiveness continues to improve as the Company upgrades procedures, processes and computer systems that control its internal operations. The Company anticipates intense competition to continue and believes it must continue to improve its products and services to remain competitive in the market for modulars.

Classroom Rentals and Sales to Public Schools (K-12)

Mobile Modular and Enviroplex provide classroom and specialty space needs serving public and private schools, colleges and universities. Within the educational market, the rental (by Mobile Modular) and sale (by Enviroplex and Mobile Modular) of modulars to public school districts for use as portable classrooms, restroom buildings and administrative offices for kindergarten through grade twelve (K-12) are a significant portion of the Company's revenues. Mobile Modular rents and sells classrooms in California, Florida, Texas, North Carolina, Georgia, Maryland, Virginia and Washington, D.C. Enviroplex sells classrooms in the California market. California is Mobile Modular's largest educational market. Historically, demand in this market has been fueled by shifting and fluctuating student populations, insufficient funding for new school construction, class size reduction programs, modernization of aging school facilities and the phasing out of portable classrooms no longer compliant with current building codes. The following table shows the approximate percentages of the Company's modular rental and sales revenues, and of its consolidated rental and sales revenues for the past five years, that rentals and sales to these schools constitute:

Rentals and Sales to Public Schools (K-12) as a Percentage of Total Rental and Sales Revenues

Percentage of:	*2016*	*2015*	*2014*	*2013*	*2012*
Modular Rental Revenues *(Mobile Modular)*	34%	33%	32%	37%	40%
Modular Sales Revenues *(Mobile Modular & Enviroplex)*	67%	43%	49%	36%	52%
Modular Rental and Sales Revenues *(Mobile Modular & Enviroplex)*	43%	35%	37%	36%	44%
Consolidated Rental and Sales Revenues [1]	23%	16%	16%	14%	16%

1. Consolidated Rental and Sales Revenue percentage is calculated by dividing Modular rental and sales revenues to public schools (K-12) by the Company's consolidated rental and sales revenues.

School Facility Funding

Funding for public school facilities is derived from a variety of sources including the passage of both statewide and local facility bond measures, operating budgets, developer fees, various taxes including parcel and sales taxes levied to support school operating budgets, and lottery funds. In November 2016, California voters approved a $9 billion statewide education facility bond and $22.9 billion in local facility bond measures. There is no certainty on the timing of the sale of the state bonds and it could take additional years before these projects generate meaningful demand for relocatable classrooms. California's operating budgets are also in much better condition due to 2012 tax increases on higher income earners that were allocated to education funding. In November 2016, California voters approved an extension of this tax increase for the next 12 years.

ELECTRONIC TEST EQUIPMENT

Description

TRS-RenTelco rents and sells electronic test equipment nationally and internationally from three facilities located in Grapevine, Texas (the "Dallas facility"), Dollard-des-Ormeaux, Canada (the "Montreal facility") and Bangalore, Karnataka, India (the "Bangalore facility"). 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 revenues are primarily affected by the business activity within these industries related to research and development, manufacturing, and communication infrastructure installation and maintenance. The Dallas facility, TRS-RenTelco's primary operating location, houses the electronic test equipment inventory, sales engineers, calibration laboratories, and operations staff for U.S. and international business. The Montreal facility houses sales engineers and operations staff to serve the Canadian market. The Bangalore facility houses sales engineers and operations staff to serve the Indian market. As of December 31, 2016, the original cost of electronic test equipment inventory was comprised of 70% general purpose electronic test equipment and 30% communications electronic test equipment.

Engineers, technicians and scientists utilize general purpose electronic test equipment in developing products, controlling manufacturing processes, completing field service applications and evaluating the performance of their own electrical and electronic equipment. These instruments are rented primarily to aerospace, defense, electronics, industrial, research and semiconductor industries. To date, Keysight Technologies (formerly Agilent Technologies) and Tektronix, a division of Fortive Corporation, have manufactured the majority of TRS-RenTelco's general purpose electronic test equipment with the remainder acquired from over 60 other manufacturers.

Communications test equipment, including fiber optic test equipment, is utilized by technicians, engineers and installation contractors to evaluate voice, data and multimedia communications networks, to install fiber optic cabling, and in the development and manufacturing of transmission, network and wireless products. These instruments are rented primarily to manufacturers of communications equipment and products, electrical and communications installation contractors, field technicians, and service providers. To date, Anritsu and Viavi Solutions (formerly JDS Uniphase Corporation) have manufactured a significant portion of TRS-RenTelco's communications test equipment, with the remainder acquired from over 40 other manufacturers.

TRS-RenTelco's general purpose test equipment rental inventory includes oscilloscopes, amplifiers, analyzers (spectrum, network and logic), signal source and power source test equipment. The communications test equipment rental inventory includes network and transmission test equipment for various fiber, copper and wireless networks. TRS-RenTelco occasionally rents electronic test equipment from other rental companies and re-rents the equipment to customers.

Competitive Strengths

Market Leadership – The Company believes that TRS-RenTelco is one of the largest electronic test equipment rental and leasing companies offering a broad and deep selection of general purpose and communications test equipment for rent in North America.

Expertise – The Company believes that its knowledge of products, technology and applications expertise provides it with a competitive advantage over others in the industry. Customer requirements are supported by application engineers and technicians that are knowledgeable about the equipment's uses to ensure the right equipment is selected to meet the customer's needs. This knowledge can be attributed to the experience of TRS-RenTelco's management, sales and operational teams.

Operating Structure – TRS-RenTelco is supported by a centralized distribution and inventory center on the grounds of the Dallas-Fort Worth Airport in Texas. The Company believes that the centralization of servicing all customers in North America and internationally by TRS-RenTelco's experienced logistics teams provides a competitive advantage by minimizing transaction costs and enabling TRS-RenTelco to ensure customer requirements are met.

Asset Management – TRS-RenTelco's rental equipment inventory is serviced by an ISO 9001-2008 registered and compliant calibration laboratory that repairs and calibrates equipment ensuring that off rent equipment is ready to ship immediately to meet customers' needs. TRS-RenTelco's team of technicians, product managers and sales personnel are continuously monitoring and analyzing the utilization of existing products, new technologies, general economic conditions and estimates of customer demand to ensure the right equipment is purchased and sold, at the right point in the equipment's technology life cycle. The Company believes this enables it to maximize utilization of equipment and the cash flow generated by the rental and sales revenue of each model of equipment. TRS-RenTelco strives to maintain strong relationships with equipment manufacturers, which enables it to leverage those relationships to gain rental opportunities.

Customer Service – The Company believes that its focus on providing excellent service to its customers provides a competitive advantage. TRS-RenTelco strives to provide exemplary service to fulfill its commitments to its customers. TRS-RenTelco prides itself in providing solutions to meet customers' needs by having equipment available and responding quickly and thoroughly to their requests. TRS-RenTelco's sophisticated in-house laboratory ensures the equipment is fully functional and meets its customers' delivery requirements. Service needs of TRS-RenTelco's customers are supported 24 hours a day, 7 days a week by its customer care specialists. TRS-RenTelco's goal is to provide service beyond its customers' expectations, which, the Company believes, results in customer loyalty and repeat business.

Market

Electronic test equipment rental is a market which we estimate has equipment on rent worldwide or available for rent with an aggregate original cost in excess of $1 billion. There is a broad customer base for the rental of such instruments, including aerospace, communications, defense, electrical contractor, electronics, industrial, installer contractor, network systems and research companies.

TRS-RenTelco markets its electronic test equipment throughout the United States, Canada, India, and, to a limited extent, other countries. TRS-RenTelco attracts customers through its outside sales force, website at www.TRSRenTelco.com, telemarketing program, trade show participation, paid internet search and electronic mail campaigns. A key part of the sales process is TRS-RenTelco's knowledgeable inside sales engineering team that effectively matches test equipment solutions to meet specific customer's requirements.

The Company believes that customers rent electronic test equipment for many reasons. Customers frequently need equipment for short-term projects, to evaluate new products, and for backup to avoid costly downtime. Delivery times for the purchase of such equipment can be lengthy; thus, renting allows the customer to obtain the equipment expeditiously. The Company also believes that the relative certainty of rental costs can facilitate cost control and be useful in the bidding of and pass-through of contract costs. Finally, renting rather than purchasing may better satisfy the customer's budgetary constraints.

Rentals

TRS-RenTelco rents electronic test equipment typically for rental periods of one to six months, although in some instances, rental terms can be up to a year or longer. Monthly rental rates typically are between 2% and 10% of the current manufacturers' list price. TRS-RenTelco depreciates its equipment over 1 to 8 years with no residual value.

At December 31, 2016, TRS-RenTelco had an electronic test equipment rental inventory including accessories with an aggregate cost of $246.3 million. Utilization is calculated each month by dividing the cost of the rental equipment on rent by the total cost of rental equipment, excluding accessory equipment. Utilization was 61.0% as of December 31, 2016 and averaged 60.6% during the year.

Sales

Profit from equipment sales is a material component of TRS-RenTelco's overall annual earnings. Gross profit from sales of both used and new equipment over the last five years generally has ranged from approximately 17% to 24% of total annual gross profit for our electronics division. For 2016, gross profit on equipment sales was approximately 24% of total division gross profit. Equipment sales are driven by the turnover of older technology rental equipment, to maintain target utilization at a model number level, and new equipment sales opportunities. In 2016, approximately 20% of the electronic test equipment revenues were derived from sales. The largest electronic test equipment sale during 2016 represented approximately 4% of electronic test equipment sales, 1% of the Company's consolidated sales and less than 1% of consolidated revenues. There is intense competition in the sales of electronic test equipment from a world-wide network of test equipment brokers and resellers, legacy rental companies, and equipment manufacturers. We believe the annual world-wide sale of electronic test equipment is in excess of $8.0 billion per year.

Seasonality

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 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 factors may impact the quarterly results of each year's first and fourth quarter.

Competition

The electronic test equipment rental business is characterized by intense competition from several competitors, including Electro Rent Corporation, Continental Resources, Microlease and TestEquity, some of which may have access to greater financial and other resources than we do. TRS-RenTelco competes with these and other test equipment rental companies on the basis of product availability, price, service and reliability. Although no single competitor holds a dominant market share, we face intense competition from these established entities and new entrants in the market. Some of our competitors may offer similar equipment for lease, rental or sales at lower prices and may offer more extensive servicing, or financing options.

LIQUID AND SOLID CONTAINMENT TANKS AND BOXES

Description

Adler Tanks' rental inventory is comprised of tanks and boxes used for various containment solutions to store hazardous and non-hazardous liquids and solids in applications such as: 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. The tanks and boxes are comprised of the following products:

- fixed axle steel tanks ("tanks") for the storage of groundwater, wastewater, volatile organic liquids, sewage, slurry and bio sludge, oil and water mixtures and chemicals, which are available in a variety of sizes including 21,000 gallon, 16,000 gallon and 8,000 gallon sizes;
- vacuum containers ("boxes"), which provide secure containment of sludge and solid materials and may be used for additional on-site storage or for transporting materials off-site enabling vacuum trucks to remain in operation;
- dewatering boxes for the separation of water contained in sludge and slurry; and
- roll-off and trash boxes for the temporary storage and transport of solid waste.

Adler Tanks purchases tanks and boxes from various manufacturers located throughout the country.

Competitive Strengths

Market Leadership – The Company believes that Adler Tanks is one of the largest participants in the liquid and solid containment tanks and boxes rental business in North America. Adler Tanks has national reach from branches serving the Northeast, Mid-Atlantic, Midwest, Southeast, Southwest and West.

Expertise and Customer Service – The Company believes that Adler Tanks has highly experienced operating management and branch employees. Adler Tanks employees are knowledgeable about the operation of its rental equipment and customer applications. The Company believes that Adler Tanks provides a superior level of customer service due to its strong relationship building skills and the quality of its responsiveness.

Asset Management – The Company believes that Adler Tanks markets a high quality, well-constructed and well-maintained rental product. The Company depreciates its tanks and boxes over a 20 year estimated useful life to 0% residual value. We believe that if maintained, older tanks and boxes will continue to produce similar rental rates as newer equipment. The fleet's utilization is regionally optimized by understanding key vertical market customer demand, seasonality factors, competitor's product availability, expected equipment returns and manufacturer's production capacity.

Market

Liquid and solid containment equipment rental is a market in the U.S with a large and diverse number of market segments 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, electrical grid transformer maintenance, tank terminals services, wastewater treatment, and waste management and landfill services.

The tank and box rental products that Adler Tanks builds may be utilized throughout the U.S. and are not subject to any local or regional construction code or approval standards.

Rentals

Adler Tanks rents tanks and boxes typically for rental periods of one to six months, although in some instances, rental terms can be up to a year or longer. Monthly rental rates typically are between 2% and 10% of the equipment's original acquisition cost. Utilization is calculated each month by dividing the cost of the rental equipment on rent by the total cost of rental equipment, excluding accessory equipment. Utilization was 50.7% at December 31, 2016 and averaged 50.1% during the year.

Seasonality

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 due to inclement weather in certain regions of the country impacting the industries that we serve.

Competition

The liquid and solid containment rental industry is highly competitive including national, regional and local companies. Some of our national competitors, notably BakerCorp and Rain For Rent, are larger than we are and may have greater financial and other 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 and retain customers and provide their products and services at lower rental rates. Adler Tanks competes with these companies based upon product availability, product quality, price, service and reliability. We may encounter increased competition in the markets that we serve from existing competitors or from new market entrants in the future.

REPORTABLE SEGMENTS

For segment information regarding the Company's four reportable business segments: Mobile Modular, TRS-RenTelco, Adler Tanks and Enviroplex, see "Note 10. Segment Reporting" to the audited consolidated financial statements of the Company included in "Item 8. Financial Statements and Supplementary Data."

PRODUCT HIGHLIGHTS

The following table shows the revenue components, percentage of rental and total revenues, rental equipment (at cost), rental equipment (net book value), number of relocatable modular units, year-end and average utilization, average rental equipment (at cost), annual yield on average rental equipment (at cost) and gross margin on rental revenues and sales by product line for the past five years.

Product Highlights

(dollar amounts in thousands)

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Relocatable Modular Buildings *(operating under Mobile Modular and Enviroplex)*					
Revenues					
Rental	$130,496	$115,986	$ 96,457	$ 82,503	$ 79,518
Rental related services	49,206	45,616	35,263	28,891	25,775
Total Modular rental operations	179,702	161,602	131,720	111,394	105,293
Sales – Mobile Modular	29,393	22,248	29,394	20,831	14,026
Sales – Enviroplex	22,121	10,612	17,457	17,855	23,823
Total Modular sales	51,514	32,860	46,851	38,686	37,849
Other	417	434	461	436	448
Total Modular revenues	$231,633	$194,896	$179,032	$150,516	$143,590
Percentage of rental revenues	48.1%	42.4%	35.8%	32.2%	32.0%
Percentage of total revenues	54.6%	48.2%	43.9%	39.7%	39.4%
Rental equipment, at cost (year-end)	$769,190	$736,875	$664,340	$592,391	$551,101
Rental equipment, net book value (year-end)	$544,421	$529,483	$473,960	$415,366	$384,813
Number of units (year-end)	50,577	47,995	43,792	39,577	36,961
Utilization (year-end) [1]	77.3%	76.9%	75.0%	70.7%	66.7%
Average utilization [1]	76.6%	75.8%	72.3%	68.3%	66.4%
Average rental equipment, at cost [2]	$724,333	$667,953	$597,904	$546,540	$524,084
Annual yield on average rental equipment, at cost [4]	18.0%	17.4%	16.1%	15.1%	15.2%
Gross margin on rental revenues	54.5%	51.3%	47.2%	44.7%	52.6%
Gross margin on sales	29.0%	26.5%	27.1%	23.8%	17.1%
Electronic Test Equipment *(operating under TRS-RenTelco)*					
Revenues					
Rental	$ 82,307	$ 89,208	$ 99,020	$102,101	$101,645
Rental related services	2,846	3,055	3,331	3,095	3,673
Total Electronics rental operations	85,153	92,263	102,351	105,196	105,318
Sales	21,582	21,137	24,323	28,277	26,192
Other	1,882	1,617	1,628	1,580	1,628
Total Electronics revenues	$108,617	$115,017	$128,302	$135,053	$133,138
Percentage of rental revenues	30.3%	32.6%	36.7%	40.0%	40.9%
Percentage of total revenues	25.6%	28.4%	31.4%	35.6%	36.6%
Rental equipment, at cost (year-end)	$246,325	$262,945	$261,995	$267,772	$266,934
Rental equipment, net book value (year-end)	$ 90,172	$102,191	$105,729	$109,988	$107,999
Utilization (year-end) [1]	61.0%	58.7%	59.8%	58.2%	64.1%
Average utilization [1]	60.6%	60.5%	60.4%	62.7%	65.8%
Average rental equipment, at cost [3]	$254,019	$265,832	$262,968	$266,444	$266,912
Annual yield on average rental equipment, at cost [4]	32.4%	33.6%	37.7%	38.3%	38.1%
Gross margin on rental revenues	39.8%	39.9%	46.4%	48.2%	48.9%
Gross margin on sales	50.9%	48.6%	49.7%	43.6%	40.3%

(dollar amounts in thousands)

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Liquid and Solid Containment Tanks and Boxes					
(operating under Adler Tanks)					
Revenues					
Rental	$ 58,585	$ 68,502	$ 74,098	$ 71,162	$ 67,281
Rental related services	23,807	24,643	25,538	21,162	17,472
Total Tanks and Boxes rental operations	82,392	93,145	99,636	92,324	84,753
Sales	1,314	1,388	1,074	1,480	2,403
Other	124	98	78	136	155
Total Tanks and Boxes revenues	$ 83,830	$ 94,631	$100,788	$ 93,940	$ 87,311
Percentage of rental revenues	21.6%	25.0%	27.5%	27.8%	27.1%
Percentage of total revenues	19.8%	23.4%	24.7%	24.7%	24.0%
Rental equipment, at cost (year-end)	$308,542	$310,263	$303,303	$284,005	$254,810
Rental equipment, net book value (year-end)	$221,778	$237,927	$246,061	$241,656	$226,041
Utilization (year-end) [1]	50.7%	49.7%	63.9%	57.7%	67.5%
Average utilization [1]	50.1%	58.3%	62.9%	64.2%	71.5%
Average rental equipment, at cost [2]	$307,416	$304,001	$289,928	$264,189	$223,673
Annual yield on average rental equipment, at cost [4]	19.1%	22.5%	25.6%	26.9%	30.1%
Gross margin on rental revenues	55.5%	61.9%	65.4%	65.3%	70.7%
Gross margin on sales	(2.1)%	(25.1)%	2.0%	(11.7)%	10.2%
Total revenues	$424,080	$404,544	$408,122	$379,509	$364,039

1 Utilization is calculated each month by dividing the cost of rental equipment on rent by the total cost of rental equipment. Average utilization is calculated using the average cost of equipment for the year.

2 Average rental equipment, at cost for modulars and tanks and boxes excludes new equipment inventory and accessory equipment.

3 Average rental equipment, at cost, for electronics excludes accessory equipment.

4 Annual yield on average rental equipment, at cost is calculated by dividing the total annual rental revenues by the average rental equipment, at cost.

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, effective February 17, 2017, and Joseph F. Hanna, our Chief Operating Officer, was appointed President and CEO, effective February 23, 2017. 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 December 31, 2016, we had $36.4 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 $1.9 million per year for each 1% increase in the average interest rate we pay based on the $186.4 million balance of variable rate debt outstanding at December 31, 2016. If interest rates rise in the future, and, particularly if they rise significantly, interest expense will increase and our net income will be negatively affected.

