

**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, 2023

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

Commission file number 000-13292

McGRATH RENTCORP

(Exact name of registrant as specified in its Charter)

California

(State or other jurisdiction
of incorporation or organization)

94-2579843

(I.R.S. Employer
Identification No.)

5700 Las Positas Road, Livermore, CA 94551-7800

(Address of principal executive offices)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	MGRC	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 every Interactive Data File required to be submitted 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 such files). Yes No

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

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

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

Indicate by check mark whether the registrant has filed a report on attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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, 2023 (based upon the closing sale price of the registrant's common stock as reported on the NASDAQ Global Select Market on June 30, 2023): \$2,264,372,153.

As of February 20, 2024, 24,496,233 shares of Registrant's Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III (Items 10, 11, 12, 13 and 14) of this Annual Report on Form 10-K will either be incorporated herein by reference to the Company's Definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for its 2024 Annual or Special Meeting of Shareholders or included in an amendment to this Annual Report on Form 10-K, which, in either case, will be filed no later than 120 days after December 31, 2023.

Exhibit index appears on page 95.

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 the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, regarding McGrath RentCorp’s (the “Company’s”) expectations, strategies, prospects or targets are forward looking statements, including statements about (1) our expectations around the effect of the proposed acquisition of us by WillScot Mobile Mini, and (2) our belief that we 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. These forward-looking statements also can be identified by the use of forward-looking terminology such as “anticipates”, “believes”, “continues”, “could”, “estimates”, “expects”, “intends”, “may”, “plan”, “predict”, “project”, or “will”, or the negative of these terms or other 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 three rental divisions: relocatable modular buildings, portable storage containers and electronic test equipment. Although the Company’s primary emphasis is on equipment rentals, sales of equipment occur in the normal course of business. At December 31, 2023, the Company was comprised of four reportable business segments: (1) its modular building segment (“Mobile Modular”); (2) its portable storage container segment (“Portable Storage”); (3) its electronic test equipment segment (“TRS-RenTelco”); and (4) its classroom manufacturing business selling modular buildings used primarily as classrooms in California (“Enviroplex”).

On February 1, 2023, the Company completed the sale of its former liquid and solid containment segment (“Adler Tanks”), to Ironclad Environmental Solutions, Inc., a portfolio company of Kinderhook Industries, for a cash sale price of \$268.0 million. The consolidated financial statements present the historical financial results of the former Adler Tanks segment as discontinued operations for all periods presented. On the same date, the Company acquired Vesta Housing Solutions Holdings, Inc. (“Vesta Modular”), a portfolio company of Kinderhook Industries, that was a leading provider of temporary and permanent modular space solutions, for a cash purchase price of \$437.2 million, subject to certain adjustments. The financial results of Vesta Modular were a part of the Mobile Modular segment since February 1, 2023.

Proposed Acquisition by WillScot Mobile Mini

On January 28, 2024, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with WillScot Mobile Mini Holdings Corp., a Delaware corporation (“WillScot Mobile Mini”), Brunello Merger Sub I, Inc., a California corporation and a direct wholly owned subsidiary of WillScot Mobile Mini (“Merger Sub I”), and Brunello Merger Sub II, LLC, a Delaware limited liability company and direct wholly owned subsidiary of WillScot Mobile Mini (“Merger Sub II”). The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, Merger Sub I will merge with and into the Company (the “First-Step Merger”), with the Company surviving the First-Step Merger and, immediately thereafter, the Company will merge with and into Merger Sub II (the “Second-Step Merger” and together with the First-Step Merger, the “Transaction”), with Merger Sub II surviving the

Second-Step Merger as a wholly owned subsidiary of WillScot Mobile Mini. Each of the parties to the Merger Agreement intends that the Transaction will be treated as a single integrated transaction that qualifies as a “reorganization” within the meaning of Section 368(a) of the U.S. Internal Revenue Code of 1986, as amended. Consummation of the Transaction is subject to the approval of the Company’s shareholders, the receipt of required regulatory approvals, and satisfaction or waiver of other customary closing conditions. The First-Step Merger and the Second-Step Merger will be consummated on the same day.

On the terms and subject to the conditions set forth in the Merger Agreement, at the effective time of the First-Step Merger (the “Effective Time”), each share of common stock, no par value, of the Company (the “Company Common Stock”) issued and outstanding immediately prior to the Effective Time, other than shares of Company Common Stock owned by WillScot Mobile Mini or any subsidiary of WillScot Mobile Mini or the Company, and shares held by shareholders who did not vote in favor of the Transaction (or consent thereto in writing) and who are entitled to demand and properly demands appraisal of such shares, will be automatically converted into the right to receive either (1) \$123 in cash (the “Per Share Cash Consideration”) or (2) 2.8211 (the “Exchange Ratio”) shares of validly issued, fully paid and nonassessable shares of common stock, par value \$0.0001, of WillScot Mobile Mini (the “WillScot Mobile Mini Common Stock”) (the “Per Share Stock Consideration” together with the Per Share Cash Consideration, the “Merger Consideration”), as determined pursuant to the election and allocation procedures set forth in the Merger Agreement. The Company’s shareholders will have the opportunity to elect to receive either the Per Share Cash Consideration or the Per Share Stock Consideration in respect of their Company Common Stock, provided that 60% of the Company Common Stock will be converted into the cash consideration and 40% of the Company Common Stock will be converted into the stock consideration.

The consummation of the Transaction is subject to certain closing conditions, including (i) the approval of the Company’s shareholders, (ii) the expiration or termination of all waiting periods applicable to the transactions contemplated by the Merger Agreement under the Hart-Scott Rodino Antitrust Improvements Act of 1976 (the “HSR Act,” and such expiration or termination, the “Antitrust Approval”), (iii) the absence of any order by any governmental authorities or other legal restraint or prohibition preventing the consummation of the transactions contemplated by the Merger Agreement, (iv) the effectiveness of the registration statement to be filed by WillScot Mobile Mini with SEC relating to the registration of shares of WillScot Mobile Mini Common Stock to be issued to the Company’s shareholders pursuant to the Merger Agreement and (v) other customary conditions specified in the Merger Agreement. The parties have submitted their respective filings under the HSR Act with the U.S. Department of Justice and the Federal Trade Commission as contemplated by the Merger Agreement. The closing of the Transaction is not subject to any financing condition.

For additional information regarding the Transaction, please refer to our current report on Form 8-K and Amendment No. 1 on Form 8-K/A, each filed with the U.S. Securities and Exchange Commission on January 29, 2024.

Because the Transaction is not yet complete, and except as otherwise specifically stated, the descriptions and disclosures presented elsewhere in this Form 10-K assume the continuation of the Company as a public company.

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, portable storage containers (“containers”) have an estimated life of twenty-five years compared to a typical rental term of three to twelve months and 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.

- 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 equipment. For modulars the original investment is recovered in approximately four years, in approximately three years for containers and approximately three years for electronic test equipment.
- 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. Container asset management requires selecting and purchasing quality products and making ongoing repair and maintenance investments. Steel containers have no technical obsolescence. 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.

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, marketing, information technology and operating and accounting systems.