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

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

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

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

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

As a public reporting company, we are required to comply with the Sarbanes-Oxley Act of 2002, including Section 404, and the related rules and regulations of the SEC, including expanded disclosures and accelerated reporting requirements. Compliance with Section 404 and other related requirements has increased our costs and will continue to require additional management resources. We may need to continue to implement additional finance and accounting systems, procedures and controls to satisfy new reporting requirements. While our management concluded that our internal control over financial reporting as of December 31, 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 December 31, 2016, 52% 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.

SPECIFIC RISKS RELATED TO OUR ELECTRONIC TEST EQUIPMENT BUSINESS SEGMENT:

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

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

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

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

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

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

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

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

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

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

The majority of our rental equipment portfolio is comprised of general purpose test and measurement instruments purchased from leading manufacturers such as Keysight Technologies (formerly Agilent Technologies) and Tektronix, a division of 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 and twelve months ended December 31, 2016, oil and gas exploration and production accounted for approximately 8% and 10%, respectively of Adler Tanks' rental revenues, and approximately 2% of the Company's total revenues for the same periods. We expect tank and box rental revenues will primarily be affected by the business activity within these industries. Historically, these industries have been cyclical and have experienced periodic downturns, which have a material adverse impact on the industry's demand for equipment, including the tanks and boxes rented by us. Lower oil or gas prices may have an adverse effect on our liquid and solid containment tanks and boxes business. The recent steep decline in both domestic and international oil prices driven by materially higher supply levels and weak demand could have a significant negative impact on the industry's demand for equipment, especially if such market conditions continue for an extended period of time. If the price reduction causes customers to limit or stop exploration, extraction or refinement activities, resulting in lower demand and pricing for renting Adler Tank's products, our financial results could be adversely impacted. Also, a weak U.S. economy may negatively impact infrastructure construction and industrial activity. Any of these factors may result in excess inventory or impairment charges and reduce our operating results and cash flows.

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

We believe that demand related to hydraulic fracturing has increased the total rental revenues and market size in recent years. 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 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES.

The Company's four reportable business segments currently conduct operations from the following locations:

Mobile Modular – Four inventory centers, at which relocatable modular buildings and storage containers are displayed, refurbished and stored are located in Livermore, California (San Francisco Bay Area), Mira Loma, California (Los Angeles Area), Pasadena, Texas (Houston Area) and in Auburndale, Florida (Orlando Area). The inventory centers conduct rental and sales operations from modular buildings, serving as working models of the Company's modular product. The Company also has a modular sales office in Charlotte, North Carolina from which the states of North Carolina, Georgia, Virginia and Maryland are served.

TRS-RenTelco – Electronic test equipment rental and sales operations are conducted from a facility in Grapevine, Texas (Dallas Area), a sales office in Dollard-des-Ormeaux, Quebec (Montreal, Canada Area) and a rental and sales office in Bangalore, Karnataka, India.

Adler Tanks – Adler Tanks operates from branch offices serving the Northeast, Mid-Atlantic, Midwest, Southeast, Southwest and West. A number of our branch offices are leased and have remaining lease terms of one to three years, or are leased on a month to month basis. We believe satisfactory alternative properties can be found in all of our markets if we do not renew our existing leased properties.

Enviroplex – The Company's wholly owned subsidiary, Enviroplex, manufactures modular buildings used primarily as classrooms in California from its facility in Stockton, California (San Francisco Bay Area).

The following table sets forth the total acres, square footage of office space, square footage of warehouse space and total square footage of our significant properties at December 31, 2016.

		Square Footage		
	Total Acres	*Office*	*Warehouse*	*Total*
Corporate Offices				
Livermore, California [1]	—	26,160	—	26,160
Mobile Modular				—
Livermore, California [1, 2, 5]	137.2	7,680	53,440	61,120
Mira Loma, California [5]	78.5	7,920	45,440	53,360
Pasadena, Texas	50.0	3,868	24,000	27,868
Auburndale, Florida [5]	122.5	8,400	95,902	104,302
Charlotte, North Carolina (two facilities) [6]	8.5	7,811	—	7,811
Lexington, North Carolina [7]	5.0	—	—	—
Riverside, California [3]	16.6			
San Diego, California [4]	2.5	—	—	—
Grand Prairie, Texas [5]	29.0	—	—	—
San Antonio, Texas [5]	35.0	—	—	—
Round Rock, Texas	5.0	3,600	—	3,600
TRS-RenTelco				—
Grapevine, Texas [8]	—	45,000	71,895	116,895
Dollard-des-Ormeaux, Quebec [7]	—	12,500	—	12,500
Bangalore, Karnataka [9]	—	3,895	—	3,895

	Total Acres	Square Footage Office	Warehouse	Total
Adler Tanks				—
South Plainfield, New Jersey	20.9	1,685	11,832	13,517
Deer Park, Texas	10.2	3,448	5,353	8,801
Beaumont, Texas	5.4	850	—	850
Mokena, Illinois	21.3	13,800	—	13,800
Wayland, Michigan	10.0	3,000	12,912	15,912
Ellsworth, Wisconsin	11.3	—	11,230	11,230
Enviroplex				—
Stockton, California	8.9	2,091	105,985	108,076
	577.8	151,708	437,989	589,697

1 The modular building complex in Livermore, California is 33,840 square feet and includes the corporate offices, modulars and Adler Tanks branch operations.
2 Of the 137.2 acres, 2.2 acres with an 8,000 square foot warehouse facility is leased to a third party through February 2019.
3 This facility is leased on a month to month basis.
4 This facility is leased through August 2018.
5 Adler Tanks also operates out of this facility.
6 These facilities are leased through July and September 2019.
7 This facility is leased through December 2020.
8 This facility is leased through November 2018.
9 This facility is leased through May 15, 2018.

ITEM 3. LEGAL PROCEEDINGS.

The Company is involved in various lawsuits and routine claims arising out of the normal course of its business. The Company maintains insurance coverage for its operations and employees with appropriate aggregate, per occurrence and deductible limits as the Company reasonably determines necessary or prudent with current operations and historical experience. The major policies include coverage for property, general liability, auto, directors and officers, health, and workers' compensation insurances. In the opinion of management, the ultimate amount of liability not covered by insurance, if any, under any pending litigation and claims, individually or in the aggregate, will not have a material adverse effect on the financial position or operating results of the Company.

ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

The Company's common stock is traded in the NASDAQ Global Select Market under the symbol "MGRC".

The market prices (as quoted by NASDAQ) and cash dividends declared, per share of the Company's common stock, by calendar quarter for the past two years were as follows:

Stock Activity

	2016				2015			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
High	$39.86	$33.35	$31.06	$26.73	$31.57	$30.66	$35.00	$36.18
Low	$29.27	$29.85	$22.40	$21.46	$25.12	$23.48	$30.10	$29.98
Close	$39.19	$31.71	$30.59	$25.08	$25.19	$26.69	$30.43	$32.91
Dividends Declared	$0.255	$0.255	$0.255	$0.255	$0.250	$0.250	$0.250	$0.250

As of February 27, 2017, the Company's common stock was held by approximately 50 shareholders of record, which does not include shareholders whose shares are held in street or nominee name. The Company believes that when holders in street or nominee name are added, the number of holders of the Company's common stock exceeds 500.

Dividends

The Company has declared a quarterly dividend on its common stock every quarter since 1990. The total amount of cash dividends paid by the Company in 2015 and 2016 is discussed under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources." Subject to its continued profitability and favorable cash flow, the Company intends to continue the payment of quarterly dividends.

Stock Repurchase Plan

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 authorized shares will be repurchased and the repurchase program may be modified, extended or terminated by the board of directors at any time. During the twelve months ended December 31, 2015, the Company repurchased 2,407,974 shares of common stock for an aggregate repurchase price of $64.0 million, or an average price of $26.56 per share. There were no repurchases of common stock during the twelve months ended December 31, 2016. As of December 31 2016, 1,592,026 shares remain authorized for repurchase.

ITEM 6. SELECTED FINANCIAL DATA.

The following table summarizes the Company's selected financial data for the five years ended December 31, 2016 and should be read in conjunction with the detailed audited consolidated financial statements and related notes included in "Item 8. Financial Statements and Supplementary Data" and "Item 7. Management's Discussion and Analysis of Financial Condition and Result of Operations".

Selected Consolidated Financial Data

(in thousands, except per share data)	Year Ended December 31,				
	2016	2015	2014	2013	2012
Operations Data					
Revenues					
Rental	$ 271,388	$ 273,696	$ 269,575	$ 255,766	$ 248,444
Rental related services	75,859	73,314	64,132	53,148	46,920
Rental operations	347,247	347,010	333,707	308,914	295,364
Sales	74,410	55,385	72,248	68,443	66,444
Other	2,423	2,149	2,167	2,152	2,231
Total revenues	424,080	404,544	408,122	379,509	364,039
Costs and expenses					
Direct costs of rental operations					
Depreciation of rental equipment	72,197	75,213	72,678	68,208	63,819
Rental related services	56,374	54,719	48,849	40,189	37,207
Other	62,800	60,936	56,946	55,017	45,581
Total direct costs of rental operations	191,371	190,868	178,473	163,414	146,607
Costs of sales	48,542	36,769	47,430	47,080	49,173
Total costs of revenues	239,913	227,637	225,903	210,494	195,780
Gross profit	184,167	176,907	182,219	169,015	168,259
Selling and administrative expenses	104,908	99,950	96,859	88,765	86,278
Income from operations	79,259	76,957	85,360	80,250	81,981
Other income (expense):					
Interest expense	(12,207)	(10,092)	(9,280)	(8,687)	(9,149)
Gain on sale of property, plant and equipment	—	—	812	—	—
Foreign currency exchange gain (loss)	(121)	(488)	(331)	(189)	35
Income before provision for income taxes	66,931	66,377	76,561	71,374	72,867
Provision for income taxes	28,680	25,907	30,852	27,977	28,090
Net income	$ 38,251	$ 40,470	$ 45,709	$ 43,397	$ 44,777
Earnings per share:					
Basic	$ 1.60	$ 1.60	$ 1.77	$ 1.71	$ 1.80
Diluted	$ 1.60	$ 1.59	$ 1.75	$ 1.67	$ 1.78
Shares used in per share calculations:					
Basic	23,900	25,369	25,914	25,433	24,759
Diluted	23,976	25,457	26,175	25,926	25,156
Balance Sheet Data (at period end)					
Rental equipment, at cost	$1,324,057	$1,310,083	$1,229,638	$1,144,168	$1,072,845
Rental equipment, net	$ 856,371	$ 869,601	$ 825,750	$ 767,010	$ 718,853
Total assets	$1,128,276	$1,152,709	$1,116,407	$1,027,611	$ 972,446
Notes payable	$ 326,266	$ 381,281	$ 322,338	$ 289,836	$ 301,794
Shareholders' equity	$ 394,287	$ 379,687	$ 424,531	$ 401,030	$ 364,738
Shares issued and outstanding	23,948	23,851	26,051	25,757	24,931
Book value per share	$ 16.46	$ 15.92	$ 16.30	$ 15.57	$ 14.63
Total liabilities to equity	1.86	2.04	1.63	1.56	1.67
Debt (notes payable) to equity	0.83	1.00	0.76	0.72	0.83
Return on average equity	9.8%	9.8%	11.1%	11.3%	12.7%
Cash dividends declared per common share	$ 1.02	$ 1.00	$ 0.98	$ 0.96	$ 0.94

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)	Year Ended December 31,				
	2016	2015	2014	2013	2012
Net income	$ 38,251	$ 40,470	$ 45,709	$ 43,397	$ 44,777
Provision for income taxes	28,680	25,907	30,852	27,977	28,090
Interest expense	12,207	10,092	9,280	8,687	9,149
Depreciation and amortization	81,179	84,280	81,125	76,849	72,476
EBITDA	160,317	160,749	166,966	156,910	154,492
Share-based compensation	3,091	3,399	3,854	3,680	3,840
Adjusted EBITDA [1]	$163,408	$164,148	$170,820	$160,590	$158,332
Adjusted EBITDA margin [2]	39%	41%	42%	42%	43%

2016 Form 10-K

Reconciliation of Adjusted EBITDA to Net Cash Provided by Operating Activities

(dollar amounts in thousands)	Year Ended December 31,				
	2016	2015	2014	2013	2012
Adjusted EBITDA [1]	$163,408	$164,148	$170,820	$160,590	$158,332
Interest paid	(12,436)	(10,041)	(9,074)	(8,813)	(9,107)
Net income taxes (paid) refunds received	(15,555)	(2,498)	(22,275)	(11,074)	(5,842)
Gain on sale of used rental equipment	(13,739)	(11,902)	(15,368)	(13,091)	(12,389)
Gain on sale of property, plant and equipment	—	—	(812)	—	—
Foreign currency exchange (gain) loss	121	488	331	189	(35)
Amortization of debt issuance cost	51	52	14	14	14
Change in certain assets and liabilities:					
Accounts receivable, net	(1,860)	5,777	(13,782)	4,606	(415)
Income taxes receivable	11,000	(11,000)	—	—	—
Prepaid expenses and other assets	3,219	12,910	(13,528)	(8,279)	(2,351)
Accounts payable and other liabilities	6,341	(10,531)	21,524	12,422	(3,683)
Deferred income	1,211	7,149	5,136	(2,921)	1,857
Net cash provided by operating activities	$141,761	$144,552	$122,986	$133,643	$126,381

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 "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources"). 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 "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation – 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 December 31, 2016, the actual ratio was 3.74 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 December 31, 2016, the actual ratio was 2.00 to 1.

At December 31, 2016, the Company was in compliance with each of these aforementioned covenants. There are no anticipated trends that the Company is aware of that would indicate non-compliance with these covenants, though, significant deterioration in our financial performance could impact the Company's ability to comply with these covenants.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth in this section as well as those discussed under Part I, "Item 1A. Risk Factors" and elsewhere in this document. This discussion should be read together with the financial statements and the related notes thereto set forth in "Item 8. Financial Statements and Supplementary Data."

Results of Operations

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 rental 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"). In 2016, Mobile Modular, TRS-RenTelco, Adler Tanks and Enviroplex contributed 53%, 32%, 10% and 5%, respectively, of the Company's income before provision for taxes (the equivalent of "pretax income"), compared to 41%, 33%, 26% and 0%, respectively, for 2015. Although managed as a separate business segment, Enviroplex's revenues, pretax income contribution and total assets are not significant relative to the Company's consolidated financial position.

The Company generates its revenues primarily from the rental of its equipment on operating leases with 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 revenue and certain other service revenues negotiated as part of the lease agreements with customers and related costs are recognized on a straight-line basis over the terms of the lease. Sales revenue and related costs are recognized upon delivery and installation of the equipment to the customers. Sales revenues are less predictable and can fluctuate from period to period depending on customer demands and requirements. Generally, rental revenues less cash operating costs recover the equipment's capitalized cost in a shorter period of time relative to the equipment's potential rental life and when sold, sale proceeds are usually above its net book value.

The Company's rental operations include rental and rental related services revenues which comprised approximately 82% of the Company's total revenues in 2016 and 83% for the three years ended December 31, 2016. Over the past three years, modulars, electronic test equipment and tanks and boxes comprised approximately 46%, 27% and 27%, respectively, of the cumulative rental operations revenues. 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 and amortization of certain lease costs).

The Company sells modular, electronic test equipment and liquid and solid containment tanks and boxes that are new, or previously rented. The Company's Enviroplex subsidiary manufactures and sells modular classrooms. The renting and selling of some modular equipment requires a dealer's license, which the Company has obtained from the appropriate governmental agencies. Sales and other revenues of modulars, electronic test equipment and tanks and boxes have comprised approximately 18% of the Company's consolidated revenues in 2016 and 16% for the three years ended December 31, 2016. Over the past three years, modulars, electronic test equipment and tanks and boxes comprised approximately 63%, 35% and 2% of sales and other revenues, 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.

The rental and sale of modulars to public school districts comprised 23%, 16% and 16% of the Company's consolidated rental and sales revenues for 2016, 2015 and 2014, respectively. (For more information, see "Item 1. Business – Relocatable Modular Buildings – Classroom Rentals and Sales to Public Schools (K-12)" above.)

Selling and administrative expenses primarily include personnel and benefit costs, which includes share-based compensation, depreciation and amortization of property, plant and equipment and intangible assets, 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.

Recent Developments

In February 2017, the Company announced that its board of directors declared a cash dividend of $0.26 per common share for the quarter ending March 31, 2017, an increase of 2% over the prior year's comparable quarter.

In December 2016, the Company decided to exit the Bangalore, India branch operations of its TRS-RenTelco electronics division. The wind down of operations in India will begin in 2017. As a result, the Company recorded a $0.7 million valuation allowance against deferred tax assets that resulted primarily from the accumulation of net operating loss carry forwards generated in India. Management estimated that the benefit of the deferred tax assets will not be realized. The $0.7 million valuation allowance increased the Company's provision for income taxes and reduced earnings per diluted share by approximately $0.03. The Company does not believe the exit of operations in India will have a significant impact on its consolidated financial statements.

Percentage of Revenue Table

The following table sets forth for the periods indicated the results of operations as a percentage of the Company's total revenues and the percentage of changes in the amount of such of items as compared to the amount in the indicated prior period:

	Percent of Total Revenues				Percent Change	
	Three Years 2016–2014	Year Ended December 31, 2016	2015	2014	2016 over 2015	2015 over 2014
Revenues						
Rental	66%	64%	68%	66%	(1)%	2%
Rental related services	17	18	18	16	3	14
Rental operations	83	82	86	82	—	4
Sales	16	18	14	18	34	(23)
Other	1	—	—	0	13	(1)
Total revenues	100	100	100	100	5	(1)
Costs and expenses						
Direct costs of rental operations						
Depreciation of rental equipment	18	17	19	18	(4)	3
Rental related services	13	13	14	12	3	12
Other	14	15	14	14	3	7
Total direct costs of rental operations	45	45	47	44	—	7
Cost of sales	11	12	9	11	32	(22)
Total costs	56	57	56	55	5	1
Gross profit	44	43	44	45	4	(3)
Selling and administrative expenses	24	24	25	24	5	3
Income from operations	20	19	19	21	3	(10)
Other income (expense):						
Interest expense	3	3	3	2	21	9
Gain on sale of property, plant and Equipment	—	—	—	—	*nm*	*nm*
Foreign currency exchange gain (loss)	—	—	—	—	*nm*	*nm*
Income before provision for income taxes	17	16	16	19	1	(13)
Provision for income taxes	7	7	6	8	11	(16)
Net income	10%	9%	10%	11%	(5)%	(11)%

nm = not meaningful

Twelve Months Ended December 31, 2016 Compared to
Twelve Months Ended December 31, 2015

Overview

Consolidated revenues in 2016 increased 5%, to $424.1 million from $404.5 million in 2015. Consolidated net income in 2016 decreased to $38.3 million, or $1.60 per diluted share in 2016 compared to $40.5 million, or $1.59 per diluted share, in 2015. The Company's year over year total revenue increase was primarily due to higher sales and rental related services revenues, partly offset by lower rental revenues as more fully described below.

For 2016 compared to 2015, on a consolidated basis,

- Gross profit increased $7.3 million, or 4%, to $184.2 million. Mobile Modular's gross profit increased $15.0 million, or 19%, due to higher gross profit on rental, rental related services and sales revenues. Enviroplex's gross profit increased $4.2 million primarily due to higher sales revenues. TRS-RenTelco's gross profit decreased $2.0 million, or 4%, due to lower gross profit on rental and rental related services revenues, partly offset by higher gross profit on sales revenues. Adler Tanks' gross profit decreased $10.0 million, or 21%, due to lower gross profit on rental and rental related services revenues, partly offset by higher gross profit on sales revenues.
- Selling and administrative expenses increased $5.0 million, or 5%, to $104.9 million, primarily due to increased employee headcount, salaries and employee benefit costs.
- Interest expense increased $2.1 million, or 21%, to $12.2 million, primarily due to 18% higher net average interest rate and 2% higher average debt levels of the Company.
- Pretax income contribution was 53%, 32% and 10% by Mobile Modular, TRS-RenTelco and Adler Tanks, respectively, in 2016, compared to 41%, 33% and 26%, respectively, in 2015. These results are discussed on a segment basis below. Pre-tax income contribution by Enviroplex was 5% and 0% in 2016 and 2015, respectively.
- Provision for income taxes resulted in an effective tax rate of 42.9% in 2016, compared with 39.0% in 2015, which increased the provision for income taxes in 2016 by $2.6 million and reduced earnings per diluted share by approximately $0.11 compared to 2015. The increased effective tax rate in 2016 was primarily a result of a change in business mix by state and the decision to discontinue TRS-RenTelco's branch operations in India. Higher business levels in states with higher tax rates, in particular growth in California, and the resulting re-pricing of deferred tax liabilities increased the provision for income taxes in 2016 by $1.6 million. The decision to exit the Bangalore, India branch operations increased the provision for income taxes by $0.7 million as a valuation allowance was recorded against the deferred tax assets that resulted primarily from accumulated net operating loss carry forwards in India as of December 31, 2016 that management estimated the benefit of which will not be realized.
- Adjusted EBITDA decreased $0.7 million, or less than 1%, to $163.4 million compared to $164.1 million in 2015. Adjusted EBITDA is a non-GAAP financial measure and is defined as net income before interest expense, provision for income taxes, depreciation, amortization and share-based compensation. A reconciliation of Adjusted EBITDA to net cash provided by operating activities and net income to Adjusted EBITDA can be found in "Item 6. Selected Financial Data." on page 31.

Mobile Modular

For 2016, Mobile Modular's total revenues increased $25.2 million, or 14%, to $209.5 million compared to 2015, primarily due to higher rental, sales and rental related services revenues. The revenue increase together with higher gross margin on rental revenues, partly offset by higher selling and administrative expenses and higher interest expense, resulted in an increase in pre-tax income of $8.7 million, or 32%, to $35.6 million in 2016.

The following table summarizes year-to-year results for each revenue and gross profit category, income from operations, pretax income, and other selected information.

Mobile Modular – 2016 compared to 2015

(dollar amounts in thousands)	Year Ended December 31,		Increase (Decrease)	
	2016	2015	$	%
Revenues				
Rental	$130,496	$115,986	$14,510	13%
Rental related services	49,206	45,616	3,590	8%
Rental operations	179,702	161,602	18,100	11%
Sales	29,393	22,248	7,145	32%
Other	417	434	(17)	(4)%
Total revenues	209,512	184,284	25,228	14%
Costs and Expenses				
Direct costs of rental operations:				
Depreciation of rental equipment	21,001	19,246	1,755	9%
Rental related services	34,722	32,576	2,146	7%
Other	38,353	37,233	1,120	3%
Total direct costs of rental operations	94,076	89,055	5,021	6%
Costs of sales	21,620	16,458	5,162	31%
Total costs of revenues	115,696	105,513	10,183	10%
Gross Profit				
Rental	71,143	59,507	11,636	20%
Rental related services	14,484	13,040	1,444	11%
Rental operations	85,627	72,547	13,080	18%
Sales	7,772	5,790	1,982	34%
Other	417	434	(17)	(4)%
Total gross profit	93,816	78,771	15,045	19%
Selling and administrative expenses	51,432	46,496	4,936	11%
Income from operations	42,384	32,275	10,109	31%
Interest expense allocation	(6,804)	(5,363)	1,441	27%
Pre-tax income	$ 35,580	$ 26,912	$ 8,668	32%
Other Selected Information				
Average rental equipment [1]	$724,333	$667,953	$56,380	8%
Average rental equipment on rent [1]	$554,485	$506,062	$48,423	10%
Average monthly total yield [2]	1.50%	1.45%		3%
Average utilization [3]	76.6%	75.8%		1%
Average monthly rental rate [4]	1.96%	1.91%		3%
Period end rental equipment [1]	$744,099	$706,155	$37,944	5%
Period end utilization [3]	77.3%	76.9%		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 the 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 2016 increased 19% to $93.8 million from $78.8 million in 2015. For the year ended December 31, 2016 compared to the year ended December 31, 2015:

- **Gross Profit on Rental Revenues** – Rental revenues increased $14.5 million, or 13%, compared to 2015, due to 10% higher average rental equipment on rent and 3% higher average monthly rental rates. As a percentage of rental revenues, depreciation was 16% in 2016 compared to 17% in 2015 and other direct costs were 29% in 2016 and 32% in 2015, which resulted in gross margin percentage of 55% in 2016 compared to 51% in 2015. The higher rental revenues, together with higher rental margins, resulted in gross profit on rental revenues increasing 20%, to $71.1 million from $59.5 million in 2015.
- **Gross Profit on Rental Related Services** – Rental related services revenues increased $3.6 million, or 8%, compared to 2015. Most of these service revenues are negotiated with the initial lease and are recognized on a straight-line basis with the associated costs over the initial term of the lease. The increase in rental related services revenues was primarily attributable to higher amortization of delivery and return delivery and dismantle revenues, and higher delivery and return delivery at Mobile Modular Portable Storage. The higher revenues and comparable gross margin percentage of 29% in 2016 and 2015 resulted in rental related services gross profit increasing 11%, to $14.5 million from $13.0 million in 2015.
- **Gross Profit on Sales** – Sales revenues increased $7.1 million, or 32%, compared to 2015. Gross profit on sales increased $2.0 million, or 34%, due to higher new and used equipment sales revenues and comparable gross margins of 26% in 2016 compared to 2015. Sales occur routinely as a normal part of Mobile Modular's rental business; however, these sales can fluctuate from period to period depending on customer requirements, equipment availability and funding.

For 2016, Mobile Modular's selling and administrative expenses increased $4.9 million, or 11%, to $51.4 million from $46.5 million in 2015, primarily due to increased employee headcount, salaries and benefit costs, marketing and administrative costs and higher corporate allocated expenses.

TRS-RenTelco

For 2016, TRS-RenTelco's total revenues decreased $6.4 million, or 6%, to $108.6 million compared to 2015, primarily due to lower rental and rental related services revenues, partly offset by higher sales revenues. Pre-tax income decreased $0.9 million, or 4%, to $21.3 million for 2016, primarily due to lower gross profit on rental and rental related services revenues, partly offset by higher gross profit on sales and lower selling and administrative expenses.

The following table summarizes year-to-year results for each revenue and gross profit category, income from operations, pretax income, and other selected information.

TRS-RenTelco – 2016 compared to 2015

(dollar amounts in thousands)	Year Ended December 31,		Increase (Decrease)	
	2016	2015	$	%
Revenues				
Rental	$ 82,307	$ 89,208	$ (6,901)	(8)%
Rental related services	2,846	3,055	(209)	(7)%
Rental operations	85,153	92,263	(7,110)	(8)%
Sales	21,582	21,137	445	2%
Other	1,882	1,617	265	16%
Total revenues	108,617	115,017	(6,400)	(6)%
Costs and Expenses				
Direct costs of rental operations:				
Depreciation of rental equipment	35,256	39,974	(4,718)	(12)%
Rental related services	2,640	2,722	(82)	(3)%
Other	14,320	13,619	701	5%
Total direct costs of rental operations	52,216	56,315	(4,099)	(7)%
Costs of sales	10,604	10,866	(262)	(2)%
Total costs of revenues	62,820	67,181	(4,361)	(6)%
Gross Profit				
Rental	32,730	35,615	(2,885)	(8)%
Rental related services	206	333	(127)	(38)%
Rental operations	32,936	35,948	(3,012)	(8)%
Sales	10,979	10,271	708	7%
Other	1,882	1,617	265	16%
Total gross profit	45,797	47,836	(2,039)	(4)%
Selling and administrative expenses	21,896	22,930	(1,034)	(5)%
Income from operations	23,901	24,906	(1,005)	(4)%
Interest expense allocation	(2,465)	(2,194)	271	12%
Foreign currency exchange loss	(121)	(488)	(367)	(75)%
Pre-tax income	$ 21,315	$ 22,224	$ (909)	(4)%
Other Selected Information				
Average rental equipment [1]	$254,019	$265,832	$(11,813)	(4)%
Average rental equipment on rent [1]	$153,985	$160,833	$ (6,848)	(4)%
Average monthly total yield [2]	2.70%	2.80%		(4)%
Average utilization [3]	60.6%	60.5%		0%
Average monthly rental rate [4]	4.45%	4.62%		(4)%
Period end rental equipment [1]	$245,700	$261,996	$(16,296)	(6)%
Period end utilization [3]	61.0%	58.7%		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 the 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 2016 decreased 4% to $45.8 million from $47.8 million in 2015. For the year ended December 31, 2016 compared to the year ended December 31, 2015:

- **Gross Profit on Rental Revenues** – Rental revenues decreased $6.9 million, or 8%, to $82.3 million with depreciation expense decreasing $4.7 million, or 12%, and other direct costs increasing $0.7 million, or 5%, resulting in a decrease in gross profit on rental revenues of $2.9 million, or 8%, to $32.7 million in 2016. As a percentage of rental revenues, depreciation was 43% in 2016 compared to 45% in 2015 and other direct costs was 17% in 2016 compared to 15% in 2015, which resulted in gross margin percentage of 39% in 2016 compared to 40% in 2015. The rental revenues decrease was due to 4% lower average monthly rental rates and 4% lower average rental equipment on rent.
- **Gross Profit on Sales** – Sales revenues increased $0.4 million, or 2%, compared to 2015. The sales revenue increase together with higher gross margin percentage of 51% in 2016, compared to 49% in 2015, primarily due to higher gross margin on used equipment sales, resulted in gross profit on sales increasing 7%, to $11.0 million from $10.3 million in 2015. Sales occur routinely as a normal part of TRS-RenTelco's rental business; however, these sales and related gross margins can fluctuate from period to period depending on customer requirements, equipment availability and funding.

For 2016, TRS-RenTelco's selling and administrative expenses decreased $1.0 million, or 5%, to $21.9 million from $22.9 million in 2015, primarily due to lower marketing and administrative costs and allocated corporate expenses.

Adler Tanks

For 2016, Adler Tanks' total revenues decreased $10.8 million, or 11%, to $83.8 million compared to 2015, primarily due to lower rental and rental related services revenues during 2016. The revenue decrease together with lower gross margin on rental and rental related services revenues, higher selling and administrative expenses and higher interest expense resulted in a pre-tax income decrease of $10.6 million, or 62%, to $6.6 million for the year ended December 31, 2016.

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

Adler Tanks – 2016 compared to 2015

(dollar amounts in thousands)	Year Ended December 31,		Increase (Decrease)	
	2016	2015	$	%
Revenues				
Rental	$ 58,585	$ 68,502	$ (9,917)	(14)%
Rental related services	23,807	24,643	(836)	(3)%
Rental operations	82,392	93,145	(10,753)	(12)%
Sales	1,314	1,388	(74)	(5)%
Other	124	98	26	27%
Total revenues	83,830	94,631	(10,801)	(11)%
Costs and Expenses				
Direct costs of rental operations:				
Depreciation of rental equipment	15,940	15,993	(53)	0%
Rental related services	19,012	19,421	(409)	(2)%
Other	10,127	10,084	43	0%
Total direct costs of rental operations	45,079	45,498	(419)	(1)%
Costs of sales	1,342	1,736	(394)	(23)%
Total costs of revenues	46,421	47,234	(813)	(2)%
Gross Profit (Loss)				
Rental	32,518	42,425	(9,907)	(23)%
Rental related services	4,795	5,222	(427)	(8)%
Rental operations	37,313	47,647	(10,334)	(22)%
Sales	(28)	(348)	320	92%
Other	124	98	26	27%
Total gross profit	37,409	47,397	(9,988)	(21)%
Selling and administrative expenses	27,610	27,494	116	0%
Income from operations	9,799	19,903	(10,104)	(51)%
Interest expense allocation	(3,200)	(2,729)	471	17%
Pre-tax income	$ 6,599	$ 17,174	$(10,575)	(62)%
Other Selected Information				
Average rental equipment [1]	$307,416	$304,001	$ 3,415	1%
Average rental equipment on rent [1]	$154,165	$177,117	$(22,952)	(13)%
Average monthly total yield [2]	1.59%	1.88%		(15)%
Average utilization [3]	50.1%	58.3%		(14)%
Average monthly rental rate [4]	3.17%	3.22%		(2)%
Period end rental equipment [1]	$306,701	$307,614	$ (913)	0%
Period end utilization [3]	50.7%	49.7%		2%

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

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

3 Period end utilization is calculated by dividing the cost of rental equipment on rent by the total cost of rental equipment excluding new equipment inventory and accessory equipment. Average utilization for the period is calculated using the average month end costs of therental 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 2016 decreased \$10.0 million to \$37.4 million from \$47.4 million for the same period in 2015. For the year ended December 31, 2016 compared to year ended December 31, 2015:

- **Gross Profit on Rental Revenues** – Rental revenues decreased \$9.9 million, or 14%, due to 13% lower average rental equipment on rent and 2% lower average rental rates in 2016 as compared to 2015. As a percentage of rental revenues, depreciation was 27% and 23% in 2016 and 2015, respectively, and other direct costs were 17% in 2016 and 15% in 2015, which resulted in gross margin percentages of 56% in 2016 compared to 62% in 2015. The lower rental revenues, together with lower rental margins resulted in gross profit on rental revenues decreasing \$9.9 million, or 23%, to \$32.5 million in 2016.

- **Gross Profit on Rental Related Services** – Rental related services revenues decreased \$0.8 million, or 3%, compared to 2015. The lower gross margin percentage of 20% in 2016 compared to 21% in 2015 and lower revenues, resulted in rental related services gross profit decreasing \$0.4 million, or 8%, to \$4.8 million from \$5.2 million in 2015.

For 2016, Adler Tanks' selling and administrative expenses increased \$0.1 million, to \$27.6 million from \$27.5 million in the same period in 2015, primarily due to increased employee headcount, salaries and benefit costs, partly offset by lower corporate allocated expenses.

Twelve Months Ended December 31, 2015 Compared to
Twelve Months Ended December 31, 2014

Overview

Consolidated revenues in 2015 decreased 1%, to $404.5 million from $408.1 million in 2014. Consolidated net income in 2015 decreased 12%, to $40.5 million, or $1.59 per diluted share, from $45.7 million, or $1.75 per diluted share, in 2014. The Company's year over year total revenue decrease was primarily due to lower sales revenues, partly offset by higher rental and rental related services revenues as more fully described below.

For 2015 compared to 2014, on a consolidated basis,

- Gross profit decreased $5.3 million, or 3%, to $176.9 million. TRS-RenTelco's gross profit decreased $12.4 million, or 21%, due to lower gross profit on rental, sales and rental related services revenues. Adler Tanks' gross profit decreased $6.1 million, or 11%, due to lower gross profit on rental and sales revenues, partly offset by higher gross profit on rental related services revenues. Enviroplex's gross profit decreased $2.2 million primarily due to lower sales revenues. Mobile Modular's gross profit increased $15.3 million, or 24%, due to higher gross profit on rental and rental related services revenues, partly offset by lower gross profit on sales revenues.
- Selling and administrative expenses increased $3.1 million, or 3%, to $100.0 million, primarily due to increased employee headcount, salaries and employee benefit costs and marketing and administrative expenses.
- Interest expense increased $0.8 million, or 9%, to $10.1 million, primarily due to 14% higher average debt levels of the Company, partly offset by 5% lower net average interest rate.
- In 2014, other non-operating income included the Company's sale of an excess property in June 2014 for net proceeds of $2.5 million resulting in a gain on sale of $0.8 million, which was allocated to Mobile Modular, TRS-RenTelco and Adler Tanks based on their pro-rata share of direct revenues. This property was previously used as one of the Company's branch sales and inventory centers prior to the TRS acquisition in 2004. Since 2004, the property had not been used in support of rental operations.
- Pretax income contribution was 41%, 33% and 26% by Mobile Modular, TRS-RenTelco and Adler Tanks, respectively, in 2015, compared to 22%, 45% and 31%, respectively, in 2014. These results are discussed on a segment basis below. Pre-tax income contribution by Enviroplex was 0% and 2% in 2015 and 2014, respectively.
- Provision for income taxes resulted in an effective tax rate of 39.0% in 2015, compared with 40.3% in 2014. The decreased effective tax rate in 2015 was primarily as a result of lower business levels in states with higher tax rates, and the resulting re-pricing of deferred tax liabilities.
- Adjusted EBITDA decreased $6.7 million, or 4%, to $164.1 million compared to $170.8 million in 2014. Adjusted EBITDA is a non-GAAP financial measure and is defined as net income before interest expense, provision for income taxes, depreciation, amortization and share-based compensation. A reconciliation of Adjusted EBITDA to net cash provided by operating activities and net income to Adjusted EBITDA can be found in "Item 6. Selected Financial Data." on page 31.

Mobile Modular

For 2015, Mobile Modular's total revenues increased $22.7 million, or 14%, to $184.3 million compared to 2014, primarily due to higher rental and rental related services revenues, partly offset by lower sales revenues. The revenue increase together with higher gross margin on rental revenues, partly offset by higher selling and administrative expenses and higher interest expense, resulted in an increase in pre-tax income of $10.0 million, or 59%, to $26.9 million in 2015.

The following table summarizes year-to-year results for each revenue and gross profit category, income from operations, pretax income, and other selected information.