Human Capital Management

As of December 31, 2023, the Company had 1,204 employees, of whom 133 were primarily administrative and executive personnel, with 677, 180, 128 and 86 in the operations of Mobile Modular, Portable Storage, 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.

The Company believes its employees are key to its success and it is committed to all of its employees' engagement, training and career development, and personal and professional growth. The Board of Directors also receives regular updates from senior management on matters relating to the Company's strategy for the recruitment, retention and development of the Company's employees. The Company provides training in technical, operational and leadership skills, and places special emphasis on safety, effective communications, customer service, and employee development. Additionally, the Company offers employees a tuition reimbursement program whereby the employee may receive reimbursement for tuition and fees for undergraduate or graduate level academic courses at an accredited two or four year college or university that may help employees improve performance in their current job or prepare them for advancement.

Government Regulations

We are subject to certain environmental, transportation, anti-corruption, import controls, health and safety, privacy and other laws and regulations in locations in which we operate. Our activity in jurisdictions in which we operate is additionally subject to anti-bribery laws and regulations, such as the US Foreign Corrupt Practices Act of 1977, which prevent companies and their officers, employees and agents from making payments to officials and public entities of foreign countries to facilitate obtaining new contracts. We are also subject to laws and regulations that govern and impose liability for activities that may have adverse environmental effects, including discharges into air and water, and handling and disposal of hazardous substances and waste. Our motor vehicles and related units are subject to regulation in certain states under motor vehicle and similar registrations. While we incur costs in our business to comply with these laws and regulations, management does not believe that the costs of compliance with these various governmental regulations is material to our business and financial condition.

Available Information

We make the Company's Securities and Exchange Commission ("SEC") filings available 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 through the SEC's website at www.sec.gov.

We have a Code of Business Conduct and Ethics which applies to all directors, officers and employees. Copies of this code can be obtained at our website www.mgrc.com. Any waivers to the Code of Business Conduct and Ethics and any amendments to such

code applicable to our Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer or persons performing similar functions, will be posted on our web site.

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 2023, Mobile Modular purchased 30% 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 operates from regional sales and inventory centers serving large geographic areas. These 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 approximately 2% of rental equipment, and has been, on average, 14 years old with sale proceeds above its net book value.

Competitive Strengths

Strong Industry Position – Mobile Modular has a leading modular building fleet in the United States. Rental units for temporary classroom and other educational space needs are an important industry segment and the Company believes Mobile Modular is a leading supplier in California and Florida, and a significant supplier in 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 40 plus years during which Mobile Modular has competed in the modular rental industry, it has developed expertise that delivers value to customers. 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 allow it to drive greater efficiency and pass the benefits to customers. 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 business segment is for temporary classroom and other educational space needs of public and private schools, colleges and universities in California, Florida, Georgia, Louisiana, Maryland, North Carolina, South Carolina, Texas, 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. Modulares offer customers quick, cost-effective space solutions while conserving their capital. The Company's corporate offices and 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 primarily 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 modulares, 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, 2023, Mobile Modular owned 40,382 new or previously rented modulares, with an aggregate cost of \$1,291.1 million including accessories, or an average cost per unit of \$31,972. 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, 2023, fleet utilization was 79.4% and average fleet utilization during 2023 was 79.7%.

Sales

In addition to operating its rental fleet, Mobile Modular sells modulars to customers. These sales may arise out of its marketing efforts for the rental fleet and from existing equipment already on rent or from specific requests for new buildings for a permanent need. The Company has a dedicated team that focuses on these custom sale opportunities. Such sales can be of either new or used units from the rental fleet, which permits some turnover of older units. During 2023 Mobile Modular's largest sale represented approximately 4% 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. Some of our competitors in the modular building leasing industry, have a greater range of products and services, greater financial and marketing resources, larger customer bases, and greater name recognition than we have. In addition, a number of other smaller companies operate regionally throughout the country and have a stronger local presence in those places. Mobile Modular operates primarily in California, Colorado, Florida, Georgia, Louisiana, Maryland, North Carolina, the Pacific Northwest, South Carolina, Texas, Virginia 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, Georgia, Louisiana, Maryland, North Carolina, the Pacific Northwest, South Carolina, Texas, 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 three 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:	2023	2022	2021
Modular Rental Revenues (<i>Mobile Modular</i>)	26%	30%	34%
Modular Sales Revenues (<i>Mobile Modular & Enviroplex</i>)	30%	43%	50%
Modular Rental and Sales Revenues (<i>Mobile Modular & Enviroplex</i>)	27%	35%	40%
Consolidated Rental and Sales Revenues ¹	18%	21%	24%

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 from continuing operations.
2. During the year ended December 31, 2023, the Company determined that the Portable Storage segment met the criteria for separate segment reporting and the Company divested its Adler Tanks segment. As a result of these changes, the rental and sales to public schools as a percentage of total rental and sales revenues for 2022 and 2021, have been restated to present the Mobile Modular and Enviroplex results from continuing operations only.

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. There is no certainty on the timing of the bond sales and it could take additional years before projects funded by these bonds generate meaningful demand for relocatable classrooms.

PORTABLE STORAGE CONTAINERS

Description

Portable Storage's rental inventory is comprised of steel containers used to provide a temporary storage solution that is delivered to the customer's location and addresses the need for secure, temporary storage with immediate access to the unit. The containers are comprised of the following products:

- Storage containers, which consist of new and used steel shipping containers certified under International Organization for Standardization ("ISO") standards, that provide a flexible, low cost alternative to warehousing, while offering greater security, convenience and immediate accessibility. Storage containers are made from weather-resistant corrugated steel and are 8 feet wide and available in lengths ranging from 8 to 53 feet, with 20-foot and 40-foot length containers being the most common.
- Office containers are either modified or specifically manufactured containers that provide self-contained office space with maximum design flexibility. Office containers are often referred to as ground level offices ("GLOs"). GLOs provide the advantage of ground level accessibility and high security.

Competitive Strengths

Strong Industry Position - The Company believes that Portable Storage is one of the largest participants in the temporary portable storage rental industry in North America. Portable Storage has a national reach from branches serving the West, Pacific Northwest, Northeast, Mid-Atlantic, Southeast and Midwest.

Expertise and Customer Service - The Company believes that Portable Storage has highly experienced operating management and branch employees. The Company believes that Portable Storage provides a superior level of customer service due to its strong relationship building skills, quality of fleet, driver development program and the quality of its responsiveness.

Asset Management - The Company believes that Portable Storage markets high quality, well-constructed and well-maintained rental products. The Company depreciates its containers over a 25-year estimated useful life to 62.5% residual value. We believe that if maintained, older containers 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, competitors' product availability and expected equipment returns.

Market

The portable storage container rental market in the U.S. has a large and diverse number of market segments including construction, retail, commercial and industrial, energy and petrochemical, manufacturing, education and healthcare.

The container rental products may be utilized throughout the U.S. and are not subject to any local or regional construction code or approval standards.

Rentals

Portable Storage rents its storage and office containers typically for rental periods of one to twelve months, although in some instances, rental terms can be over a year or longer. Monthly rental rates typically are between 2% and 4% of the equipment's original acquisition cost. At December 31, 2023, Portable Storage owned 42,210 containers with an aggregate cost of \$236.1 million or an average cost per unit of \$5,594. Utilization is calculated each month by dividing the cost of the rental equipment on rent by the total cost of rental equipment, excluding new and accessory equipment. Utilization was 71.5% at December 31, 2023 and averaged 77.3% during the year.