Mobile Modular – 2015 compared to 2014

(dollar amounts in thousands)	Year Ended December 31,		Increase (Decrease)	
	2015	2014	$	%
Revenues				
Rental	$115,986	$ 96,457	$19,529	20%
Rental related services	45,616	35,263	10,353	29%
Rental operations	161,602	131,720	29,882	23%
Sales	22,248	29,394	(7,146)	(24)%
Other	434	461	(27)	(6)%
Total revenues	184,284	161,575	22,709	14%
Costs and Expenses				
Direct costs of rental operations:				
Depreciation of rental equipment	19,246	16,536	2,710	16%
Rental related services	32,576	25,486	7,090	28%
Other	37,233	34,352	2,881	8%
Total direct costs of rental operations	89,055	76,374	12,681	17%
Costs of sales	16,458	21,746	(5,288)	(24)%
Total costs of revenues	105,513	98,120	7,393	8%
Gross Profit				
Rental	59,507	45,569	13,938	31%
Rental related services	13,040	9,777	3,263	33%
Rental operations	72,547	55,346	17,201	31%
Sales	5,790	7,648	(1,858)	(24)%
Other	434	461	(27)	(6)%
Total gross profit	78,771	63,455	15,316	24%
Selling and administrative expenses	46,496	42,069	4,427	11%
Income from operations	32,275	21,386	10,889	51%
Interest expense allocation	(5,363)	(4,768)	595	12%
Gain on sale of property, plant and equipment	—	341	(341)	(100)%
Pre-tax income	$ 26,912	$ 16,959	$ 9,953	59%
Other Selected Information				
Average rental equipment [1]	$667,953	$597,904	$70,049	12%
Average rental equipment on rent [1]	$506,062	$432,021	$74,041	17%
Average monthly total yield [2]	1.45%	1.34%		8%
Average utilization [3]	75.8%	72.3%		5%
Average monthly rental rate [4]	1.91%	1.86%		3%
Period end rental equipment [1]	$706,155	$635,420	$70,735	11%
Period end utilization [3]	76.9%	75.0%		3%

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 the 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 2015 increased 24% to $78.8 million from $63.5 million in 2014. For the year ended December 31, 2015 compared to the year ended December 31, 2014:

- **Gross Profit on Rental Revenues –** Rental revenues increased $19.5 million, or 20%, compared to 2014, due to 17% higher average rental equipment on rent and 3% higher average monthly rental rates. As a percentage of rental revenues, depreciation was 17% in 2015 and 2014 and other direct costs were 32% in 2015 and 36% in 2014, which resulted in gross margin percentage of 51% in 2015 compared to 47% in 2014. The higher rental revenues, together with higher rental margins, resulted in gross profit on rental revenues increasing 31%, to $59.5 million from $45.6 million in 2014.
- **Gross Profit on Rental Related Services –** Rental related services revenues increased $10.4 million, or 29%, compared to 2014. Most of these service revenues are negotiated with the initial lease and are recognized on a straight-line basis with the associated costs over the initial term of the lease. The increase in rental related services revenues was primarily attributable to higher amortization of delivery and return delivery and dismantle revenues, increased services performed during the lease and higher delivery and return delivery at Mobile Modular Portable Storage. The higher revenues and higher gross margin percentage of 29% in 2015 compared to 28% in 2014 resulted in rental related services gross profit increasing 33%, to $13.0 million from $9.8 million in 2014.
- **Gross Profit on Sales –** Sales revenues decreased $7.1 million, or 24%, compared to 2014. Gross profit on sales decreased $1.9 million, or 24%, due to lower new and used equipment sales revenues and flat gross margins of 26% in 2015 compared to 2014. Sales occur routinely as a normal part of Mobile Modular's rental business; however, these sales can fluctuate from period to period depending on customer requirements, equipment availability and funding.

For 2015, Mobile Modular's selling and administrative expenses increased $4.4 million, or 11%, to $46.5 million from $42.1 million in 2014, primarily due to increased employee headcount, salaries and benefit costs and higher corporate allocated expenses.

TRS-RenTelco

For 2015, TRS-RenTelco's total revenues decreased $13.3 million, or 10%, to $115.0 million compared to 2014, primarily due to lower rental and sales revenues. Pre-tax income decreased $12.2 million, or 35%, to $22.2 million for 2015, primarily due to lower gross profit on rental and sales revenues, partly offset by lower selling and administrative expenses.

The following table summarizes year-to-year results for each revenue and gross profit category, income from operations, pretax income, and other selected information.

TRS-RenTelco – 2015 compared to 2014

(dollar amounts in thousands)	Year Ended December 31,		Increase (Decrease)	
	2015	2014	$	%
Revenues				
Rental	$ 89,208	$ 99,020	$ (9,812)	(10)%
Rental related services	3,055	3,331	(276)	(8)%
Rental operations	92,263	102,351	(10,088)	(10)%
Sales	21,137	24,323	(3,186)	(13)%
Other	1,617	1,628	(11)	(1)%
Total revenues	115,017	128,302	(13,285)	(10)%
Costs and Expenses				
Direct costs of rental operations:				
Depreciation of rental equipment	39,974	40,935	(961)	(2)%
Rental related services	2,722	2,742	(20)	(1)%
Other	13,619	12,139	1,480	12%
Total direct costs of rental operations	56,315	55,816	499	1%
Costs of sales	10,866	12,237	(1,371)	(11)%
Total costs of revenues	67,181	68,053	(872)	(1)%
Gross Profit				
Rental	35,615	45,946	(10,331)	(22)%
Rental related services	333	589	(256)	(43)%
Rental operations	35,948	46,535	(10,587)	(23)%
Sales	10,271	12,086	(1,815)	(15)%
Other	1,617	1,628	(11)	(1)%
Total gross profit	47,836	60,249	(12,413)	(21)%
Selling and administrative expenses	22,930	23,736	(806)	(3)%
Income from operations	24,906	36,513	(11,607)	(32)%
Interest expense allocation	(2,194)	(2,075)	119	6%
Gain on sales of property, plant and equipment	—	276	(276)	(100)%
Foreign currency exchange loss	(488)	(331)	157	47%
Pre-tax income	$ 22,224	$ 34,383	$(12,159)	(35)%
Other Selected Information				
Average rental equipment [1]	$265,832	$262,968	$ 2,864	1%
Average rental equipment on rent [1]	$160,833	$158,800	$ 2,033	1%
Average monthly total yield [2]	2.80%	3.14%		(11)%
Average utilization [3]	60.5%	60.4%		0%
Average monthly rental rate [4]	4.62%	5.20%		(11)%
Period end rental equipment [1]	$261,996	$260,715	$ 1,281	0%
Period end utilization [3]	58.7%	59.8%		(2)%

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 the 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 2015 decreased 21% to $47.8 million from $60.2 million in 2014. For the year ended December 31, 2015 compared to the year ended December 31, 2014:

- **Gross Profit on Rental Revenues** – Rental revenues decreased $9.8 million, or 10%, to $89.2 million with depreciation expense decreasing $1.0 million, or 2%, and other direct costs increasing $1.5 million, or 12%, resulting in a decrease in gross profit on rental revenues of $10.3 million, or 22%, to $35.6 million in 2015. As a percentage of rental revenues, depreciation was 45% in 2015 compared to 41% in 2014 and other direct costs was 15% in 2015 compared to 12% in 2014, which resulted in gross margin percentage of 40% in 2015 compared to 46% in 2014. The rental revenues decrease was due to 11% lower average monthly rental rates, partly offset by 1% higher average rental equipment on rent.
- **Gross Profit on Sales** – Sales revenues decreased $3.2 million, or 13%, compared to 2014. The sales revenue decrease together with lower gross margin percentage of 49% in 2015, compared to 50% in 2014, primarily due to lower gross margin on used equipment sales, resulted in gross profit on sales decreasing 15%, to $10.3 million from $12.1 million in 2014. Sales occur routinely as a normal part of TRS-RenTelco's rental business; however, these sales and related gross margins can fluctuate from period to period depending on customer requirements, equipment availability and funding.

For 2015, TRS-RenTelco's selling and administrative expenses decreased $0.8 million, or 3%, to $22.9 million from $23.7 million in 2014, primarily due to lower allocated corporate expenses.

Adler Tanks

For 2015, Adler Tanks' total revenues decreased $6.2 million, or 6%, to $94.6 million compared to 2014, primarily due to lower rental and rental related services revenues, partly offset by higher sales revenues during 2015. The revenue decrease together with lower gross margin on rental and sales revenues, higher selling and administrative expenses and higher interest expense, partly offset by higher gross margin on rental related services revenues resulted in a pre-tax income decrease of $6.4 million, or 27%, to $17.2 million for the year ended December 31, 2015.

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

Adler Tanks – 2015 compared to 2014

(dollar amounts in thousands)	Year Ended December 31,		Increase (Decrease)	
	2015	2014	$	%
Revenues				
Rental	$ 68,502	$ 74,098	$ (5,596)	(8)%
Rental related services	24,643	25,538	(895)	(4)%
Rental operations	93,145	99,636	(6,491)	(7)%
Sales	1,388	1,074	314	29%
Other	98	78	20	26%
Total revenues	94,631	100,788	(6,157)	(6)%
Costs and Expenses				
Direct costs of rental operations:				
Depreciation of rental equipment	15,993	15,207	786	5%
Rental related services	19,421	20,621	(1,200)	(6)%
Other	10,084	10,455	(371)	(4)%
Total direct costs of rental operations	45,498	46,283	(785)	(2)%
Costs of sales	1,736	1,053	683	65%
Total costs of revenues	47,234	47,336	(102)	0%
Gross Profit (Loss)				
Rental	42,425	48,436	(6,011)	(12)%
Rental related services	5,222	4,917	305	6%
Rental operations	47,647	53,353	(5,706)	(11)%
Sales	(348)	21	(369)	*nm*
Other	98	78	20	26%
Total gross profit	47,397	53,452	(6,055)	(11)%
Selling and administrative expenses	27,494	27,424	70	0%
Income from operations	19,903	26,028	(6,125)	(24)%
Interest expense allocation	(2,729)	(2,618)	111	4%
Gain on sale of property, plant and equipment	—	195	(195)	(100)%
Pre-tax income	$ 17,174	$ 23,605	$ (6,431)	(27)%
Other Selected Information				
Average rental equipment [1]	$304,001	$289,928	$14,073	5%
Average rental equipment on rent [1]	$177,117	$182,242	$ (5,125)	(3)%
Average monthly total yield [2]	1.88%	2.13%		(12)%
Average utilization [3]	58.3%	62.9%		(7)%
Average monthly rental rate [4]	3.22%	3.39%		(5)%
Period end rental equipment [1]	$307,614	$299,485	$ 8,129	3%
Period end utilization [3]	49.7%	63.9%		(22)%

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 the 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.

nm = not meaningful

Adler Tanks' gross profit for 2015 decreased $6.1 million to $47.4 million from $53.5 million for the same period in 2014. For the year ended December 31, 2015 compared to year ended December 31, 2014:

- **Gross Profit on Rental Revenues** – Rental revenues decreased $5.6 million, or 8%, due to 3% lower average rental equipment on rent and 5% lower average rental rates in 2015 as compared to 2014. As a percentage of rental revenues, depreciation was 23% and 21% in 2015 and 2014, respectively, and other direct costs were 15% in 2015 and 14% in 2014, which resulted in gross margin percentages of 62% in 2015 compared to 65% in 2014. The lower rental revenues, together with lower rental margins resulted in gross profit on rental revenues decreasing $6.0 million, or 12%, to $42.4 million in 2015.
- **Gross Profit on Rental Related Services** – Rental related services revenues decreased $0.9 million, or 4%, compared to 2014. The higher gross margin percentage of 21% in 2015 compared to 19% in 2014, partly offset by lower revenues, resulted in rental related services gross profit increasing $0.3 million, or 6%, to $5.2 million from $4.9 million in 2014.

For 2015, Adler Tanks' selling and administrative expenses increased $0.1 million, to $27.5 million from $27.4 million in the same period in 2014, primarily due to increased employee headcount, salaries and benefit costs.

Liquidity and Capital Resources

This section contains statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. See the statements at the beginning of this Item for cautionary information with respect to such forward-looking statements.

The Company's rental businesses are capital intensive and generate significant cash flows. Cash flows for the Company in 2016 as compared to 2015 are summarized as follows:

Cash Flows from Operating Activities: The Company's operations provided net cash flow of $141.8 million for 2016 as compared to $144.6 million in 2015. The 2% decrease in net cash provided by operating activities was primarily attributable to a lower decrease in prepaid expenses and other assets, partly offset by an income tax refund received and other balance sheet changes.

Cash Flows from Investing Activities: Net cash used in investing activities was $60.2 million for 2016 as compared to $114.1 million in 2015. The $53.9 million decrease in net cash used in investing activities was primarily due to $51.7 million lower purchases of rental equipment of $79.0 million in 2016, compared to $131.0 million in 2015, partly offset by higher proceeds from sale of used rental equipment.

Cash Flows from Financing Activities: Net cash used in financing activities was $81.7 million in 2016 as compared $30.4 million in 2015. The $51.4 million increase was primarily due to $54.0 million lower net borrowings under the Company's bank lines of credit and $60.0 million lower borrowings under the Company's Senior Notes, partly offset by $64.0 million lower repurchase of the Company's common stock.

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 bank borrowings and notes offerings. Sales occur routinely as a normal part of the Company's rental businesses. 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, offer additional notes 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.

As the following table indicates, cash flow provided by operating activities and proceeds from sales of used rental equipment have been greater than rental equipment purchases over the past three years.

Funding of Rental Asset Growth

(amounts in thousands)	Year Ended December 31,			Three Year Totals
	2016	2015	2014	
Cash provided by operating activities	$141,761	$ 144,552	$ 122,986	$ 409,299
Proceeds from the sale of used rental equipment	29,406	26,214	32,556	88,176
Cash available for purchase of rental equipment	171,167	170,766	155,542	497,475
Purchases of rental equipment	(79,038)	(131,037)	(152,197)	(362,272)
Cash available for other uses	$ 92,129	$ 39,729	$ 3,345	$ 135,203

In addition to increasing its rental assets, the Company had other capital expenditures for property, plant and equipment of $10.5 million in 2016, $9.3 million in 2015 and $12.7 million in 2014, and has used cash to provide returns to its shareholders in the form of cash dividends. The Company paid cash dividends of $24.4 million, $25.8 million and $25.6 million in the years ended December 31, 2016, 2015 and 2014, respectively.

The Company has in the past made repurchases of shares of its common stock from time to time in the over-the-counter market (NASDAQ) and/or through privately negotiated, block transactions under an authorization from the Board of Directors. Shares repurchased by the Company are canceled and returned to the status of authorized but unissued stock. During the twelve months ended December 31, 2015, the Company repurchased 2,407,974 shares of common stock for an aggregate repurchase price of $64.0 million, or an average price of $26.56 per share. There were no repurchases of common stock during the twelve months ended December 31, 2016 and 2014. As of February 27, 2017, 1,592,026 shares remain authorized for repurchase.

Unsecured Revolving Lines of Credit

As the Company's assets have grown, it has been able to negotiate increases in the borrowing limit under its general bank 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 December 31, 2016, under the Credit Facility and Sweep Service Facility, the Company had unsecured lines of credit that permit it to borrow up to $432.0 million of which $186.4 million was outstanding, and had capacity to borrow up to an additional $245.6 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 Amended Credit Facility):

- 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 December 31, 2016, the actual ratio was 3.74 to 1.
- Permit the Consolidated Leverage Ratio of funded debt to EBITDA at any time during any period of four consecutive fiscal quarters to be greater than 2.75 to 1. At December 31, 2016, the actual ratio was 2.00 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 (as defined in the Amended Credit Facility) (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 December 31, 2016, such sum was $313.3 million and the actual Tangible Net Worth of the Company was $357.9 million.

At December 31, 2016, the Company was in compliance with each of the aforementioned covenants. There are no anticipated trends that the Company is aware of that would indicate non-compliance with these covenants, although significant deterioration in our financial performance could impact the Company's ability to comply with these covenants.

4.03% Senior Notes Due in 2018

On April 21, 2011, the Company entered into a Note Purchase and Private Shelf Agreement (the "Note Purchase Agreement") with Prudential Investment Management, Inc. ("PIM"), The Prudential Insurance Company of America and Prudential Retirement Insurance and Annuity Company (collectively, the "Purchaser"), pursuant to which the Company agreed to sell an aggregate principal amount of $100.0 million of its 4.03% Series A Senior Notes (the "Series A Senior Notes") to the Purchaser. The Series A Senior Notes are an unsecured obligation of the Company, due on April 21, 2018. Interest on these notes is due semi-annually in arrears and the principal is due in five equal annual installments, with the first payment due on April 21, 2014. In addition, the Note Purchase Agreement allows for the issuance and sale of additional senior notes to the Purchaser (the "Shelf Notes") in the aggregate principal amount of $100.0 million, to mature no more than 12 years after the date of original issuance thereof, to have an average life of no more than 10 years and to bear interest on the unpaid balance. At December 31, 2016, the principal balance outstanding under the Series A Senior Notes was $40.0 million.

3.68% Senior Notes Due in 2021

On March 17, 2014, the Company issued and sold to the Purchasers a $40.0 million aggregate principal amount of its 3.68% Series B Senior Notes (the "Series B Senior Notes") pursuant to the terms of the Note Purchase Agreement, as amended. The Series B Senior Notes are an unsecured obligation of the Company and bear interest at a rate of 3.68% per annum and mature on March 17, 2021. Interest on the Series B Senior Notes is payable semi-annually beginning on September 17, 2014 and continuing thereafter on March 17 and September 17 of each year until maturity. The principal balance is due when the notes mature in 2021. The full net proceeds from the Series B Senior Notes were used for working capital and other general corporate purposes. At December 31, 2016, the principal balance outstanding under the Series B Senior Notes was $40.0 million.

3.84% Senior Notes Due in 2022

On November 5, 2015, the Company issued and sold to the Purchasers 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 December 31, 2016, the principal balance outstanding under the Series C Senior Notes was $60.0 million.

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

- Permit the Consolidated Fixed Charge Coverage Ratio of EBITDA (as defined in the Note Purchase Agreement) to fixed charges as of the end of any fiscal quarter to be less than 2.50 to 1. At December 31, 2016, the actual ratio was 3.74 to 1.
- Permit the Consolidated Leverage Ratio of funded debt to EBITDA (as defined in the Note Purchase Agreement) at any time during any period of four consecutive quarters to be greater than 2.75 to 1. At December 31, 2016, the actual ratio was 2.00 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 December 31, 2016, such sum was $313.3 million and the actual tangible net worth of the Company was $357.9 million.

At December 31, 2016, the Company was in compliance with each of the aforementioned covenants. There are no anticipated trends that the Company is aware of that would indicate non-compliance with these covenants, although significant deterioration in our financial performance could impact the Company's ability to comply with these covenants.

On February 9, 2016, the Company entered into an amendment to the Note Purchase Agreement ("2016 Amendment") with the Purchaser. Pursuant to the 2016 Amendment, (i) the issuance period for the shelf notes to be issued and sold pursuant to the Note Purchase Agreement is extended until the earlier of February 9, 2019 or the termination of the issuance and sale of the shelf notes upon the 30 days' prior notice of either PIM or the Company, and (ii) the definition of the "Available Facility Amount," which is the aggregate amount of the shelf notes that may be authorized for purchase pursuant to the Note Purchase Agreement was amended to equal a formula based on: $250 million, minus the aggregate principal amount of the shelf notes then outstanding and purchased pursuant to the Note Purchase Agreement, minus the shelf notes accepted by the Company for purchase, but not yet purchased, by the Purchaser pursuant to the Note Purchase Agreement; provided, however, the aggregate amount of the shelf notes purchased by any corporation or other entity controlling, controlled by, or under common control with, PIM shall not exceed $200 million.

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

Contractual Obligations and Commitments

At December 31, 2016, the Company's material contractual obligations and commitments consisted of outstanding borrowings under our credit facilities expiring in 2021, outstanding amounts under our 4.03%, 3.68% and 3.84% senior notes due in 2018, 2021 and 2022, respectively, and operating leases for facilities. The operating lease amounts exclude property taxes and insurance. The table below provides a summary of the Company's contractual obligations and reflects expected payments due as of December 31, 2016 and does not reflect changes that could arise after that date.

Payments Due by Period

(dollar amounts in thousands)	Total	Within 1 Year	Within 2 to 3 Years	Within 4 to 5 Years	More than 5 Years
Revolving lines of credit	$186,376	$ —	$ —	$186,376	$ —
4.03% Series A senior notes due in 2018	41,612	21,209	20,403	—	—
3.68% Series B senior notes due in 2021	47,781	1,893	2,944	42,944	—
3.84% Series C senior notes due in 2022	74,182	2,662	4,608	4,608	62,304
Operating leases for facilities	3,002	1,550	1,424	28	—
Total contractual obligations	$352,953	$27,314	$29,379	$233,956	$62,304

The Company believes that its needs for working capital and capital expenditures through 2017 and beyond will be adequately met by operating cash flow, proceeds from the sale of rental equipment, and bank borrowings.

Please see the Company's Consolidated Statements of Cash Flows on page 64 for a more detailed presentation of the sources and uses of the Company's cash.

Critical Accounting Policies

In response to the SEC's Release No. 33-8040, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies," the Company has identified the most critical accounting policies upon which its financial status depends. The Company determined its critical accounting policies by considering those policies that involve the most complex or subjective decisions or assessments. The Company has identified that its most critical accounting policies are those related to depreciation, maintenance, repair and refurbishment, impairment of rental equipment and impairment of goodwill and intangible assets. Descriptions of these accounting policies are found in both the notes to the consolidated financial statements and at relevant sections in this Management's Discussion and Analysis.

Depreciation – The estimated useful lives and estimated residual values used for rental equipment are based on the Company's experience as to the economic useful life and sale value of its products. Additionally, to the extent information is publicly available, the Company also compares its depreciation policies to other companies with similar rental products for reasonableness.

The lives and residual values of rental equipment are subject to periodic evaluation. For modular equipment, external factors to consider may include, but are not limited to, changes in legislation, regulations, building codes, local permitting, and supply or demand. Internal factors for modulars may include, but are not limited to, change in equipment specifications, condition of equipment, or maintenance policies. For electronic test equipment, external factors to consider may include, but are not limited to, technological advances, changes in manufacturers' selling prices, and supply or demand. Internal factors for electronic test equipment may include, but are not limited to, change in equipment specifications, condition of equipment or maintenance policies. For liquid and solid containment tanks and boxes, external factors to consider may include, but are not limited to, changes in Federal and State legislation, the types of materials stored and the frequency of movements and uses. Internal factors for liquid and solid containment tanks and boxes may include, but are not limited to, change in equipment specifications and maintenance policies.

Changes in useful lives or residual values will impact depreciation expense and any gain or loss from the sale of used equipment. Depending on the magnitude of such changes, the impact on the financial statements could be significant.

Maintenance, Repair and Refurbishment – Maintenance and repairs are expensed as incurred. The direct material and labor costs of value-added additions or major refurbishment of modular buildings are capitalized to the extent the refurbishment significantly improves the quality and adds value or life to the equipment. Judgment is involved as to when these costs should be capitalized. The Company's policies narrowly limit the capitalization of value-added items to specific additions such as restrooms, sidewalls and ventilation upgrades. In addition, only major refurbishment costs incurred near the end of the estimated useful life of the rental equipment, which extend its useful life, and are subject to certain limitations, are capitalized. Changes in these policies could impact the Company's financial results.

Impairment of rental equipment – The carrying value of the Company's rental equipment is its capitalized cost less accumulated depreciation. To the extent events or circumstances indicate that the carrying value cannot be recovered, an impairment loss is recognized to reduce the carrying value to fair value. The Company determines fair value based upon the condition of the equipment and the projected net cash flows from its rental and sale considering current market conditions. Additionally, if the Company decides to sell or otherwise dispose of the rental equipment, it is carried at the lower of cost or fair value less costs to sell or dispose. Due to uncertainties inherent in the valuation process and market conditions, it is reasonably possible that actual results of operating and disposing of rental equipment could be materially different than current expectations.

Impairment of goodwill and intangible assets – The Company assesses the carrying amount of its recorded goodwill and intangible assets annually or in interim periods if circumstances indicate an impairment may have occurred. The impairment review is performed by first assessing qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The two-step process requires management to make certain judgments in determining what assumptions to use in the calculation. The first step in the evaluation consists of estimating the fair value of the reporting unit based on discounted cash flows using revenue and after tax profit estimates. Management then compares its estimate of the fair value of the reporting unit with the reporting unit's carrying amount, which includes goodwill and intangible assets. If the estimated fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, then goodwill and intangible assets are not impaired and no further testing is required. If the carrying value of the net assets assigned to the reporting unit were to exceed its fair value, then the second step is performed in order to determine the implied fair value of the reporting unit's goodwill and intangible assets and an impairment loss is recorded for an amount equal to the difference between the implied fair value and the carrying value of the goodwill and intangible assets.

Impact of Inflation

Although the Company cannot precisely determine the effect of inflation, from time to time it has experienced increases in costs of rental equipment, manufacturing costs, operating expenses and interest. Because a majority of its rentals are relatively short-term, the Company has generally been able to pass on such increased costs through increases in rental rates and selling prices, but there can be no assurance that the Company will be able to continue to pass on increased costs to customers in the future.

Off Balance Sheet Transactions

As of December 31, 2016, the Company did not have any "off-balance-sheet arrangements," as defined in Item 303(a)(4)(ii) of Regulation S-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company is exposed to cash flow and fair value risk due to changes in interest rates with respect to its 4.03%, 3.68% and 3.84% senior notes due in 2018, 2021 and 2022, respectively, and its revolving lines of credit. Weighted average variable rates are based on implied forward rates in the yield curve at December 31, 2016. The estimate of fair value of the Company's fixed rate debt is based on the borrowing rates currently available to the Company for bank loans with similar terms and average maturities. The table below presents principal cash flows by expected annual maturities, related weighted average interest rates and estimated fair value for the Company's Series A, Series B and Series C Senior Notes and the Company's revolving lines of credit under the Credit Facility and Sweep Service Facility as of December 31, 2016.

(dollar amounts in thousands)	2017	2018	2019	2020	2021	Thereafter	Total	Estimated Fair Value
Revolving lines of credit	$ —	$ —	$—	$—	$186,376	$ —	$186,376	$186,376
Weighted average interest rate	—	—	—	—	2.19%	—	2.19%	
4.03% Series A senior notes due in 2018	$20,000	$20,000	$—	$—	$ —	$ —	$ 40,000	$ 40,405
Stated interest rate	4.03%	4.03%	—	—	—	—	4.03%	
3.68% Series B senior notes due in 2021	$ —	$ —	$—	$—	$ 40,000	$ —	$ 40,000	$ 40,885
Stated interest rate	—	—	—	—	3.68%	—	3.68%	
3.84% Series C senior notes due in 2022	$ —	$ —	$—	$—	$ —	$60,000	$ 60,000	$ 59,421
Stated interest rate	—	—	—	—	—	3.84%	3.84%	

The Company formed a wholly owned Canadian subsidiary, TRS-RenTelco Inc., in 2004 in conjunction with the TRS acquisition and a wholly owned Indian subsidiary, TRS-RenTelco India Private Limited, in 2013. The Canadian and Indian operations of the Company subject it to foreign currency risks (i.e. the possibility that the financial results could be better or worse than planned because of changes in foreign currency exchange rates). Currently, the Company does not use derivative instruments to hedge its economic exposure with respect to assets, liabilities and firm commitments denominated in foreign currencies. In 2016, the Company experienced minimal impact on net income due to foreign exchange rate fluctuations. Although there can be no assurances, given the size of the Canadian and Indian operations, the Company does not expect future foreign exchange gains and losses to be significant.

The Company has no derivative financial instruments that expose the Company to significant market risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for the preparation and integrity of the consolidated financial statements appearing in our Annual Report filed on Form 10-K. The consolidated financial statements were prepared in conformity with United States generally accepted accounting principles and include amounts based on management's estimates and judgments. All other financial information in this report has been presented on a basis consistent with the information included in the financial statements.

The Company's management is also responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company maintains a system of internal control that is designed to provide reasonable assurance as to the reliable preparation and presentation of the consolidated financial statements, as well as to safeguard assets from unauthorized use or disposition.

The Company's system of internal control over financial reporting is embodied in the Company's Code of Business Conduct and Ethics. It sets the tone of our organization and includes factors such as integrity and ethical values. Our internal control over financial reporting is supported by formal policies and procedures, which are reviewed, modified and improved as changes occur in business conditions and operations.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

The Audit Committee of the Board of Directors, which is composed solely of outside directors, meets periodically with members of management and the independent auditors to review and discuss internal control over financial reporting, as well as accounting and financial reporting matters. The independent auditors report to the Audit Committee and accordingly have full and free access to the Audit Committee at any time.

The Company's management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2016 based on the criteria set forth in the 2013 *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation, management has concluded that, as of December 31, 2016, the Company's internal control over financial reporting was effective based on those criteria.

Reports of Independent Registered Public Accounting Firm

Report on Internal Control over Financial Reporting

Board of Directors and Shareholders of McGrath RentCorp and Subsidiaries:

We have audited the internal control over financial reporting of McGrath RentCorp and Subsidiaries (the "Company") as of December 31, 2016, based on criteria established in the 2013 *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in the 2013 *Internal Control – Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2016, and our report dated February 28, 2017 expressed an unqualified opinion on those financial statements.

/s/ Grant Thornton LLP

San Jose, California
February 28, 2017

Report on Consolidated Financial Statements

Board of Directors and Shareholders of McGrath RentCorp and Subsidiaries:

We have audited the accompanying consolidated balance sheets of McGrath RentCorp and Subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of McGrath RentCorp and Subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016, based on criteria established in the 2013 *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 28, 2017 expressed an unqualified opinion thereon.

/s/ Grant Thornton LLP

San Jose, California
February 28, 2017

MCGRATH RENTCORP
CONSOLIDATED BALANCE SHEETS

(in thousands)	December 31, 2016	December 31, 2015
Assets		
Cash	$ 852	$ 1,103
Accounts receivable, net of allowance for doubtful accounts of $2,087 in 2016 and 2015	96,877	95,017
Income taxes receivable	—	11,000
Rental equipment, at cost:		
Relocatable modular buildings	769,190	736,875
Electronic test equipment	246,325	262,945
Liquid and solid containment tanks and boxes	308,542	310,263
	1,324,057	1,310,083
Less accumulated depreciation	(467,686)	(440,482)
Rental equipment, net	856,371	869,601
Property, plant and equipment, net	112,190	109,753
Prepaid expenses and other assets	25,583	28,802
Intangible assets, net	8,595	9,465
Goodwill	27,808	27,808
Total assets	$1,128,276	$1,152,549
Liabilities and Shareholders' Equity		
Liabilities:		
Notes payable	$ 326,266	$ 381,281
Accounts payable and accrued liabilities	78,205	71,942
Deferred income	37,499	36,288
Deferred income taxes, net	292,019	283,351
Total liabilities	733,989	772,862
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Common stock, no par value – authorized 40,000 shares		
Issued and outstanding – 23,948 shares as of December 31, 2016 and 23,851 shares as of December 31, 2015	101,821	101,046
Retained earnings	292,521	278,708
Accumulated other comprehensive loss	(55)	(67)
Total shareholders' equity	394,287	379,687
Total liabilities and shareholders' equity	$1,128,276	$1,152,549

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

MCGRATH RENTCORP
CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)	Year Ended December 31, 2016	2015	2014
Revenues			
Rental	$271,388	$273,696	$269,575
Rental related services	75,859	73,314	64,132
Rental operations	347,247	347,010	333,707
Sales	74,410	55,385	72,248
Other	2,423	2,149	2,167
Total revenues	424,080	404,544	408,122
Costs and Expenses			
Direct costs of rental operations			
Depreciation of rental equipment	72,197	75,213	72,678
Rental related services	56,374	54,719	48,849
Other	62,800	60,936	56,946
Total direct costs of rental operations	191,371	190,868	178,473
Cost of sales	48,542	36,769	47,430
Total costs of revenues	239,913	227,637	225,903
Gross profit	184,167	176,907	182,219
Selling and administrative expenses	104,908	99,950	96,859
Income from operations	79,259	76,957	85,360
Other income (expense):			
Interest expense	(12,207)	(10,092)	(9,280)
Gain on sale of property, plant and equipment	—	—	812
Foreign currency exchange loss	(121)	(488)	(331)
Income before provision for income taxes	66,931	66,377	76,561
Provision for income taxes	28,680	25,907	30,852
Net income	$ 38,251	$ 40,470	$ 45,709
Earnings per share:			
Basic	$ 1.60	$ 1.60	$ 1.77
Diluted	$ 1.60	$ 1.59	$ 1.75
Shares used in per share calculations:			
Basic	23,900	25,369	25,914
Diluted	23,976	25,457	26,175
Cash dividends declared per share	$ 1.02	$ 1.00	$ 0.98

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

MCGRATH RENTCORP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)	Year Ended December 31, 2016	2015	2014
Net income	$38,251	$40,470	$45,709
Other comprehensive income (loss):			
Foreign currency translation adjustment	24	55	(82)
Tax benefit (provision)	(12)	(20)	11
Comprehensive income	$38,263	$40,505	$45,638

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

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MCGRATH RENTCORP
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands, except per share amounts)	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at December 31, 2013	25,757	$103,023	$298,038	$ (31)	$401,030
Net income	—	—	45,709	—	45,709
Share-based compensation	—	3,854	—	—	3,854
Common stock issued under stock plans, net of shares withheld for employee taxes	294	1,729	—	—	1,729
Excess tax benefit from equity awards	—	1,822	—	—	1,822
Taxes paid related to net share settlement of stock awards	—	(3,959)	—	—	(3,959)
Dividends accrued of $0.98 per share	—	—	(25,583)		(25,583)
Other comprehensive loss	—	—	—	(71)	(71)
Balance at December 31, 2014	26,051	106,469	318,164 #	(102)	424,531
Net income	—	—	40,470	—	40,470
Share-based compensation	—	3,399	—	—	3,399
Common stock issued under stock plans, net of shares withheld for employee taxes	208	2,149	—	—	2,149
Common stock repurchased	(2,408)	(9,119)	(54,834)		(63,953)
Tax shortfall from equity awards	—	(292)	—	—	(292)
Taxes paid related to net share settlement of stock awards	—	(1,560)	—	—	(1,560)
Dividends accrued of $1.00 per share	—	—	(25,092)		(25,092)
Other comprehensive gain	—	—	—	35	35
Balance at December 31, 2015	23,851	101,046	278,708	(67)	379,687
Net income	—	—	38,251	—	38,251
Share-based compensation	—	3,091	—	—	3,091
Common stock issued under stock plans, net of shares withheld for employee taxes	97	37	—	—	37
Tax shortfall from equity awards	—	(1,066)	—	—	(1,066)
Taxes paid related to net share settlement of stock awards	—	(1,287)	—	—	(1,287)
Dividends accrued of $1.02 per share	—	—	(24,438)		(24,438)
Other comprehensive gain	—	—	—	12	12
Balance at December 31, 2016	23,948	$101,821	$292,521	$ (55)	$394,287

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

MCGRATH RENTCORP
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Year Ended December 31, 2016	2015	2014
Cash Flows from Operating Activities:			
Net income	$ 38,251	$ 40,470	$ 45,709
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	81,179	84,280	81,125
Provision for doubtful accounts	1,892	2,149	1,825
Share-based compensation	3,091	3,399	3,854
Gain on sale of used rental equipment	(13,739)	(11,902)	(15,368)
Gain on sale of property, plant and equipment	—	—	(812)
Foreign currency exchange loss	121	488	331
Amortization of debt issuance cost	51	52	14
Change in:			
Accounts receivable	(3,752)	3,628	(15,607)
Income taxes receivable	11,000	(11,000)	—
Prepaid expenses and other assets	3,219	12,910	(13,528)
Accounts payable and accrued liabilities	11,492	(1,520)	10,662
Deferred income	1,211	7,149	5,136
Deferred income taxes	7,745	14,449	19,645
Net cash provided by operating activities	141,761	144,552	122,986
Cash Flows from Investing Activities:			
Purchases of rental equipment	(79,038)	(131,037)	(152,197)
Purchases of property, plant and equipment	(10,548)	(9,321)	(12,740)
Proceeds from sale of used rental equipment	29,406	26,214	32,556
Proceeds from sale of property, plant and equipment	—	—	2,501
Net cash used in investing activities	(60,180)	(114,144)	(129,880)
Cash Flows from Financing Activities:			
Net borrowings (repayments) under bank lines of credit	(35,066)	18,963	12,475
Principal payments on Series A senior notes	(20,000)	(20,000)	(20,000)
Borrowings under Series B senior notes	—	—	40,000
Borrowings under Series C senior notes	—	60,000	—
Proceeds from the exercise of stock options	37	2,149	1,729
Excess tax benefit (shortfall) from exercise of stock awards	(1,066)	(292)	1,822
Taxes paid related to net share settlement of stock awards	(1,287)	(1,560)	(3,959)
Repurchase of common stock	—	(63,953)	—
Payment of dividends	(24,448)	(25,779)	(25,551)
Net cash provided by (used in) financing activities	(81,830)	(30,472)	6,516
Effect of foreign currency exchange rate changes on cash	(2)	—	(85)
Net decrease in cash	(251)	(64)	(463)
Cash balance, beginning of period	1,103	1,167	1,630
Cash balance, end of period	$ 852	$ 1,103	$ 1,167
Supplemental Disclosure of Cash Flow Information:			
Interest paid, during the period	$ 12,436	$ 10,041	$ 9,074
Net income taxes paid, during the period	$ 15,555	$ 2,498	$ 22,275
Dividends accrued during the period, not yet paid	$ 6,147	$ 6,019	$ 6,526
Rental equipment acquisitions, not yet paid	$ 2,876	$ 7,280	$ 4,942

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

McGrath RentCorp and its wholly-owned subsidiaries (the “Company”) is a California corporation organized in 1979. The Company is a diversified business to business rental company with four rental divisions; relocatable modular buildings, portable storage containers, electronic test equipment and liquid and solid containment tanks and boxes. Although the Company’s primary emphasis is on equipment rentals, sales of equipment occur in the normal course of business. The Company is comprised of four reportable business segments: modular building and portable storage segment (“Mobile Modular”), electronic test equipment segment (“TRS-RenTelco”), containment solutions for the storage of hazardous and non-hazardous liquids and solids segment (“Adler Tanks”) and classroom manufacturing division selling modular classrooms in California (“Enviroplex”).

Principles of Consolidation

The consolidated financial statements include the accounts of McGrath RentCorp and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Revenue Recognition

Rental revenue from operating leases is recognized on a straight-line basis over the term of the lease. Rental billings for periods extending beyond period end are recorded as deferred income and are recognized when earned. Rental related services revenue is primarily associated with relocatable modular building and liquid and solid containment tanks and boxes leases. For modular building leases, rental related services revenue consists of billings to customers for modifications, delivery, installation, additional site-related work, and dismantle and return delivery. For modular building leases, revenue related to delivery, installation, dismantle and return delivery are an integral part of the negotiated lease agreement with customers and are recognized on a straight-line basis over the term of the lease. For liquid and solid containment solutions, rental related services revenue consists of billings for delivery, removal and cleaning of the tanks and boxes. These revenues are recognized in the period performed.

Sales revenue is recognized upon delivery and installation of the equipment to customers. Certain leases are accounted for as sales-type leases. For these leases, sales revenue and the related accounts receivable are recognized upon delivery and installation of the equipment and the unearned interest is recognized over the lease term on a basis which results in a constant rate of return on the unrecovered lease investment.

Other revenue is recognized when earned and primarily includes interest income on sales-type leases, rental income on facility rentals and certain logistics services.

Sales taxes charged to customers are reported on a net basis and are excluded from revenues and expenses.

Depreciation of Rental Equipment

Rental equipment is depreciated on a straight-line basis for financial reporting purposes and on an accelerated basis for income tax purposes. The costs of major refurbishment of relocatable modular buildings and portable storage containers are capitalized to the extent the refurbishment significantly adds value to, or extends the life of the equipment. Maintenance and repairs are expensed as incurred.