Seasonality

Rental activity may vary depending upon the extent of retail activity that typically occurs during the fourth quarter and the impact inclement weather may have on construction activity.

Competition

The portable storage container rental industry is highly competitive. Some of our competitors may be larger than we are, have greater financial and other resources than we have, are more geographically diverse than we are and have greater name recognition among customers than we do. Portable Storage also competes against local companies that may have longer operating histories and a strong local presence. 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. Portable Storage competes with these companies based upon product

availability, product quality, price and service. Portable Storage may encounter increased competition from existing competitors or from new entrants in the future.

ELECTRONIC TEST EQUIPMENT

Description

TRS-RenTelco rents and sells electronic test equipment nationally and internationally from two facilities located on the grounds of the Dallas Fort Worth International Airport in Grapevine, Texas (the “Dallas facility”) and Dollard-des-Ormeaux, Canada (the “Montreal 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. As of December 31, 2023, the original cost of electronic test equipment inventory was comprised of 80% general purpose electronic test equipment and 20% 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, Rhode & Schwarz 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, Viavi Solutions and Fluke Networks, a division of Fortive 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

Strong Industry Position - 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 International 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 9001-2015 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, 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, 2023, TRS-RenTelco had an electronic test equipment rental inventory including accessories with an aggregate cost of \$377.6 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 55.9% as of December 31, 2023 and averaged 58.9% 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 20% to 22% of total annual gross profit for our electronics division. For 2023, gross profit on equipment sales was approximately 21% 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 2023, approximately 18% of the electronic test equipment revenues were derived from sales. The largest electronic test equipment sale during 2023 represented 7% 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 sales 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, 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.

REPORTABLE SEGMENTS

For segment information regarding the Company's four reportable business segments: Mobile Modular, Portable Storage, TRS-RenTelco and Enviroplex, see "Note 15. Segment Reporting" to the audited Consolidated Financial Statements of the Company included in "Item 8. Financial Statements and Supplementary Data."

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.

RISKS RELATED TO THE PROPOSED ACQUISITION BY WILLSCOT MOBILE MINI:

There are material uncertainties and risks associated with the proposed Transaction, including the timing of the consummation of the Transaction, which may adversely affect our business and ongoing operations, financial condition and results of operations, employees, customers, shareholders, other parties and business prospects, and a failure to complete the Transaction on the terms reflected in the Merger Agreement, if at all, could have a material and adverse effect on our business, financial condition, results of operations, cash flows and stock price.

- The announcement and pendency of the proposed Transaction may adversely affect our business, financial condition and results of operations.
 - On January 28, 2024, we entered into the Merger Agreement with WillScot Mobile Mini. Uncertainty about the effect of the proposed Transaction on our employees, customers, shareholders and other parties may have an adverse effect on our business, financial condition and results of operation regardless of whether the proposed Transaction is completed. The risks to our business include the following, all of which could be exacerbated by a delay in the completion of the proposed Transaction:
 - the impairment of our ability to attract, retain, and motivate our employees, including key personnel;
 - the diversion of significant management time and resources towards the completion of the proposed Transaction;
 - difficulties maintaining relationships with customers, suppliers, and other business partners;
 - delays or deferments of certain business decisions by our customers, suppliers, and other business partners;
 - the inability to pursue alternative business opportunities or make appropriate changes to our business because the Merger Agreement requires us to use reasonable best efforts to conduct our business in the ordinary course of business and not engage in certain kinds of transactions prior to the completion of the proposed Transaction;
 - litigation relating to the proposed Transaction and the costs related thereto; and
 - the incurrence of significant costs, expenses, and fees for professional services and other transaction costs in connection with the proposed Transaction.

Additionally, in approving the Merger Agreement, our Board of Directors considered a number of factors and potential benefits, including the fact that the Transaction consideration to be received by holders of our common stock represented an approximate 10% premium over the Company's closing stock price of \$111.75 on January 26, 2024, the last full trading day prior to the announcement of the proposed Transaction. If the Transaction is not completed, neither we nor the holders of our common stock may realize this benefit of the Transaction.

- Failure to consummate the proposed Transaction within the expected timeframe or at all could have a material adverse impact on our business, financial condition and results of operations.

There can be no assurance that the proposed Transaction will be consummated. The consummation of the proposed Transaction is subject to certain regulatory approvals and customary closing conditions. The obligation of each party to consummate the Transaction is also conditioned upon the other party's representations and warranties being true and correct to the extent specified in the Merger Agreement and the other party having performed in all material respects its obligations under the Merger Agreement. There can be no assurance that these and other conditions to closing will be satisfied in a timely manner or at all. The Merger Agreement also includes customary termination provisions for both the Company and WillScot Mobile Mini, and we may be required to pay WillScot Mobile Mini a termination fee equal to \$120 million in certain specified circumstances, including, among other circumstances, if WillScot Mobile Mini terminates the Merger Agreement following a Company Adverse Recommendation Change prior to receipt of Company Shareholder Approval (each as defined in the Merger Agreement) or (ii) the Company terminates the Merger Agreement to enter into an alternative acquisition agreement in respect of a Superior Proposal (as defined in the Merger Agreement). If we are required to make this payment, doing so may materially adversely affect our business, financial condition and results of operations.

There can be no assurance that a remedy will be available to us in the event of a breach of the Merger Agreement by WillScot Mobile Mini or its affiliates or that we will wholly or partially recover for any damages incurred by us in connection with the proposed Transaction. A failed transaction may result in negative publicity and a negative impression of us among our customers or in the investment community or business community generally. Furthermore, any disruptions to our business resulting from the announcement and pendency of the proposed Transaction, including any adverse changes in our relationships with our customers, partners, suppliers and employees, could continue or accelerate in the event of a failed transaction. In addition, if the proposed Transaction is not completed, and there are no other parties willing and able to acquire the Company at a price of \$123.00 per share or higher, on terms acceptable to us, the share price of our common stock will likely decline to the extent that the current market price of our common stock reflects an assumption that the proposed Transaction will be completed. Also, we have incurred, and will continue to incur, significant costs, expenses and fees for professional services and other transaction costs in connection with the proposed Transaction, for which we will have received little or no benefit if the proposed Transaction is not completed. Many of these fees and costs will be payable by us even if the proposed Transaction is not completed and may relate to activities that we would not have undertaken other than to complete the proposed Transaction.

- **Prior to the completion of the Transaction or the termination of the Merger Agreement in accordance with its terms, we are prohibited from entering into certain transactions and taking certain actions that might otherwise be beneficial to us and our shareholders.**

After the date of the Merger Agreement and prior to the Effective Time, the Merger Agreement restricts us from taking specified actions without the consent of WillScot Mobile Mini (which consent may not be unreasonably withheld, conditioned or delayed) and requires that our business be conducted in all material respects in the ordinary course of business. These restrictions may prevent us from making appropriate changes to our businesses or organizational structures or from pursuing attractive business opportunities that may arise prior to the completion of the Transaction and could have the effect of delaying or preventing other strategic transactions. Adverse effects arising from the pendency of the Transaction could be exacerbated by any delays in consummation of the Transaction or termination of the Merger Agreement.