The estimated useful lives and residual values of the Company's rental equipment used for financial reporting purposes are as follows:

Relocatable modular buildings	18 years, 50% residual value
Relocatable modular accessories	3 to 18 years, no residual value
Portable storage containers	25 years, 62.5% residual value
Electronic test equipment and accessories	1 to 8 years, no residual value
Liquid and solid containment tanks and boxes and accessories	10 to 20 years, no residual value

Costs of Rental Related Services

Costs of rental related services are primarily associated with relocatable modular building leases and liquid and solid containment tank and boxes. Modular building leases consist of costs for services to be provided under the negotiated lease agreement for delivery, installation, modifications, skirting, additional site-related work, and dismantle and return delivery. Costs related to these services are recognized on a straight-line basis over the term of the lease. Costs of rental related services associated with liquid and solid containment solutions consists of costs of delivery, removal and cleaning of the tanks and boxes. These costs are recognized in the period the service is performed.

Impairment of Long-Lived Assets

The Company evaluates the carrying value of rental equipment and identifiable definite lived intangible assets for impairment whenever events or circumstances have occurred that would indicate the carrying amount may not be fully recoverable. A key element in determining the recoverability of long-lived assets is the Company's outlook as to the future market conditions for its rental equipment. If the carrying amount is not fully recoverable, an impairment loss is recognized to reduce the carrying amount to fair value. The Company determines fair value based upon the condition of the rental equipment and the projected net cash flows from its rental and sale considering current market conditions. Goodwill and identifiable indefinite lived assets are evaluated for potential impairment annually or when circumstances indicate potential impairment may have occurred. Impairment losses, if any, are determined based upon the excess of carrying value over the estimated fair value of the asset. There were no impairments of long-lived assets during the years ended December 31, 2016, 2015 and 2014.

Other Direct Costs of Rental Operations

Other direct costs of rental operations include direct labor, supplies, repairs, insurance, property taxes, license fees and certain modular lease costs charged to customers in the negotiated rental rate, which are recognized on a straight-line basis over the term of the lease.

Cost of Sales

Cost of sales in the Consolidated Statements of Income includes the carrying value of the equipment sold and all direct costs associated with the sale.

Warranty Reserves

Sales of new relocatable modular buildings, portable storage containers, electronic test equipment and related accessories and liquid and solid containment tanks and boxes not manufactured by the Company are typically covered by warranties provided by the manufacturer of the products sold. The Company typically provides limited 90-day warranties for certain sales of used rental equipment and one-year warranties on equipment manufactured by Enviroplex. Although the Company's policy is to provide reserves for warranties when required for specific circumstances, the Company has not found it necessary to establish such reserves to date as warranty costs have not been significant.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation. Depreciation is recognized on a straight-line basis for financial reporting purposes, and on an accelerated basis for income tax purposes. Depreciation expenses for property, plant and equipment is included in "Selling and administrative expenses" and "Rental related services" in the Consolidated Statements of Income. Maintenance and repairs are expensed as incurred.

Property, plant and equipment consist of the following:

(dollar amounts in thousands)	Estimated useful life in years	December 31, 2016	December 31, 2015
Land	Indefinite	$ 45,928	$ 40,378
Land improvements	20 – 50	42,677	42,004
Buildings	30	26,105	25,520
Furniture, office and computer equipment	3 – 10	35,215	34,053
Machinery and service equipment	5 – 25	30,416	28,642
		180,341	170,597
Less accumulated depreciation		(68,854)	(61,410)
		111,487	109,187
Construction in progress		703	566
		$112,190	$109,753

Property, plant and equipment depreciation expense was $8.1 million, $8.2 million and $7.6 million for the years ended December 31, 2016, 2015 and 2014, respectively. Construction in progress at December 31, 2016 and 2015 consisted primarily of costs related to acquisition of land and land improvements and information technology upgrades.

Capitalized Software Costs

The Company capitalizes certain development costs incurred in connection with its internal use software. Costs incurred in the preliminary stages of development are expensed as incurred. Once an application has reached the development stage, direct internal and external costs are capitalized until the software is substantially complete and ready for its intended use. These costs generally include external direct costs of materials and services consumed in the project and internal costs, such as payroll and benefits of those employees directly associated with the development of the software. Maintenance and training costs are expensed as incurred. The Company also capitalizes costs related to specific upgrades and enhancements when it is probable the expenditures will result in additional functionality. Capitalized software costs are included in property, plant and equipment. The Company capitalized $0.2 million and $0.6 million in internal use software during the years ended December 31, 2016 and 2015, respectively.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising expenses were $2.9 million, $2.8 million and $2.4 million for the years ended December 31, 2016, 2015 and 2014.

Income Taxes

Income taxes are accounted for using an asset and liability approach. Deferred tax assets and liabilities are recorded for the effect of temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements. Deferred tax assets and deferred tax liabilities are adjusted to the extent necessary to reflect tax rates expected to be in effect when temporary differences reverse. Adjustments may be required to deferred tax assets and deferred tax liabilities due to changes in tax laws and audit adjustments by tax authorities. A valuation allowance would be established if, based on the weight of available evidence, management believes that it is more likely than not that some portion or all of a recorded deferred tax asset would not be realized in future periods. To the extent adjustments are required in any given period, the adjustments would be included within the tax provision in the Consolidated Statements of Income.

Goodwill and Intangible Assets

Purchase prices of acquired businesses have been allocated to the assets and liabilities acquired based on the estimated fair values on the respective acquisition dates. Based on these values, the excess purchase prices over the fair value of the net assets acquired were allocated to goodwill and other intangible assets. Intangible assets related to customer relationships are amortized over eleven years. At December 31, 2016 and 2015, goodwill and trade name intangible assets which have indefinite lives totaled $33.5 million.

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 would be recognized as 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 impairment review of the Company's goodwill and indefinite lived assets is performed by first assessing qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. In the first step, the fair value of the reporting unit is compared to its carrying value to determine if the goodwill and intangible assets are impaired. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, then goodwill and intangible assets are not impaired and no further testing is required. If the carrying value of the net assets assigned to the reporting unit were to exceed its fair value, then the second step is performed in order to determine the implied fair value of the reporting unit's goodwill and intangible assets and an impairment loss is recorded for an amount equal to the difference between the implied fair value and the carrying value of the goodwill and intangible assets.

The Company conducted 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 years ended 2016, 2015 or 2014. Determining the fair value of a reporting unit is judgmental and involves the use of significant estimates and assumptions. The Company based its fair value estimates on assumptions that it believes are reasonable but are uncertain and subject to changes in market conditions.

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 effects of stock options, unvested restricted stock awards and other potentially dilutive securities. The table below presents the weighted-average common stock used to calculate basic and diluted earnings per share:

(in thousands)	Year Ended December 31,		
	2016	2015	2014
Weighted-average common stock for calculating basic earnings per share	23,900	25,369	25,914
Effect of potentially dilutive securities from equity-based compensation	76	88	261
Weighted-average common stock for calculating diluted earnings per share	23,976	25,457	26,175

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

(in thousands)	Year Ended December 31,		
	2016	2015	2014
Options to purchase common stock	661	746	9

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 authorized shares will be repurchased and the repurchase program may be modified, extended or terminated by the Board of Directors at any time. The following table presents share repurchase activities during the years ended December 31, 2016 and 2015:

	Year ended December 31	
(in thousands, except share and per share amounts)	2016	2015
Number of shares repurchased	—	2,407,974
Aggregate purchase price	—	63,953
Average price per repurchased shares	—	26.56

As of December 31, 2016, 1,592,026 shares remain authorized for repurchase.

Accounts Receivable and Concentration of Credit Risk

The Company's accounts receivable consist of amounts due from customers for rentals, sales, financed sales and unbilled amounts for the portion of modular building end-of-lease services earned, which were negotiated as part of the lease agreement. Unbilled receivables related to end-of-lease services, which consists of dismantle and return delivery of buildings, were $28.1 million at December 31, 2016 and $25.0 million at December 31, 2015. The Company sells primarily on 30-day terms, individually performs credit evaluation procedures on its customers on each transaction and will require security deposits from its customers when a significant credit risk is identified. The Company records an allowance for doubtful accounts in amounts equal to the estimated losses expected to be incurred in the collection of the accounts receivable. The estimated losses are based on historical collection experience in conjunction with an evaluation of the current status of the existing accounts. Customer accounts are written off against the allowance for doubtful accounts when an account is determined to be uncollectable. The allowance for doubtful accounts activity was as follows:

(in thousands)	2016	2015
Beginning balance, January 1	$ 2,087	$ 2,038
Provision for doubtful accounts	1,892	2,149
Write-offs, net of recoveries	(1,892)	(2,100)
Ending balance, December 31	$ 2,087	$ 2,087

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of trade accounts receivable. From time to time, the Company maintains cash balances in excess of the Federal Deposit Insurance Corporation limits.

Fair Value of Financial Instruments

The Company believes that the carrying amounts for cash, accounts receivable, accounts payable and notes payable approximate their fair values except for fixed rate debt included in notes payable which has an estimated fair value of $140.7 million and $160.6 million compared to the recorded value of $140.0 million and $160.0 million as of December 31, 2016 and 2015, respectively. The estimates of fair value of the Company's fixed rate debt are based on the borrowing rates currently available to the Company for bank loans with similar terms and average maturities.

Foreign Currency Transactions and Translation

The Company's Canadian subsidiary, TRS-RenTelco Inc., a British Columbia corporation ("TRS-Canada"), functions as a branch sales office for TRS-RenTelco in Canada. The functional currency for TRS-Canada is the U.S. dollar. Foreign currency transaction gains and losses of TRS-Canada are reported in the results of operations in the period in which they occur.

The Company's Indian subsidiary, TRS-RenTelco India Private Limited ("TRS-India"), functions as a rental and sales office for TRS-RenTelco in India. The functional currency for TRS-India is the Indian Rupee. All assets and liabilities of TRS-India are translated into U.S. dollars at period-end exchange rates and all income statement amounts are translated at the average exchange rate for each month within the year.

Currently, the Company does not use derivative instruments to hedge its economic exposure with respect to assets, liabilities and firm commitments as the foreign currency transactions and risks to date have not been significant.

Share-Based Compensation

The Company measures and recognizes the compensation expense for all share-based awards made to employees and directors, including stock options, stock appreciation rights ("SARs") and restricted stock units ("RSUs"), based upon estimated fair values. The fair value of stock options and SARs is estimated on the date of grant using the Black-Scholes option pricing model and for RSUs based upon the fair market value of the underlying shares of common stock as of the date of grant. The Company recognizes share-based compensation cost ratably on a straight-line basis over the requisite service period, which generally equals the vesting period. For performance-based RSUs, compensation costs are recognized when vesting conditions are met. In addition, the Company estimates the probable number of shares of common stock that will be earned and the corresponding compensation cost until the achievement of the performance goal is known. The Company records share-based compensation costs in "Selling and administrative expenses" in the Consolidated Statements of

Income. The Company recognizes a benefit from share-based compensation in the Consolidated Statements of Shareholders' Equity if an incremental tax benefit is realized. Further information regarding share-based compensation can be found in "Note 5 – Benefit Plans".

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions in determining reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during each period presented. Actual results could differ from those estimates. The most significant estimates included in the financial statements are the future cash flows and fair values used to determine the recoverability of the rental equipment and identifiable definite lived intangible assets carrying value, the various assets' useful lives and residual values, and the allowance for doubtful accounts.

Reclassification

In order to conform to current year presentation, certain prior year amounts on the Consolidated Balance Sheet were reclassified from "Accounts receivable" to "Prepaid expenses and other assets" and debt issuance cost from "Prepaid expenses and other assets" to "Notes payable". The reclassifications had no impact on net income, earnings per share or operating cash flows.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers. The objective of this guidance is to establish the principles to report useful information to users of financial statements about the nature, timing and uncertainty of revenue from contracts with customers. 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 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 we currently do 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 the 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.

In March 2016, the FASB issued ASU No. 2016-09, Compensation – Stock Compensation (Topic 718). Under the new guidance, all excess tax benefits and tax deficiencies will be recognized in the income statement as they occur. This will replace the current guidance, which requires tax benefits that exceed compensation cost (windfalls) to be recognized in equity, and tax deficiencies (shortfalls) to be recognized in equity to the extent of previously recognized windfalls. It will also eliminate the need to maintain a "windfall pool," and will remove the requirement to delay recognizing a windfall until it reduces current taxes payable. The new guidance will also change the cash flow presentation of excess tax benefits, classifying them as operating inflows, consistent with other cash flows related to income taxes. The amendments in this guidance are effective for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. The adoption of this guidance is not expected to have a material impact on the Company's financial position or results of operations.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts. This update addresses eight specific cash flow issues with the objective of reducing the existing diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments in this guidance are effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. The Company is evaluating the impact of the adoption of this guidance on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, Business Combination (Topic 805): Clarifying the Definition of a Business. The amendments in this update provide a screen to determine when an integrated set of assets and activities is not a business. The amendments in this guidance are effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. The adoption of this guidance is not expected to have a material impact on the Company's financial position or results of operations.

NOTE 2. FINANCED LEASE RECEIVABLES

The Company has entered into sales-type leases to finance certain equipment sales to customers. The lease agreements have a bargain purchase option at the end of the lease term. The minimum lease payments receivable and the net investment included in accounts receivable for such leases are as follows:

(in thousands)	December 31, 2016	December 31, 2015
Gross minimum lease payments receivable	$3,252	$2,745
Less – unearned interest	(301)	(175)
Net investment in sales type lease receivables	$2,951	$2,570

As of December 31, 2016, the future minimum lease payments under non-cancelable sales-type leases to be received in 2017 and thereafter are as follows:

(in thousands) Year Ended December 31,	
2017	$2,162
2018	605
2019	192
2020	192
2021	101
Total minimum future lease payments	$3,252

NOTE 3. NOTES PAYABLE

Notes payable consists of the following:

(in thousands)	December 31, 2016	December 31, 2015
Unsecured revolving lines of credit	$186,376	$221,441
4.03% Series A senior notes due in 2018	40,000	60,000
3.68% Series B senior notes due in 2021	40,000	40,000
3.84% Series C senior notes due in 2022	60,000	60,000
	$326,376	$381,441

As of December 31, 2016, the future minimum payments under the unsecured revolving lines of credit, 4.03% Series A senior notes due in 2018, 3.68% Series B senior notes due in 2021 and 3.84% Series C senior notes due in 2022 are as follows:

(in thousands) Year Ended December 31,	
2017	$ 20,000
2018	20,000
2019	—
2020	—
2021	226,376
2022 and thereafter	60,000
	$326,376

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 December 31, 2016, under the Credit Facility and Sweep Service Facility, the Company had unsecured lines of credit that permit it to borrow up to $432.0 million of which $186.4 million was outstanding, and had capacity to borrow up to an additional $245.6 million. The Amended 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 Amended Credit Facility):

- 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 December 31, 2016, the actual ratio was 3.74 to 1.
- Permit the Consolidated Leverage Ratio of funded debt to EBITDA at any time during any period of four consecutive fiscal quarters to be greater than 2.75 to 1. At December 31, 2016, the actual ratio was 2.00 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 (as defined in the Amended Credit Facility) (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 December 31, 2016, such sum was $313.3 million and the actual Tangible Net Worth of the Company was $357.9 million.

Amounts borrowed under the Credit Facility bear interest at the Company's option at either: (i) LIBOR plus a defined margin, or (ii) the Agent bank's prime rate ("base rate") plus a margin. The applicable margin for each type of loan is measured based upon the Consolidated Leverage Ratio at the end of the prior fiscal quarter and ranges from 1.00% to 1.75% for LIBOR loans and 0% to 0.75% for base rate loans. In addition, the Company pays an unused commitment fee for the portion of the $420.0 million credit facility that is not used. These fees are based upon the Consolidated Leverage Ratio and range from 0.15% to 0.30%. As of December 31, 2016 and 2015, the applicable margins were 1.50% and 1.75% for LIBOR based loans, respectively, 0.50% and 0.75% for base rate loans, respectively and 0.25% and 0.30% for unused fees, respectively. Amounts borrowed under the Sweep Service Facility are based upon the MUFG Union Bank, N.A. base rate plus an applicable margin and an unused commitment fee for the portion of the $12.0 million facility not used. The applicable base rate margin and unused commitment fee rates for the Sweep Service Facility are the same as for the Amended Credit Facility. The following information relates to the lines of credit for each of the following periods:

(dollar amounts in thousands)	Year Ended December 31,	
	2016	2015
Maximum amount outstanding	$239,820	$295,588
Average amount outstanding	$214,446	$236,860
Weighted average interest rate, during the period	2.19%	2.35%
Prime interest rate, end of period	3.75%	3.50%

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. At December 31, 2016 and 2015, the principal balance outstanding under the Series A Senior Notes were $40.0 million and $60.0 million, respectively.

3.68% Senior Notes Due in 2021

On March 17, 2014, the Company issued and sold to the Purchasers 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, 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 December 31, 2016, the principal balance outstanding under the Series B Senior Notes was $40.0 million.

3.84% Senior Notes Due in 2022

On November 5, 2015, the Company issued and sold to the Purchasers 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, 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 full net proceeds from the Series C Senior Notes were used to reduce the outstanding balance on the Company's revolving credit line. At December 31, 2016, the principal balance outstanding under the Series C Senior Notes was $60.0 million.

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

- Permit the Consolidated Fixed Charge Coverage Ratio of EBITDA to fixed charges as of the end of any fiscal quarter to be less than 2.50 to 1. At December 31, 2016, the actual ratio was 3.74 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 December 31, 2016, the actual ratio was 2.00 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 December 31, 2016, such sum was $313.3 million and the actual Tangible Net Worth of the Company was $357.9 million.

At December 31, 2016, the Company was in compliance with each of the aforementioned covenants. There are no anticipated trends that the Company is aware of that would indicate non-compliance with these covenants, though, significant deterioration in the Company's financial performance could impact its 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.

NOTE 4. INCOME TAXES

Income before provision for income taxes consisted of the following:

(in thousands)	Year Ended December 31,		
	2016	2015	2014
U.S.	$67,199	$66,889	$76,848
Foreign	(268)	(512)	(287)
	$66,931	$66,377	$76,561

The provision for income taxes consisted of the following:

(in thousands)	Year Ended December 31,		
	2016	2015	2014
Current:			
U.S. Federal	$17,203	$ 7,976	$ 7,494
State	2,049	1,851	2,139
Foreign	1,683	1,645	1,572
	20,935	11,472	11,205
Deferred:			
U.S. Federal	4,005	13,201	17,986
State	3,039	1,538	1,927
Foreign	701	(304)	(266)
	7,745	14,435	19,647
Total	$28,680	$25,907	$30,852

The reconciliation of the U.S. federal statutory tax rate to the Company's effective tax rate is as follows:

	Year Ended December 31,		
	2016	2015	2014
U.S. federal statutory rate	35.0%	35.0%	35.0%
State taxes, net of federal benefit	4.2	4.2	4.1
State deferred tax rate change, net of federal benefit	2.0	(0.4)	0.1
Valuation allowance	1.1	—	—
Other	0.6	0.2	1.1
	42.9%	39.0%	40.3%

The following table shows the deferred income taxes related to the temporary differences between the tax bases of assets and liabilities and the respective amounts included in "Deferred income taxes, net" on the Company's Consolidated Balance Sheets:

(in thousands)	December 31,	
	2016	2015
Deferred tax liabilities:		
Accelerated depreciation	$293,141	$286,618
Prepaid costs currently deductible	6,572	6,997
Other	5,747	5,034
Total deferred tax liabilities	305,460	298,649
Deferred tax assets:		
Accrued costs not yet deductible	9,785	8,638
Allowance for doubtful accounts	809	804
Net operating loss carry forwards	—	577
Deferred revenues	965	1,945
Share-based compensation	1,882	3,334
Total deferred tax assets, net of valuation allowance of $0.7 million in 2016	13,441	15,298
Deferred income taxes, net	$292,019	$283,351

In December 2016, the Company decided to exit the Bangalore, India branch operations of its TRS-RenTelco electronics division. The wind down of operations in India will begin in 2017. As a result, a valuation allowance of $0.7 million was recorded against the deferred tax assets that resulted primarily from accumulated net operating loss carry forwards in India as of December 31, 2016 that management estimated the benefit of which will not be realized. There were no valuation allowances recorded as of December 31, 2015.