- **The Transaction, including uncertainty regarding the Transaction, may cause customers, suppliers, distributors or strategic partners to delay or defer decisions, which could negatively affect our business and adversely affect our ability to effectively manage our business.**

The Transaction will be consummated only if certain conditions are met. Many of the conditions are outside of our control, and both we and WillScot Mobile Mini also have the right to terminate the Merger Agreement in certain circumstances. Accordingly, there may be uncertainty regarding the completion of the Transaction. This uncertainty may cause customers, suppliers, distributors, strategic partners or others that deal with us to delay or defer entering into contracts with us or making other decisions concerning us or seek to change or cancel existing business relationships, which could negatively affect our business. Any delay or deferral of those decisions or changes in existing agreements could have a material adverse effect on our business, regardless of whether the Transaction is ultimately completed.

- **The Transaction may cause difficulty in attracting, motivating and retaining employees.**

Our current and prospective employees may experience uncertainty about their future role with the Company until strategies with regard to these employees are announced or executed, which may impair our ability to attract, retain and motivate key management, operational and customer-facing employees and other personnel prior to the Transaction. If we are unable to retain and replace personnel, we could face disruptions in our operations, loss of existing customers, loss of key information, expertise or know-how, and unanticipated additional recruitment and training costs.

- **The Merger Agreement limits our ability to pursue alternatives to the Transaction and may discourage other companies from trying to acquire us for greater consideration than what WillScot Mobile Mini has agreed to pay.**

The Merger Agreement contains provisions that make it more difficult for us to sell our business to a company other than WillScot Mobile Mini. These provisions include a general prohibition on us soliciting any acquisition proposal or offer for a competing transaction. To date, no party has made an acquisition proposal following the execution of the Merger Agreement. If we terminate the Merger Agreement in connection with our Board of Directors' authorization for us to enter into a definitive agreement to consummate an alternative transaction contemplated by a Superior Proposal, we will be required to pay a termination fee of \$120 million. We may also be required to pay the \$120 million termination fee if we or WillScot Mobile Mini terminate the Merger Agreement under certain other circumstances specified in the Merger Agreement. These provisions might discourage a third party that has an interest in acquiring all or a significant part of the Company from considering or proposing an acquisition, even if the party were prepared to pay consideration with a higher per share cash or market value than the Merger Consideration, or

might result in a potential competing acquirer proposing to pay a lower price than it might otherwise have proposed to pay because of the added expense of the termination fee that may become payable in certain circumstances.

- **Stockholder litigation could result in substantial costs and may delay or prevent the Transaction from being completed.**

In connection with the announcement of the Transaction, as is common in the context of mergers and acquisitions of publicly-traded companies, we (along with our directors and officers) may attract lawsuits seeking to enjoin us from proceeding with or consummating the Transaction, or seeking to have the Transaction rescinded after its consummation. Defending against such claims, even those without merit, could result in substantial costs and divert management's time and resources, which may negatively impact our financial condition and adversely affect our business and results of operations. Such claims could prevent or delay the consummation of the Transaction, including through an injunction, and result in additional costs to us. The ultimate resolution of any such lawsuit cannot be predicted, and an adverse ruling in any such lawsuit may cause the Transaction to be delayed or not to be completed, which could cause us not to realize some or all of the anticipated benefits of the Transaction.

RISKS RELATED TO OUR STRATEGY AND OPERATION:

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;
- supply chain delays or disruptions;
- our equipment mix, availability, utilization and pricing;
- inflation in the cost of materials, labor and new rental equipment;
- 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 our business operations; and
- claims 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 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. Additionally, the most recent global credit crisis adversely affected the prices of most publicly traded stocks as many stockholders became 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 ability to retain our executive management and to recruit, retain and motivate key qualified employees is critical to the success of our business.

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

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

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

We are subject to information technology system failures, network disruptions and breaches in data security which could subject us to liability, reputational damage or interrupt the operation of our business.

We rely upon our information technology systems and infrastructure for our business. We sustained an immaterial cybersecurity attack in 2021 involving ransomware that impacted certain of our systems but was unsuccessful in its ability to disrupt our network. Our investigation revealed that an unauthorized third party copied some personal information relating to certain current and former employees, directors, contractor workers and their dependents and certain other persons. Upon detection, we promptly undertook steps

to address the incident, restored network systems and resumed normal operations. The attack did not result in any material disruption to our operations or ability to service our customers and did not affect our financial performance.

In the future, we could experience additional breaches of our security measures resulting in the theft of confidential information or reputational damage from industrial espionage attacks, malware or other cyber-attacks, which may compromise our system infrastructure or lead to data leakage, either internally or at our third-party providers. Similarly, additional data privacy breaches by those who access our systems may pose a risk that sensitive data, including intellectual property, trade secrets or personal information belonging to us, our employees, customers or other business partners, may be exposed to unauthorized persons or to the public.

The immaterial breach of our information technology system that we suffered in 2021 and any future breaches could subject us to reputational damage. Cyber-attacks are increasing in their frequency, sophistication and intensity, and have become increasingly difficult to detect. We expend significant resources to minimize the risk of security breaches, including deploying additional personnel and protection technologies, training employees annually, and engaging third-party experts and contractors. Significant and increasing investments of time and resources by management and Board have been, and will continue to be, required to anticipate and address cybersecurity risks and incidents. However, given that the techniques used to obtain unauthorized access or to sabotage systems change frequently, and often are not identified until they are launched against a target, we may be unable to anticipate these techniques or implement adequate preventative measures in time to stop a cyber incident. Thus, there can be no assurance that our efforts to protect our data and information technology systems will prevent future breaches in our systems (or that of our third-party providers). Such breaches could adversely affect our business and result in financial and reputational harm to us, theft of trade secrets and other proprietary information, legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties.

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. We sustained an immaterial cybersecurity attack in 2021 involving ransomware that impacted certain of our systems, but was unsuccessful in its ability to disrupt our network. Upon detection, we promptly undertook steps to address the incident, restored network systems and resumed normal operations. Any future cybersecurity attack causing 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.

As part of our business, we develop, receive and retain confidential data about our company and our customers. 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 failure to adequately protect critical corporate, customer and employee data, which could adversely impact our customer relationships, our reputation, and even violate privacy laws.

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.

During 2023, the Company acquired Vesta Modular, a portfolio company of Kinderhook Industries, that was a leading provider of temporary and permanent modular space solutions, the assets of Brekke Storage and Inland Leasing, regional providers of portable storage solutions in the Colorado market, and the assets of Dixie Storage, a regional provider of portable storage solutions in the South Carolina market. 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 recent and 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.

We continually assess the strategic fit of our existing businesses and may divest or otherwise dispose of businesses that are deemed not to fit with our strategic plan or are not achieving the desired return on investment, and we cannot be certain that our business, operating results and financial condition will not be materially and adversely affected.

A successful divestiture depends on various factors, including reaching an agreement with potential buyers on terms we deem attractive, as well as our ability to effectively transfer liabilities, contracts, facilities, and employees to any purchaser, identify and separate the assets to be divested from the assets that we wish to retain, reduce fixed costs previously associated with the divested assets or business, and collect the proceeds from any divestitures. These efforts require varying levels of management resources, which may divert our attention from other business operations. If we do not realize the expected benefits of any divestiture transaction, our consolidated financial position, results of operations and cash flows could be negatively impacted. In addition, divestitures of businesses involve a number of risks, including significant costs and expenses, the loss of customer relationships and a decrease in revenues and earnings associated with the divested business. Furthermore, divestitures potentially involve significant post-closing separation activities, which could involve the expenditure of material financial resources and significant employee resources. Any divestiture may result in a dilutive impact to our future earnings if we are unable to offset the dilutive impact from the loss of revenue associated with the divestiture, as well as significant write-offs, including those related to goodwill and other intangible assets, which could have a material adverse effect on our results of operations and financial condition.

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, 2023, we had \$387.8 million of goodwill and intangible assets, net, on our Consolidated Balance Sheets. Goodwill represents the excess of cost over the fair value of net assets acquired in business combinations. Under accounting principles generally accepted in the United States of America, we assess potential impairment of our goodwill and intangible assets at least annually, as well as on an interim basis to the extent that factors or indicators become apparent that could reduce the fair value of any of our businesses below book value. Impairment may result from significant changes in the manner of use of the acquired asset, negative industry or economic trends and significant underperformance relative to historic or projected operating results.

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

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

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

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

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

We generally rent and sell to customers on 30 day payment terms, individually perform credit evaluation procedures on our customers for each transaction and require security deposits or other forms of security from our customers when a significant credit risk is identified. Historically, accounts receivable write-offs and write-offs related to equipment not returned by customers have not been significant and have averaged less than 1% of total revenues over the last five years. If economic conditions deteriorate, we may see an increase in credit losses relative to historical levels, which may materially and adversely affect our operations. Business segments that experience significant market disruptions or declines may experience increased customer credit risk and higher credit losses. 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 results of operations.

Our modular, containers and electronics 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 modulars and containers. 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. Container asset management requires obtaining high quality, well-constructed products and repairing and maintaining the products to ensure its long life. For each of our modular, container and electronic test equipment 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, hazardous substance 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. 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, Louisiana, 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.

INTEREST RATE AND INDEBTEDNESS RISKS:

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 D, E and F 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 \$5.9 million per year for each 1% increase in the average interest rate we pay based on the \$588.0 million balance of variable rate debt outstanding at December 31, 2023. 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.

SPECIFIC RISKS RELATED TO OUR RELOCATABLE MODULAR BUILDINGS AND PORTABLE STORAGE BUSINESS SEGMENTS:

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.

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.

Various states that we operate enacted laws and constitutional amendments to provide funding for school districts to limit the number of students that may be grouped in a single classroom. 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. 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 most recent economic recession caused state and local budget shortfalls, which reduced school districts' funding and their ability to comply with state class size reduction requirements. 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, energy efficiency, 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.

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 and portable storage operations into new markets may negatively affect our operating results.

In the past we have expanded our modular and portable storage operations into new geographies and states. 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 expose us to business volatility and risks, including government budgeting cycles and appropriations, potential early termination of contracts, procurement regulations, governmental policy shifts, audits, investigations, sanctions and penalties. Furthermore, 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.

Mobile Modular and Portable Storage derive a portion of its revenues from contracts with U.S. federal government entities, government prime contractors, state entities and local entities, including school districts. Contracts with government entities are subject to budgetary constraints, and our continued performance under our contracts with these agencies and their prime contractors, or award of additional contracts from these agencies or their prime contractors, could be jeopardized by spending reductions or budget cutbacks at these agencies. Such contracts are also subject to unique laws and regulations, and the adoption of new laws or regulations relating to government contracting or changes to existing laws or regulations. New laws, regulations or procurement requirements, or changes to current ones, can significantly increase our costs and risks and reduce our profitability. In addition, any failure on the part of the company to comply with applicable government contract laws and regulations might result in administrative penalties or even in the termination or suspension of these contracts and as a result, the loss of the related revenues, which would harm our business.

Furthermore, 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 and portable storage 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 competitors in the modular building leasing industry have greater range of products and services, greater financial and marketing resources, larger customer bases, and greater name recognition than we have. These competitors may be better able to respond to changes in the relocatable modular building and portable storage container markets, 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 and container 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, 2023, 55% of our modular and 57% of our container portfolios had equipment on rent for periods exceeding the original committed term. Generally, when a customer continues to rent the units beyond the contractual term, the equipment rents on a month-to-month basis. If a significant number of our rented 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 drivers and subcontractor service companies to meet customer demands for timely shipment and return, and the loss or inadequate number of driver and 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 2023, Mobile Modular purchased 30% 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% and containers to be 25 years with a residual value of 62.5%. However, proper design, manufacture, repairs and maintenance of the products during our ownership is required for the product to reach their useful lives and residual values. 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 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. 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. Over

time, the amount of our international business may increase if we focus on international market opportunities. 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. 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.

GENERAL RISKS:

Our effective tax rate may change and become less predictable as our business expands, or as a result of federal and state tax law changes, making our future earnings less predictable.

We continue to consider expansion opportunities domestically and internationally for our rental businesses. 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. Further, 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. In addition, the amount and timing of stock-based compensation may also impact the Company's current tax provision.

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.

Adverse economic conditions in the United States and globally, as well as geopolitical tensions, could have a negative effect on our business, results of operations, financial condition and liquidity.

Adverse macroeconomic conditions in the United States and globally, including inflation, slower than expected growth or recession, changes to fiscal and monetary policy, tightening of the credit markets, higher interest rates and currency fluctuations, could negatively impact our business, financial condition, results of operations and liquidity. These factors could negatively affect demand for our business.

Adverse economic conditions in the United States and globally have from time to time caused or exacerbated significant slowdowns in our industry and in the markets in which we operate, which have adversely affected our business and results of operations. Macroeconomic weakness and uncertainty also make it more difficult for us to accurately forecast revenue, gross margin and expenses, and may make it more difficult to refinance debt.

Furthermore, sustained uncertainty about, or worsening of, geopolitical tensions, including further escalation of war between Russia and Ukraine, further escalation of trade tensions between the U.S. and China, escalation of tensions between China and Taiwan, further escalation in the conflict between the State of Israel and Hamas, as well as further escalation of tensions between the State of Israel and various countries in the Middle East and North Africa, could result in a global economic slowdown and long-term changes to global trade. Any or all of these factors could negatively affect our revenue and could materially adversely affect our business, results of operations, financial condition and growth.

Environmental, social and governance (ESG) matters may impact our business and reputation.

Governmental authorities, non-governmental organizations, customers, investors, external stakeholders and employees are increasingly sensitive to ESG concerns. This focus on ESG concerns may lead to new requirements that could result in increased costs for our business. Our ability to compete could also be affected by changing customer preferences and requirements, such as growing demand for more environmentally friendly products, supplier practices, or by failure to meet such customer expectations or demand. We risk negative shareholder reaction, including from proxy advisory services, as well as damage to our reputation, if we do not act responsibly, or if we are perceived to not be acting responsibly in key ESG areas. If we do not meet the ESG expectations of our investors, customers and other stakeholders, we could experience reduced demand for our products, loss of customers, and other negative impacts on our business and results of operations.