In 2016 and 2015 exercises of non-qualified stock options by employees resulted in a tax shortfall of $1.1 million and $0.3 million, respectively. In 2014 exercises of non-qualified stock options by employees resulted in an excess tax benefit of $1.8 million. The net tax benefit was recorded as common stock in conjunction with the proceeds received from the exercise of the stock options.

A deferred U.S. tax liability has not been provided on the undistributed earnings of certain foreign subsidiaries because it is the Company's intent to permanently reinvest such earnings. Undistributed earnings of foreign subsidiaries, which have been or are intended to be permanently reinvested, aggregated approximately $1.9 million as of December 31, 2016 and 2015.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company evaluated all of its tax positions for which the statute of limitations remained open and determined there were no material unrecognized tax benefits as of December 31, 2016 and 2015. In addition, there have been no material changes in unrecognized benefits during 2016, 2015 and 2014.

The Company is subject to income taxes in the U.S. federal jurisdiction, and various states and foreign jurisdictions. Tax regulations within each jurisdiction are subject to interpretation of the related tax laws and regulations and require the application of significant judgment. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for the years before 2012.

Our income tax returns are subject to examination by federal, state and foreign tax authorities. There may be differing interpretations of tax laws and regulations, and as a result, disputes may arise with these tax authorities involving the timing and amount of deductions and allocation of income.

The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes for all periods presented. Such interest and penalties were not significant for the years ended December 31, 2016, 2015 and 2014.

NOTE 5. BENEFIT PLANS

Stock Plans

The Company adopted the 2016 Stock Incentive Plan (the "2016 Plan"), effective June 8, 2016, under which 2,000,000 shares of the common stock of the Company, plus the number of shares that remain available for grants of awards under the Company's 2007 Stock Option Plan (the "2007 Plan") and become available as a result of forfeiture, termination, or expiration of awards previously granted under the 2007 Plan, were reserved for the grant of equity awards to its employees, directors and consultants. The equity awards have a maximum term of 7 years at an exercise price of not less than 100% of the fair market value of the Company's common stock on the date the equity award is granted. The 2016 Plan replaced the 2007 Plan.

The 2016 Plan provides for the grant of awards in the form of stock options, stock appreciation rights, RSUs, the vesting of which may be performance-based or service-based, and other rights and benefits. Each RSU issued reduces the number of shares of the Company's common stock available for grant under the 2007 Plan by two shares. There were no modifications to the 2016 Plan and no awards classified as liabilities in the year ended December 31, 2016.

For the years ended December 31, 2016, 2015 and 2014, the share-based compensation expense was $3.1 million, $3.4 million and $3.9 million, respectively, before provision for income taxes. The Company recorded a tax benefit of approximately $1.2 million, $1.3 million and $1.5 million, respectively, related to the aforementioned share-based compensation expenses. There was no capitalized share-based compensation expense in the years ended December 31, 2016, 2015 and 2014. For the years ended December 31, 2016, 2015 and 2014, the share-based compensation expenses, net of taxes, reduced net income by $1.9 million, $2.1 million and $2.3 million, respectively, or $0.08, $0.08 and $0.09 per diluted share for the three years ended December 31, 2016, 2015 and 2014, respectively.

Stock Options

As of December 31, 2016, a cumulative total of 8,159,000 shares subject to options have been granted with exercise prices ranging from $3.47 to $39.19. Of these, options have been exercised for the purchase of 5,222,603 shares, while options for 1,351,962 shares have been terminated, and options for 1,584,435 shares with exercise prices ranging from $23.84 to $39.19 remained outstanding under the stock plans. These options vest over five years and expire seven years after grant. To date, no options have been issued to any of the Company's non-employee advisors. As of December 31, 2016, 2,251,074 shares remained available for issuance of awards under the stock plans.

A summary of the Company's option activity and related information for the three years ended December 31, 2016 is as follows:

	Number of options	Weighted-average price	Weighted-average remaining contractual term (in years)	Aggregate intrinsic value (in millions)
Balance at December 31, 2013	1,772,062	$24.68		
Options granted	203,600	32.79		
Options exercised	(612,682)	21.55		
Options cancelled/forfeited/expired	(19,220)	30.35		
Balance at December 31, 2014	1,343,760	27.25		
Options granted	456,200	31.69		
Options exercised	(270,650)	19.81		
Options cancelled/forfeited/expired	(118,660)	29.58		
Balance at December 31, 2015	1,410,650	29.91		
Options granted	881,800	25.26		
Options exercised	(368,085)	27.34		
Options cancelled/forfeited/expired	(339,930)	28.62		
Balance at December 31, 2016	1,584,435	$28.14	6.20	$17.5
Exercisable at December 31, 2016	354,165	$30.85	4.70	$ 3.0
Expected to vest after December 31, 2016	1,107,243	$27.36	6.63	$13.1

The intrinsic value of stock options at any point in time is calculated as the difference between the exercise price of the underlying awards and the quoted price of the Company's common stock. The aggregate intrinsic value of options exercised and sold under the Company's stock option plans was $4.2 million, $5.7 million and $8.4 million for the years ended December 31, 2016, 2015 and 2014, respectively, determined as of the date of option exercise. As of December 31, 2016, there was approximately $5.7 million of total unrecognized compensation cost related to unvested share-based compensation option arrangements granted under the Company's stock plans, which is expected to be recognized over a weighted-average period of 3.1 years.

The following table indicates the options outstanding and options exercisable by exercise price with the weighted-average remaining contractual life for the options outstanding and the weighted-average exercise price at December 31, 2016:

	Options Outstanding			Options Exercisable	
Exercise price	Number outstanding at December 31, 2016	Weighted-average remaining contractual life (Years)	Weighted-average grant date value	Number exercisable at December 31, 2016	Weighted-average grant date value
\$20 – 25	751,500	6.98	\$24.60	3,780	\$23.84
\$25 – 30	171,920	4.08	\$28.59	118,500	\$28.93
\$30 – 35	651,355	5.85	\$32.06	231,005	\$32.12
\$35 – 40	9,600	6.41	\$38.43	880	\$36.62
\$20 – 40	1,584,375	6.20	\$28.14	354,165	\$30.78

The Company utilizes the Black-Scholes option-pricing model to estimate the fair value of share-based compensation at the date of grant, which requires the use of accounting judgment and financial estimates, including estimates of the expected term option holders will retain their vested stock options before exercising them, the estimated volatility of the Company's stock price over the expected term and the expected number of options that will be forfeited prior to the completion of their vesting requirements. Application of alternative assumptions could produce significantly different estimates of the fair value of share-based compensation amounts recognized in the Consolidated Statements of Income.

The fair value of each option granted was estimated on the date of grant using the Black-Scholes option-pricing model using the following weighted-average assumptions:

	Year Ended December 31,		
	2016	2015	2014
Expected term (in years)	5.0	5.0	5.0
Expected volatility	28.7%	31.1%	40.5%
Expected dividend yields	4.1%	3.2%	3.0%
Risk-free interest rates	1.2%	1.6%	1.5%

The Company monitors option exercise behavior to determine the appropriate homogenous groups for estimation purposes. Currently, the Company's option activity is separated into two categories: directors and employees. The expected term of the options represents the estimated period of time until exercise and is based on historical experience, giving consideration to the option terms, vesting schedules and expectations of future behavior. Expected stock volatility is based on historical stock price volatility of the Company and the risk-free interest rates are based on U.S. Treasury yields in effect on the date of the option grant for the estimated period the options will be outstanding. The expected dividend yield is based upon the current dividend annualized as a percentage of the grant exercise price.

The weighted average grant date fair value per share was \$4.14, \$6.60 and \$9.17 during the years ended December 31, 2016, 2015 and 2014, respectively.

Restricted Stock Units

The following table summarizes the activity of the Company's RSUs, which includes service-based and performance-based awards, for the three years ended December 31, 2016:

	Number of shares	Weighted-average grant Date fair value	Aggregate intrinsic value (in millions)
Balance at December 31, 2013	320,980	$28.47	
RSUs granted	118,864	30.85	
RSUs vested	(120,721)	27.30	
RSUs cancelled/forfeited/expired	(7,540)	30.34	
Balance at December 31, 2014	311,583	29.78	
RSUs granted	79,300	31.86	
RSUs vested	(89,915)	27.97	
RSUs cancelled/forfeited/expired	(80,320)	31.35	
Balance at December 31, 2015	220,648	30.70	
RSUs granted	31,900	25.75	
RSUs vested	(59,008)	29.69	
RSUs cancelled/forfeited/expired	(68,300)	29.33	
Balance at December 31, 2016	125,240	$30.66	$4.9

Performance-based RSUs vest over five years, with 60% of the shares immediately vesting after three years when the performance criteria has been determined to have been met and 20% of the remaining shares vesting annually at the anniversary of the performance determination date, subject to continuous employment of the participant. There were 30,380 performance-based RSUs expected to vest as of December 31, 2016. Service-based RSUs have been issued to the Company's directors and generally vest over twelve to fourteen months. There were 23,400 service-based RSUs expected to vest as of December 31, 2016. No forfeitures are currently expected.

Share-based compensation expense for RSUs for the year ended December 31, 2016, 2015 and 2014 was $1.0 million, $1.7 million and $2.3, respectively. As of December 31, 2016, the total unrecognized compensation expense related to unvested RSUs was $0.6 million and is expected to be recognized over a weighted-average period of 2.3 years.

Employee Stock Ownership and 401(k) Plans

The McGrath RentCorp Employee Stock Ownership and 401(k) Plan (the "KSOP") provides that each participant may annually contribute an elected percentage of his or her salary, not to exceed the statutory limit. The Company, at its discretion, may make matching contributions. Contributions are expensed in the year approved by the Board of Directors. Dividends on the Company's stock held by the KSOP are treated as ordinary dividends and, in accordance with existing tax laws, are deducted by the Company in the year paid. For the year ended December 31, 2016 dividends deducted by the Company were $0.4 million, which resulted in a tax benefit of approximately $0.1 million in 2016.

At December 31, 2016, the KSOP held 335,334 shares, or less than 2% of the Company's total common shares outstanding. These shares are included in basic and diluted earnings per share calculations.

NOTE 6. SHAREHOLDERS' EQUITY

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 authorized shares will be repurchased and the repurchase program may be modified, extended or terminated by the board of directors at any time. During the twelve months ended December 31, 2015, the Company repurchased 2,407,974 shares of common stock for an aggregate repurchase price of $64.0 million, or an average price of $26.56 per share. There were no repurchases of common stock during the twelve months ended December 31, 2016. As of December 31, 2016, 1,592,026 shares remain authorized for repurchase under this authorization.

NOTE 7. COMMITMENTS AND CONTINGENCIES

The Company leases certain facilities under various operating leases. Most of the lease agreements provide the Company with the option of renewing its lease at the end of the lease term, at the fair rental value. In most cases, management expects that in the normal course of business, facility leases will be renewed or replaced by other leases. Minimum payments under these leases, exclusive of property taxes and insurance, are as follows:

(in thousands) Year Ended December 31,	
2017	$1,550
2018	1,148
2019	276
2020	14
2021	14
Thereafter	—
	$3,002

Rent expense was $3.5 million, $3.5 million and $3.4 million in 2016, 2015 and 2014, respectively.

The Company is involved in various lawsuits and routine claims arising out of the normal course of its business. The Company maintains insurance coverage for its operations and employees with appropriate aggregate, per occurrence and deductible limits as the Company reasonably determines necessary or prudent with current operations and historical experience. The major policies include coverage for property, general liability, auto, directors and officers, health, and workers' compensation insurances. The Company records a provision for a liability when it believes that it is both probable that a liability has been incurred and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. The Company reviews these provisions at least quarterly and adjusts these provisions to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information. Litigation is inherently unpredictable and is subject to significant uncertainties, some of which are beyond the Company's control. In the opinion of management, there was not at least a reasonable possibility that the ultimate amount of liability not covered by insurance, if any, under any pending litigation and claims, individually or in the aggregate, will have a material adverse effect on the financial position or operating results of the Company.

The Company's health and workers' compensation plans are self-funded high deductible plans with annual stop-loss insurance of $150,000 and $250,000 per claim, respectively. Insurance providers are responsible for making claim payments that exceed these amounts on an individual claim basis. In addition, the Company has stop loss insurance that pays for claim payments made during a twelve month coverage period that exceeds certain specified thresholds in the aggregate. The Company records an expense when health and workers compensation claim payments are made and accrues for the portion of claims incurred, but not yet paid at period end. The Company makes these accruals based upon a combination of historical claim payments, loss development experience and actuarial estimates. A high degree of judgment is required in developing the underlying assumptions and the resulting amounts to be accrued. In addition, our assumptions will change as the Company's loss experience develops. All of these factors have the potential for impacting the amounts previously accrued and the Company may be required to increase or decrease the amounts previously accrued. At December 31, 2016 and 2015, accruals for the Company's health and workers' compensation high deductible plans were $2.4 million and $1.9 million, respectively.

NOTE 8. INTANGIBLE ASSETS

Intangible assets consist of the following:

(dollar amounts in thousands)	Estimated useful life (In years)	December 31, 2016	December 31, 2015
Trade name	Indefinite	$ 5,700	$ 5,700
Customer relationships	11	9,611	9,611
		15,311	15,311
Less accumulated amortization		(6,716)	(5,846)
		$ 8,595	$ 9,465

Intangible assets with finite useful lives are amortized over their respective useful lives. Amortization expense for the years ended December 31, 2016, 2015 and 2014 were $0.9 million, $0.9 million and $0.8 million, respectively. Based on the carrying values at December 31, 2016 and assuming no subsequent impairment of the underlying assets, the annual amortization is expected to be $0.9 million in 2017 through 2019 and $0.2 million in 2020.

NOTE 9. RELATED PARTY TRANSACTIONS

There were no related party transactions in the years ended December 31, 2016 and 2015, or amounts owed to related parties at such dates.

NOTE 10. SEGMENT REPORTING

FASB guidelines establish annual and interim reporting standards for an enterprise's operating segments and related disclosures about its products, services, geographic areas and major customers. In accordance with these guidelines the Company's four reportable segments are Mobile Modular, TRS-RenTelco, Adler Tanks and Enviroplex. Management focuses on several key measures to evaluate and assess each segment's performance including rental revenue growth, gross margin, 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 amongst Mobile Modular, TRS-RenTelco and Adler Tanks based on their pro-rata share of average rental equipment at cost, goodwill, 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 years ended December 31, 2016, 2015 and 2014, for the Company's reportable segments is shown in the following tables:

Segment Data *(dollar amounts in thousands)*	**Mobile Modular**	**TRS-RenTelco**	**Adler Tanks**	**Enviroplex [1]**	**Consolidated**
Year Ended December 31, 2016					
Rental revenues	$130,496	$ 82,307	$ 58,585	$ —	$ 271,388
Rental related services revenues	49,206	2,846	23,807	—	75,859
Sales and other revenues	29,810	23,464	1,438	22,121	76,833
Total revenues	209,512	108,617	83,830	22,121	424,080
Depreciation of rental equipment	21,001	35,256	15,940	—	72,197
Gross profit	93,816	45,797	37,409	7,145	184,167
Selling and administrative expenses	51,432	21,896	27,610	3,970	104,908
Income from operations	42,384	23,901	9,799	3,175	79,259
Interest expense (income) allocation	(6,804)	(2,465)	(3,200)	262	(12,207)
Income before provision for income taxes	35,580	21,315	6,599	3,437	66,931
Rental equipment acquisitions	43,099	30,505	1,030	—	74,634
Accounts receivable, net (period end)	55,916	19,506	16,150	5,305	96,877
Rental equipment, at cost (period end)	769,190	246,325	308,542	—	1,324,057
Rental equipment, net book value (period end)	544,421	90,172	221,778	—	856,371
Utilization (period end) [2]	77.3%	61.0%	50.7%		
Average utilization [2]	76.6%	60.6%	50.1%		
Year Ended December 31, 2015					
Rental revenues	$115,986	$ 89,208	$ 68,502	$ —	$ 273,696
Rental related services revenues	45,616	3,055	24,643	—	73,314
Sales and other revenues	22,682	22,754	1,486	10,612	57,534
Total revenues	184,284	115,017	94,631	10,612	404,544
Depreciation of rental equipment	19,246	39,974	15,993	—	75,213
Gross profit	78,771	47,836	47,397	2,903	176,907
Selling and administrative expenses	46,496	22,930	27,494	3,030	99,950
Income (loss) from operations	32,275	24,906	19,903	(127)	76,957
Interest expense (income) allocation	(5,363)	(2,194)	(2,729)	194	(10,092)
Income before provision for income taxes	26,912	22,224	17,174	67	66,377
Rental equipment acquisitions	79,622	44,316	9,440	—	133,378
Accounts receivable, net (period end)	53,550	21,784	17,955	1,728	95,017
Rental equipment, at cost (period end)	736,875	262,945	310,263	—	1,310,083
Rental equipment, net book value (period end)	529,483	102,191	237,927	—	869,601
Utilization (period end) [2]	76.9%	58.7%	49.7%		
Average utilization [2]	75.8%	60.5%	58.3%		

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Segment Data *(Continued)* *(dollar amounts in thousands)*	**Mobile Modular**	**TRS-RenTelco**	**Adler Tanks**	**Enviroplex** [1]	**Consolidated**
2014					
Rental revenues	$ 96,457	$ 99,020	$ 74,098	$ —	$ 269,575
Rental related services revenues	35,263	3,331	25,538	—	64,132
Sales and other revenues	29,855	25,951	1,152	17,457	74,415
Total revenues	161,575	128,302	100,788	17,457	408,122
Depreciation of rental equipment	16,536	40,935	15,207	—	72,678
Gross profit	63,455	60,249	53,452	5,063	182,219
Selling and administrative expenses	42,069	23,736	27,424	3,630	96,859
Income from operations	21,386	36,513	26,028	1,433	85,360
Interest expense (income) allocation	4,768	2,075	2,618	(181)	9,280
Income before provision for income taxes	16,959	34,383	23,605	1,614	76,561
Rental equipment acquisitions	82,792	45,158	20,652	—	148,602
Accounts receivable, net (period end)	46,659	28,849	21,031	4,617	101,156
Rental equipment, at cost (period end)	664,340	261,995	303,303	—	1,229,638
Rental equipment, net book value (period end)	473,960	105,729	246,061	—	825,750
Utilization (period end) [2]	75.0%	59.8%	63.9%		
Average utilization [2]	72.3%	60.4%	62.9%		

1 Gross Enviroplex sales revenues were $22,206, $11,530 and $19,017 in 2016, 2015 and 2014, respectively, which includes inter-segment sales to Mobile Modular of $85, $918 and $1,560, which have been eliminated in consolidation.

2 Utilization is calculated each month by dividing the cost of rental equipment on rent by the total cost of rental equipment excluding new equipment inventory and accessory equipment. 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 during 2016, 2015 and 2014. Revenue from foreign country customers accounted for 5% of the Company's revenues for the same periods.