We have begun to report our prior modular building and portable storage segment in two separate segments of modular building and portable storage container. This segment reporting structure has been in effect for a limited period of time, and there are no assurances that we will be able to successfully operate the prior segment in two distinct segments, and the change could be confusing to investors and may not have the desired effects.

During the quarter ended December 31, 2023, we began reporting our prior modular building and portable storage segment as two distinct segments of modular buildings and portable storage containers. Managing these changes has required, and may continue to require, significant expenditures and allocation of valuable management resources. We have provided disclosures about this new segment reporting structure, but there is no guarantee that investors or the market will understand this change to our financial reporting. There is also no guarantee that this change will have the desired effect. Failure of investors or analysts to understand our revised segment reporting structure may negatively affect their ability to understand our business and operating results which could adversely affect our stock price. In addition, we test for goodwill impairment at the reporting segment level and consider the difference between the fair value of a reporting segment and its' carrying value, when determining whether any impairment exists. There can be no assurance that the change to our segment reporting structure will not result in impairment charges in future periods.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Cybersecurity represents an important component of the Company's overall approach to risk management. The Company's cybersecurity policies, standards and practices are integrated into the Company's enterprise risk management ("ERM") approach, and cybersecurity risks are one of the enterprise risks that are subject to oversight by the Company's Board of Directors (the "Board"). The Company's cybersecurity policies, standards and practices follow industry trends, which align with frameworks established by the National Institute of Standards and Technology and the International Organization for Standardization. The Company approaches cybersecurity threats through a cross-functional approach which endeavors to: (i) identify, prevent and mitigate cybersecurity threats to the Company; (ii) preserve the confidentiality, security and availability of the information that we collect and store to use in our business; (iii) protect the Company's intellectual property; (iv) maintain the confidence of our customers, clients and business partners; and (v) provide appropriate public disclosure of cybersecurity risks and incidents when required.

Risk Management and Strategy

The Company's cybersecurity program focuses on the following areas:

- **Vigilance:** The Company maintains cybersecurity threat operations with the goal of identifying, preventing and mitigating cybersecurity threats and responding to cybersecurity incidents in accordance with our established incident response and recovery plans.
- **Systems Safeguards:** The Company deploys systems safeguards that are designed to protect the Company's information systems from cybersecurity threats, including firewalls, intrusion prevention and detection systems, anti-malware functionality and access controls, which are evaluated and improved through ongoing vulnerability assessments and cybersecurity threat intelligence.

- **Collaboration:** The Company utilizes collaboration mechanisms established with public and private entities, including intelligence and enforcement agencies, industry groups and third-party service providers, to identify, assess and respond to cybersecurity risks.
- **Third-Party Risk Management:** The Company endeavors to identify and oversee cybersecurity risks presented by third parties as well as the systems of third parties that could adversely impact our business in the event of a cybersecurity incident affecting those third-party systems.
- **Training:** The Company provides periodic training and testing for personnel regarding cybersecurity threats, which reinforce the Company's information security policies, standards and practices.
- **Incident Response and Recovery Planning:** The Company has established and maintains incident response and recovery plans that address the Company's response to a cybersecurity incident and the recovery from a cybersecurity incident; such plans are tested and evaluated periodically.
- **Communication, Coordination and Disclosure:** The Company utilizes a cross-functional approach to address the risk from cybersecurity threats, involving management personnel from the Company's technology, operations, legal, risk management, and other key business functions, as well as the members of the Board in an ongoing dialogue regarding cybersecurity threats and incidents, while also implementing controls and procedures for the escalation of cybersecurity incidents pursuant to established thresholds so that decisions regarding the disclosure and reporting of such incidents can be made by management in a timely manner.
- **Governance:** The Board's oversight of cybersecurity risk management is supported by the Company's executive leadership team and cybersecurity Steering Committee, which regularly interacts with the Company's Vice President of Information Technology and other members of the cyber team and management.

The Company manages risks from cybersecurity threats through the assessment and testing of the Company's processes and practices focused on evaluating the effectiveness of our cybersecurity measures. The Company engages a third-party independent cybersecurity company that provides security testing and monitoring, including penetration testing, auditing, and security assessment, for the Company. The results of such assessments and reviews are reported as part of the technology and cyber security update to the Company's executive leadership team and the Board, and the Company adjusts its cybersecurity policies, standards, processes and practices as necessary based on the information provided by the assessments, audits and reviews.

Governance

The Board oversees the management of risks from cybersecurity threats, including the policies, standards, processes and practices that the Company's management implements to address risks from cybersecurity threats. The Board receives reports on the Company's technology and cybersecurity functions, including vulnerability assessments, any third-party and independent reviews, the threat environment, and other information security considerations. The Board also receives prompt and timely information regarding any cybersecurity incident that meets established reporting thresholds, as well as ongoing updates regarding such incident until it has been addressed. The cyber security Steering Committee meets multiple times throughout the year to discuss the Company's cyber security programs and practices, risk management related to cyber security and a wide range of other related topics including, for example, recent developments, evolving standards, vulnerability assessments, third-party and independent reviews, the threat environment, technological trends and information security considerations arising with respect to the Company's peers and third parties. At least once each year, the Board and the Company's executive leadership team discuss the Company's approach to cybersecurity risk management with the Company's VP of Information Technology.

The Company's VP of Information Technology is the member of the Company's management who is principally responsible for overseeing the Company's cybersecurity risk management program, in partnership with other business leaders across the Company. The VP of Information Technology works in coordination with senior leadership, which includes our Chief Executive Officer and President, Chief Financial Officer and General Counsel. The Company's VP of Information Technology has served in various roles in technology and is supported by a team of information technology and cyber security professionals with decades of relevant experience. Most notably, the Company's Enterprise Manager of Cybersecurity and Network holds a Certified Information Systems Security Professional (CISSP) certification and has over 15 years of experience with managing risks arising from cybersecurity threats.

The Company has established a Cybersecurity Steering Committee that includes executives and senior leadership across all divisions and corporate services to implement and manage a program designed to protect the Company's information systems from cybersecurity threats and to respond promptly to any cybersecurity incidents. To facilitate the success of this program, multidisciplinary teams throughout the Company are created and deployed to address cybersecurity threats and to respond to cybersecurity incidents in accordance with the Company's Incident Response Plans (IRP). Through the ongoing communications from these teams, the Steering committee monitors the effectiveness of the prevention, detection, mitigation and remediation within the cybersecurity program. The

Company's General Counsel, as part of the Incident Response Team, will report any credible threats or security concerns to the Board when appropriate.

As of the date of this Annual Report on Form 10-K, we are not aware of any cybersecurity threats that have materially affected or are reasonably likely to affect the Company, including its business strategy, results of operations, or financial condition.

ITEM 2. PROPERTIES.

The Company's corporate and administrative offices are located in Livermore, California in approximately 26,000 square feet. At December 31, 2023, the Company's four reportable business segments conducted operations from the following locations:

Mobile Modular and Portable Storage – Mobile Modular and Portable Storage operate from 22 owned and 60 leased locations. Our largest owned facilities include seven inventory centers, at which relocatable modular buildings and storage containers are displayed, refurbished and stored:

Livermore, California (140 acres in the San Francisco Bay Area),
Mira Loma, California (82 acres in the Los Angeles area),
Pasadena, Texas (50 acres in the Houston area),
Grand Prairie, Texas (30 acres in the Dallas area),
Auburndale, Florida (123 acres in the Orlando area),
Arcade, Georgia (48 acres in the Atlanta area),
Fredericksburg, Virginia (68 acres in the Washington D.C. area).

The inventory centers conduct rental and sales operations from modular buildings, serving as working models of the Company's modular product.

TRS-RenTelco – Electronic test equipment rental and sales operations are conducted from a 117,000 square foot leased facility in Grapevine, Texas (Dallas area) and a sales office in Dollard-des-Ormeaux, Quebec (Montreal, Canada area).

Enviroplex – The Company's wholly owned subsidiary, Enviroplex, manufactures modular buildings used primarily as classrooms in California from its 108,000 square foot facility in Stockton, California (San Francisco Bay Area).

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, cyber, 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". As of February 21, 2024, the Company's common stock was held by approximately 45 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.

Stock Repurchase Plan

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 2,000,000 shares of the Company's outstanding common stock (the "Repurchase Plan"). 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. There were no shares of common stock repurchased during the twelve months ended December 31, 2023 and 2022. As of December 31, 2023, 1,309,805 shares remain authorized for repurchase under the Repurchase Plan.

ITEM 6. [Reserved]

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, portable storage containers, and electronic test equipment for general purpose and communications needs. The Company's primary emphasis is on equipment rentals. At December 31, 2023 the Company was comprised of four reportable business segments: (1) its modular building rental segment ("Mobile Modular"); (2) its portable storage container rental segment ("Portable Storage"); (3) its electronic test equipment rental segment ("TRS-RenTelco"); and (4) its classroom manufacturing segment selling modular buildings used primarily as classrooms in California ("Enviroplex"). In 2023, Mobile Modular, Portable Storage, TRS-RenTelco and Enviroplex contributed 62%, 22%, 16% and 0%, respectively, of the Company's income from continuing operations before provision for taxes (the equivalent of "pre-tax income"), compared to 50%, 22%, 27% and 1%, respectively, for 2022.

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 74% of the Company's total revenues from continuing operations in 2023 and 76% for the three years ended December 31, 2023. Over the past three years, modulars, storage containers and electronic test equipment comprised approximately 61%, 15% and 24%, respectively, of the cumulative rental operations revenues from continuing operations. The Company's direct costs of rental operations include depreciation of rental equipment, rental related service costs, impairment of rental equipment, 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 modulars, storage containers and electronic test equipment that are new, or previously rented. The Company's Enviroplex subsidiary manufactures and sells new 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, containers and electronic test equipment have comprised approximately 26% of the Company's consolidated revenues from continuing operations in 2023 and 24% for the three years ended December 31, 2023. Over the past three years, modulars, containers and electronic test equipment comprised approximately 81%, 3% and 16% 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 18%, 21% and 24% of the Company's consolidated rental and sales revenues from continuing operations for 2023, 2022 and 2021, 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, credit losses, 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

Proposed Acquisition by WillScot Mobile Mini

On January 28, 2024, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with WillScot Mobile Mini Holdings Corp., a Delaware corporation (“WillScot Mobile Mini”), Brunello Merger Sub I, Inc., a California corporation and a direct wholly owned subsidiary of WillScot Mobile Mini (“Merger Sub I”), and Brunello Merger Sub II, LLC, a Delaware limited liability company and direct wholly owned subsidiary of WillScot Mobile Mini (“Merger Sub II”). The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, Merger Sub I will merge with and into the Company (the “First-Step Merger”), with the Company surviving the First-Step Merger and, immediately thereafter, the Company will merge with and into Merger Sub II (the “Second-Step Merger” and together with the First-Step Merger, the “Transaction”), with Merger Sub II surviving the Second-Step Merger as a wholly owned subsidiary of WillScot Mobile Mini. Each of the parties to the Merger Agreement intends that the Transaction will be treated as a single integrated transaction that qualifies as a “reorganization” within the meaning of Section 368(a) of the U.S. Internal Revenue Code of 1986, as amended. Consummation of the Transaction is subject to the approval of the Company’s shareholders, the receipt of required regulatory approvals, and satisfaction or waiver of other customary closing conditions. The First-Step Merger and the Second-Step Merger will be consummated on the same day.

On the terms and subject to the conditions set forth in the Merger Agreement, at the effective time of the First-Step Merger (the “Effective Time”), each share of common stock, no par value, of the Company (the “Company Common Stock”) issued and outstanding immediately prior to the Effective Time, other than shares of Company Common Stock owned by WillScot Mobile Mini or any subsidiary of WillScot Mobile Mini or the Company, and shares held by shareholders who did not vote in favor of the Transaction (or consent thereto in writing) and who are entitled to demand and properly demands appraisal of such shares, will be automatically converted into the right to receive either (1) \$123 in cash (the “Per Share Cash Consideration”) or (2) 2.8211 (the “Exchange Ratio”) shares of validly issued, fully paid and nonassessable shares of common stock, par value \$0.0001, of WillScot Mobile Mini (the “WillScot Mobile Mini Common Stock”) (the “Per Share Stock Consideration” together with the Per Share Cash Consideration, the “Merger Consideration”), as determined pursuant to the election and allocation procedures in the Merger Agreement. The Company’s shareholders will have the opportunity to elect to receive either the Per Share Cash Consideration or the Per Share Stock Consideration in respect of their Company Common Stock, provided that 60% of the Company Common Stock will be converted into the cash consideration and 40% of the Company Common Stock will be converted into the stock consideration.

The consummation of the Transaction is subject to certain closing conditions, including (i) the approval of the Company’s shareholders, (ii) the expiration or termination of all waiting periods applicable to the transactions contemplated by the Merger Agreement under the Hart-Scott Rodino Antitrust Improvements Act of 1976 (the “HSR Act,” and such expiration or termination, the “Antitrust Approval”), (iii) the absence of any order by any governmental authorities or other legal restraint or prohibition preventing the consummation of the transactions contemplated by the Merger Agreement, (iv) the effectiveness of the registration statement to be filed by WillScot Mobile Mini with SEC relating to the registration of shares of WillScot Mobile Mini Common Stock to be issued to the Company’s shareholders pursuant to the Merger Agreement and (v) other customary conditions specified in the Merger Agreement. The parties have submitted their respective filings under the HSR Act with the U.S. Department of Justice and the Federal Trade Commission as contemplated by the Merger Agreement. The closing of the Transaction is not subject to any financing condition.

For additional information regarding the Transaction, please refer to our current report on Form 8-K and Amendment No. 1 on Form 8-K/A, each filed with the SEC on January 29, 2024.

Because the Transaction is not yet complete, and except as otherwise specifically stated, the descriptions and disclosures presented elsewhere in this Form 10-K assume the continuation of the Company as a public company.