NOTE 11. QUARTERLY FINANCIAL INFORMATION *(unaudited)*

Quarterly financial information for each of the two years ended December 31, 2016 is summarized below:

(in thousands, except per share amounts)	2016				
	First	Second	Third	Fourth	Year
Operations Data					
Rental revenues	$ 66,532	$ 66,747	$ 67,757	$ 70,352	$ 271,388
Total revenues	93,699	103,105	121,993	105,283	424,080
Gross profit	40,655	43,756	50,433	49,323	184,167
Income from operations	14,258	18,073	24,232	22,696	79,259
Income before provision for income taxes	10,853	15,006	21,277	19,795	66,931
Net income	6,566	9,079	12,872	9,734	38,251
Earnings per share:					
Basic	$ 0.28	$ 0.38	$ 0.54	$ 0.41	$ 1.60
Diluted	$ 0.27	$ 0.38	$ 0.54	$ 0.40	$ 1.60
Dividends declared per share	$ 0.255	$ 0.255	$ 0.255	$ 0.255	$ 1.02
Shares used in per share calculations:					
Basic	23,862	23,900	23,911	23,927	23,900
Diluted	23,911	23,949	24,041	24,123	23,976
Balance Sheet Data					
Rental equipment, net	$ 867,215	$ 868,422	$ 862,528	$ 856,371	$ 856,371
Total assets	1,132,355	1,148,018	1,144,923	1,128,276	1,128,276
Notes payable	365,772	363,121	345,286	326,266	326,266
Shareholders' equity	380,512	383,313	390,600	394,287	394,287

	2015				
	First	Second	Third	Fourth	Year
Operations Data					
Rental revenues	$ 65,502	$ 67,305	$ 70,195	$ 70,694	$ 273,696
Total revenues	90,188	96,026	113,048	105,282	404,544
Gross profit	39,087	40,918	50,146	46,756	176,907
Income from operations	13,875	16,465	25,150	21,467	76,957
Income before provision for income taxes	11,316	14,033	22,505	18,523	66,377
Net income	6,846	8,490	13,616	11,518	40,470
Earnings per share:					
Basic	$ 0.26	$ 0.33	$ 0.54	$ 0.48	$ 1.60
Diluted	$ 0.26	$ 0.32	$ 0.54	$ 0.48	$ 1.59
Dividends declared per share	$ 0.250	$ 0.250	$ 0.250	$ 0.250	$ 1.00
Shares used in per share calculations:					
Basic	26,091	26,142	25,334	23,932	25,369
Diluted	26,276	26,273	25,408	24,015	25,457
Balance Sheet Data					
Rental equipment, net	$ 839,078	$ 856,489	$ 864,277	$ 869,601	$ 869,601
Total assets	1,112,056	1,132,750	1,149,095	1,152,549	1,152,549
Notes payable	320,923	337,177	382,113	381,281	381,281
Shareholders' equity	425,848	426,823	389,464	379,687	379,687

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures. The Company's management under the supervision and with the participation of the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") is responsible for establishing and maintaining "disclosure controls and procedures" (as defined in rules promulgated under the Securities Exchange Act of 1934, as amended) for the Company. Based on their evaluation the CEO and CFO have concluded that the Company's disclosure controls and procedures were effective as of December 31, 2016.

Changes in Internal Control over Financial Reporting. During the last quarter of the Company's fiscal year ended December 31, 2016, there were no changes in the Company's internal control that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations on the Effectiveness of Controls. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected. The Company's disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives, and the CEO and CFO have concluded that these controls and procedures are effective at the "reasonable assurance" level.

Management's Assessment of Internal Control. Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2016, is discussed in the Management's Report on Internal Control Over Financial Reporting included on page 57.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2016 has been audited by Grant Thornton LLP, the Company's independent registered public accounting firm, and its report is included in this Annual Report on Form 10-K.

ITEM 9B. OTHER INFORMATION.

Effective February 23, 2017, Joseph F. Hanna was appointed President and Chief Executive Officer of the Company. Concurrently, Mr. Hanna was appointed to the board of directors of the Company. Mr. Hanna is not expected to be named to any committees of the board. In connection with Mr. Hanna's appointment, the Office of the Chief Executive Officer was dissolved.

Mr. Hanna, age 54, was appointed Chief Operating Officer of the Company in June 2007. Prior to that, he served as Senior Vice President of Operations of the Company starting in January 2005, and he served as Vice President of Operations since joining the Company in 2003. Mr. Hanna has extensive sales and operations experience, including 12 years at SMC Corporation of America (a subsidiary of SMC Corporation, Tokyo, Japan) where he served in various leadership positions. His prior experience also includes serving as an officer in the United States Army. Mr. Hanna received a B.S. in Electrical Engineering from the United States Military Academy, West Point, New York.

There is no employment agreement with Mr. Hanna. In connection with Mr. Hanna's appointment, his compensation was increased as follows:

1. a base salary at an annualized rate of $475,000;

2. eligibility to participate in the Company's annual cash incentive bonus plan with a target bonus equal to 75% of his base salary; and

3. eligibility to participate in the Company's annual long-term equity incentive program and subject to approval by the board of directors, a grant of long-term incentive awards with an aggregate Black Scholes value of $700,000.

As an employee director, Mr. Hanna will not receive any additional compensation for his services on the Company's board of directors.

Mr. Hanna has no family relationships with any director or executive officer of the Company. In addition, there have been no transactions directly or indirectly involving Mr. Hanna that would be required to be disclosed pursuant to Item 404(a) of Regulation S-K under the Securities Exchange Act of 1934.

On February 27, 2017, the Company issued a press release announcing the appointment of Mr. Hanna as the Company's President and Chief Executive Officer, as well as a member of its board of directors.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this Item is incorporated by reference to McGrath RentCorp's definitive Proxy Statement with respect to its 2016 Annual Meeting of Shareholders to be held on June 7, 2017, which will be filed with the Securities and Exchange Commission no later than April 28, 2017.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item is incorporated by reference to McGrath RentCorp's definitive Proxy Statement with respect to its 2016 Annual Meeting of Shareholders to be held on June 7, 2017, which will be filed with the Securities and Exchange Commission no later than April 28, 2017.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by this Item is incorporated by reference to McGrath RentCorp's definitive Proxy Statement with respect to its 2016 Annual Meeting of Shareholders to be held on June 7, 2017, which will be filed with the Securities and Exchange Commission no later than April 28, 2017.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.

The information required by this Item is incorporated by reference to McGrath RentCorp's definitive Proxy Statement with respect to its 2016 Annual Meeting of Shareholders to be held on June 7, 2017, which will be filed with the Securities and Exchange Commission no later than April 28, 2017.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this Item is incorporated by reference to McGrath RentCorp's definitive Proxy Statement with respect to its 2016 Annual Meeting of Shareholders to be held on June 7, 2017, which will be filed with the Securities and Exchange Commission no later than April 28, 2017.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

Index of documents filed as part of this report:

1. The following Consolidated Financial Statements of McGrath RentCorp are included in Item 8.

2. Financial Statement Schedules. None

3. Exhibits. See Index of Exhibits on page 88 of this report.

Schedules and exhibits required by Article 5 of Regulation S-X other than those listed are omitted because they are not required, are not applicable, or equivalent information has been included in the consolidated financial statements, and notes thereto, or elsewhere herein.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: February 28, 2017

McGRATH RENTCORP

by: /s/ Joseph F. Hanna
JOSEPH F. HANNA
Chief Executive Officer and President
(Principal Executive Officer)

by: /s/ Keith E. Pratt
KEITH E. PRATT
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

by: /s/ David M. Whitney
DAVID M. WHITNEY
Vice President and Controller
(Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities and on the dates indicated.

Name	*Title*	*Date*
/s/ William J. Dawson WILLIAM J. DAWSON	Director	February 28, 2017
/s/ Elizabeth A. Fetter ELIZABETH A. FETTER	Director	February 28, 2017
/s/ Joseph F. Hanna JOSEPH F. HANNA	Chief Executive Officer, President and Director	February 28, 2017
/s/ Robert C. Hood ROBERT C. HOOD	Director	February 28, 2017
/s/ M. Richard Smith M. RICHARD SMITH	Director	February 28, 2017
/s/ Dennis P. Stradford DENNIS P. STRADFORD	Director	February 28, 2017
/s/ Ronald H. Zech RONALD H. ZECH	Chairman of the Board	February 28, 2017

Number	*Description*	*Method of Filing*
3.1	Articles of Incorporation of McGrath RentCorp.	Filed as exhibit 19.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1988 (filed August 14, 1988), and incorporated herein by reference.
3.1.1	Amendment to Articles of Incorporation of McGrath RentCorp.	Filed as exhibit 3.1 to the Company's Registration Statement on Form S-1 (filed March 28, 1991 Registration No. 33-39633), and incorporated herein by reference.
3.1.2	Amendment to Articles of Incorporation of McGrath RentCorp.	Filed as exhibit 3.1.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 (filed March 31, 1998), and incorporated herein by reference.
3.2	Amended and Restated Bylaws	Filed as exhibit 3.3 to the Company's Current Report on Form 8-K (filed June 17, 2014) and incorporated herein by reference.
4.1	Note Purchase and Private Shelf Agreement between the Company and Prudential Investment Management, Inc., as placement agent, dated June 2, 2004.	Filed as exhibit 10.12 to the Company's Current Report on Form 8-K (filed June 10, 2004), and incorporated herein by reference.
4.1.1	Amendment to Note Purchase and Private Shelf Agreement between the Company and Prudential Investment Management, Inc., as placement agent, effective as of July 11, 2005.	Filed as exhibit 10.19 to the Company's Current Report on Form 8-K (filed July 15, 2005), and incorporated herein by reference.
4.1.2	Amendment to Note Purchase and Private Shelf Agreement between the Company and Prudential Investment Management, Inc., as placement agent, effective as of October 20, 2008.	Filed as exhibit 4.1.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2009 (filed February 26, 2010), and incorporated herein by reference.
4.1.3	Multiparty Guaranty between Enviroplex, Inc., Mobile Modular Management Corporation, Prudential Investment Management, Inc., and such other parties that become Guarantors thereunder, dated June 2, 2004.	Filed as exhibit 10.13 to the Company's Current Report on Form 8-K (filed June 10, 2004), and incorporated herein by reference.
4.1.4	Release from Obligations (TRS-RenTelco Inc.) related to the Note Purchase and Private Shelf Agreement dated June 2, 2004 by and among the Company, certain parties thereto, and Prudential Investment Management, Inc.	Filed as exhibit 10.15 to the Company's Quarterly Report on Form 10-Q (filed August 3, 2006) and incorporated herein by reference.
4.1.5	Indemnity, Contribution and Subordination Agreement between Enviroplex, Inc., Mobile Modular Management Corporation, the Company and such other parties that become Guarantors thereunder, dated June 2, 2004.	Filed as exhibit 10.14 to the Company's Current Report on Form 8-K (filed June 10, 2004), and incorporated herein by reference.
4.1.6	Amendment to Note Purchase and Private Shelf Agreement between the Company and Prudential Investment Management, Inc., as placement agent effective August 4, 2009.	Filed as exhibit 4.1 to the Company's Quarterly Report on form 10-Q (filed August 6, 2009), and incorporated herein by reference.

Number	Description	Method of Filing
4.1.7	Note Purchase and Private Shelf Agreement between the Company and Prudential Investment Management, Inc., dated April 21, 2011.	Filed as exhibit 10.1 to the Company's Current Report on Form 8-K (filed April 21, 2011), and incorporated herein by reference.
4.1.8	Amendment, dated as of March 17, 2014, to the Note Purchase and Private Shelf Agreement dated as of April 21, 2011 among the Company, Prudential Investment Management, Inc., The Prudential Insurance Company of America and Prudential Retirement Insurance and Annuity Company.	Filed as exhibit 10.1 to the Company's Current Report on Form 8-K (filed March 20, 2014) and incorporated herein by reference.
4.1.9	Amendment, dated as of February 9, 2016, to the Note Purchase and Private Shelf Agreement dated as of April 21, 2011 among the Company, Prudential Investment Management, Inc., The Prudential Insurance Company of America and Prudential Retirement Insurance and Annuity Company, as amended on March 17, 2014.	Filed as exhibit 10.1 to the Company's Current Report on Form 8-K (filed February 11, 2016) and incorporated herein by reference.
4.2	Credit Agreement dated as of March 31, 2016 among the Company, Bank of America, N.A. as Administrative Agent, Swing Line Lender and L/C Issuer, and The Other Lenders Party thereto.	Filed as exhibit 10.1 to the Company's Current Report on Form 8-K (filed April 5, 2016) and incorporated herein by reference.
4.2.1	Guaranty dated as of March 31, 2016 among certain domestic subsidiaries of the Company in favor of Bank of America, N.A., in its capacity as the administrative agent for the Lenders.	Filed as exhibit 10.2 to the Company's Current Report on Form 8-K (filed April 5, 2016) and incorporated herein by reference.
4.2.2	$12,000,000 committed Credit Facility Letter Agreement between the Company and MUFG Union Bank, N.A., dated as of March 31, 2016.	Filed as exhibit 10.3 to the Company's Current Report on Form 8-K (filed April 5, 2016) and incorporated herein by reference.
4.2.3	$12,000,000 Credit Line Note, dated March 31, 2016, in favor of MUFG Union Bank, N.A.	Filed as exhibit 10.4 to the Company's Current Report on Form 8-K (filed April 5, 2016) and incorporated herein by reference.
10.1	McGrath RentCorp 1998 Stock Option Plan as amended and restated on November 22, 2002.	Filed as exhibit 10.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 (filed March 20, 2003), and incorporated herein by reference.
10.1.1	Exemplar Incentive Stock Option for Employees Under the 1998 Stock Option Plan.	Filed as exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (filed November 12, 1998), and incorporated herein by reference.
10.1.2	Exemplar Non-Qualified Stock Option for Directors under the 1998 Stock Option Plan.	Filed as exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (filed November 12, 1998), and incorporated herein by reference.
10.2	Exemplar Form of the Directors, Officers and Other Agents Indemnification Agreements.	Filed as exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001 (filed March 18, 2002), and incorporated herein by reference.

Number	Description	Method of Filing
10.3	McGrath RentCorp Employee Stock Ownership Plan, as amended and restated on December 31, 2008.	Filed as exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2009 (filed February 26, 2010), and incorporated herein by reference.
10.3.1	McGrath RentCorp Employee Stock Ownership Trust Agreement, as amended and restated on December 31, 2008.	Filed as exhibit 10.3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2009 (filed February 26, 2010), and incorporated herein by reference.
10.4	McGrath RentCorp 2007 Stock Incentive Plan.	Filed as exhibit 10.12 to the Company's Quarterly Report on from 10-Q for the quarter ended June 30, 2007 (filed August 2, 2007), and incorporated herein by reference.
10.4.1	Form of 2007 Stock Incentive Plan Stock Option Award and Agreement.	Filed as exhibit 10.12.1 to the Company's Quarterly Report on from 10-Q for the quarter ended June 30, 2007 (filed August 2, 2007), and incorporated herein by reference.
10.4.2	Form of 2007 Stock Incentive Plan Non-Qualified Stock Option Award and Agreement.	Filed as exhibit 10.12.2 to the Company's Quarterly Report on from 10-Q for the quarter ended June 30, 2007 (filed August 2, 2007), and incorporated herein by reference.
10.4.3	Form of 2007 Stock Incentive Plan Stock Appreciation Right Award and Agreement.	Filed as exhibit 10.4.3 to the Company's Quarterly Report on form 10-Q for the quarter ended March 31, 2010 (filed May 6, 2010), and incorporated herein by reference.
10.4.4	Form of 2007 Stock Incentive Plan Restricted Stock Unit Award and Agreement.	Filed as exhibit 10.4.4 to the Company's Quarterly Report on form 10-Q for the quarter ended March 31, 2010 (filed May 6, 2010), and incorporated herein by reference.
10.5	McGrath RentCorp Employee Stock Ownership and 401(k) Plan	Filed as exhibit 4.5 to the Company's Registration Statement on Form S-8 (filed August 10, 2012) and incorporated herein by reference.
10.6	McGrath RentCorp Change in Control Severance Plan and Summary Plan Description	Filed as exhibit 10.7 to the Company's Quarterly Report on from 10-Q for the quarter ended June 30, 2013 (filed July 31, 2013), and incorporated herein by reference.
10.7	McGrath RentCorp 2016 Stock Incentive Plan	Filed as Appendix A to the Company's Proxy Statement for the 2016 Annual Meeting (filed April 29, 2016), and incorporated herein by reference.
10.7.1	Form of 2016 Stock Incentive Plan Restricted Stock Unit Award and Agreement	Filed as exhibit 10.1.1 to the Company's Quarterly Report on from 10-Q for the quarter ended June 30, 2016 (filed August 2, 2016), and incorporated herein by reference.
10.7.2	Form of 2016 Stock Incentive Plan Performance-Based Restricted Stock Unit Award and Agreement	Filed as exhibit 10.1.2 to the Company's Quarterly Report on from 10-Q for the quarter ended June 30, 2016 (filed August 2, 2016), and incorporated herein by reference.

Number	*Description*	*Method of Filing*
10.7.3	Form of 2016 Stock Incentive Plan Stock Appreciation Right Award and Agreement	Filed as exhibit 10.1.3 to the Company's Quarterly Report on from 10-Q for the quarter ended June 30, 2016 (filed August 2, 2016), and incorporated herein by reference.
21.1	List of Subsidiaries.	Filed herewith.
23.1	Written Consent of Grant Thornton LLP.	Filed herewith.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.
101	The following materials from McGrath RentCorp's annual Report on Form 10-K for the year ended December 31, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statement of Income, (ii) the Condensed Consolidated Balance Sheet, (iii) the Condensed Consolidated Statement of Cash Flows, and (iv) Notes to Condensed Consolidated Financial Statements.	

Corporate Information

Officers:

Joseph F. Hanna
President and Chief Executive Officer

Keith E. Pratt
Executive Vice President, Chief Financial Officer

Randle F. Rose
Senior Vice President, Chief Administrative Officer and Secretary

David M. Whitney
Vice President, Controller and Principal Accounting Officer

Kay Dashner
Vice President, Human Resources

Philip B. Hawkins
Vice President, Mobile Modular

John P. Skenesky
Vice President, TRS-RenTelco

Kristina VanTrease
Vice President, Adler Tank Rentals

John P. Lieffrig
Vice President, Portable Storage

Glenn S. Owens
President, Enviroplex, Inc.

Directors:

William J. Dawson
Chief Financial Officer
Adamas Pharmaceuticals, Inc.

Elizabeth A. Fetter
Former President and Chief Executive Officer
Symmetricom, Inc.

Joseph F. Hanna
President and Chief Executive Officer

Robert C. Hood
Former Executive Vice President and Chief Financial Officer, Excite, Inc.

M. Richard Smith
Former Senior Vice President
Bechtel Group, Inc.

Dennis P. Stradford
Former Chief Executive Officer
Nomis Solutions, Inc.

Ronald H. Zech
Chairman of the Board
McGrath RentCorp

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Modular Sales Office
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Electronics Sales and Inventory Center
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Enviroplex, Inc.
Classroom Manufacturing Subsidiary
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Stockton, CA 95215
(209) 466-8000

Adler Tank Rentals, LLC
Liquid and Solid Containment Sales and Inventory Center:
2751 Aaron Street
Deer Park, TX 77536
(281) 479-5675

***Stock Transfer Agent**:*

Computershare Trust Company, N. A.
250 Royall Street
Canton, MA 02021
(800) 962-4284
www.computershare.com

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General Counsel:

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www.mobilemodular.com

Portable Storage:
www.mobilemodularcontainers.com

Electronic Test Equipment:
www.trs-rentelco.com

Enviroplex:
www.enviroplex.com

Adler Tanks:
www.adlertankrentals.com

* Visit the Investor Relations section of our web site for upcoming conference call and other investor information