Dividends

In February 2024, the Company announced that its Board of Directors declared a cash dividend of \$0.475 per common share for the quarter ending March 31, 2024, an increase of 2% over the prior year’s comparable quarter.

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 from continuing operations and the percentage of changes in the amount of such items as compared to the amount in the indicated prior period:

	Percent of Total Revenues				Percent Change	
	Three Years 2023–2021	2023	Year Ended December 31, 2022	2021	2023 over 2022	2022 over 2021
Revenues						
Rental	60 %	57 %	61 %	62 %	22 %	17 %
Rental related services	16	17	15	14	45	26
Rental operations	76	74	76	76	26	18
Sales	23	25	23	23	40	21
Other	1	1	1	1	267	7
Total revenues	100	100	100	100	31	19
Costs and expenses						
Direct costs of rental operations						
Depreciation of rental equipment	12	11	13	14	11	7
Rental related services	11	12	11	10	40	24
Other	15	13	16	15	10	31
Total direct costs of rental operations	38	36	40	39	18	20
Cost of sales	15	17	14	14	50	20
Total costs	53	53	54	53	27	20
Gross profit	47	47	46	47	36	17
Selling and administrative expenses	24	25	22	23	45	16
Other income	—	—	—	—	100	0
Income from operations	23	23	24	24	29	19
Interest expense	3	5	2	2	232	48
Income from continuing operations before provision for income taxes	20	18	22	22	11	16
Provision for income taxes from continuing operations	5	5	5	6	20	2
Income from continuing operations	15 %	13 %	17 %	16 %	8 %	21 %

1. As a result of the divestiture of Adler Tanks, the results of operations as a percentage of total revenues for the years ended December 31, 2022 and 2021, have been restated to present the results from continuing operations.

Twelve Months Ended December 31, 2023 Compared to Twelve Months Ended December 31, 2022

Overview

Consolidated revenues in 2023 increased 13% to \$841.3 million, from \$733.8 million in 2022. Consolidated net income in 2023, excluding the gain on sale of discontinued operations from the divestiture of Adler Tanks, decreased to \$113.1 million, or \$4.61 per diluted share in 2023, compared to \$115.1 million, or \$4.70 per diluted share, in 2022. The Company's year over year total revenue increase was primarily due to higher rental, sales and rental related services revenues, as more fully described below.

Revenues from discontinued operations for the year ended December 31, 2023, was \$9.4 million, compared to \$98.2 million for the same period in 2022. Income from discontinued operations for the year ended December 31, 2023, was \$62.8 million, which included the net gain on sale of discontinued operations of \$61.5 million, compared to \$11.8 million for the same period in 2022. Earnings per diluted share from discontinued operations for the year ended December 31, 2023 was \$2.56, compared to \$0.48 for the same period in 2022. For additional information on discontinued operations and the divestiture of Adler Tanks, refer to Note 5 of the consolidated financial statements.

For 2023 compared to 2022, on a consolidated basis from continuing operations:

- Gross profit increased \$103.4 million, or 36%, to \$393.6 million. Mobile Modular's gross profit increased \$96.0 million, or 59%, due to higher gross profit on rental, sales and rental related services revenues. Portable Storage's gross profit increased \$13.6 million, or 25%, due to higher gross profit on rental and rental related services revenues. TRS-RenTelco's gross profit decreased \$5.3 million, or 8%, primarily due to lower gross profit on rental and sales revenues. Enviroplex's gross profit decreased \$0.9 million, or 17%, primarily due to \$3.0 million lower sales revenues and lower gross margins of 20.9%, compared to 22.1% in 2022.
- Selling and administrative expenses increased \$64.6 million, or 45%, to \$207.5 million, primarily due to increased headcount and employees' salaries and benefit costs totaling \$29.0 million, partly attributed to increased employee headcount from the Vesta Modular acquisition, and \$21.4 million higher marketing and administrative costs, which included \$15.9 million in acquisition and divestiture related transaction costs.
- During the year ended December 31, 2023, the Company sold four properties, which resulted in a net gain on sale of \$3.6 million. The gain on sale, which was presented in Other income on the Consolidated Statements of Income, contributed \$0.11 in earnings per diluted share.
- Interest expense increased \$28.3 million, due to 55% higher average debt levels of the Company, accompanied by 72% higher net average interest rates of 6.12% in 2023 compared to 3.55% in 2022.
- Pre-tax income contribution by Mobile Modular, Portable Storage and TRS-RenTelco was 62%, 22% and 16%, respectively, compared to 50%, 22% and 27%, respectively, in 2022. These results are discussed on a segment basis below. Pre-tax income contribution by Enviroplex was 0% for 2023 and 1% for 2022.
- The provision for income taxes resulted in an effective tax rate of 25.5% and 23.3% for the twelve months ended December 31, 2023 and 2022, respectively. The higher rate in 2023 was primarily due to changes in state business activity levels and nondeductible expenses.
- Adjusted EBITDA increased \$70.8 million, or 28%, to \$322.0 million in 2023. Adjusted EBITDA is a non-GAAP financial measure and is defined as net income before interest expense, provision for income taxes, depreciation, amortization, non-cash impairment costs, share-based compensation and transaction costs. A reconciliation of Adjusted EBITDA to net cash provided by operating activities and net income to Adjusted EBITDA can be found on page 48.

Mobile Modular

For 2023, Mobile Modular's total revenues increased \$183.0 million, or 48%, to \$562.2 million compared to 2022, primarily due to higher rental, sales and rental related services revenues. Higher gross profit on rental, sales and rental related services revenues, partly offset by \$52.8 million higher selling and administrative expenses, resulted in an increase in pre-tax income of \$24.5 million, or 36%, to \$92.0 million in 2023.

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.

Mobile Modular – 2023 compared to 2022

	Year Ended December 31,		Increase (Decrease)	
	2023	2022	\$	%
<i>(dollar amounts in thousands)</i>				
Revenues				
Rental	\$ 285,553	\$ 206,070	\$ 79,483	39%
Rental related services	114,511	74,756	39,755	53%
Rental operations	400,064	280,826	119,238	42%
Sales	155,267	97,046	58,221	60%
Other	6,905	1,339	5,566	nm
Total revenues	562,236	379,211	183,025	48%
Costs and Expenses				
Direct costs of rental operations:				
Depreciation of rental equipment	36,921	28,373	8,548	30%
Rental related services	75,390	49,910	25,480	51%
Other	86,983	76,819	10,164	13%
Total direct costs of rental operations	199,294	155,102	44,192	28%
Costs of sales	105,021	62,224	42,797	69%
Total costs of revenues	304,315	217,326	86,989	40%
Gross Profit				
Rental	161,649	100,878	60,771	60%
Rental related services	39,121	24,847	14,274	57%
Rental operations	200,770	125,725	75,045	60%
Sales	50,246	34,822	15,424	44%
Other	6,905	1,339	5,566	nm
Total gross profit	257,921	161,885	96,036	59%
Selling and administrative expenses	(138,574)	(85,769)	52,805	62%
Other income	2,329	—	2,329	nm
Income from operations	121,676	76,116	45,560	60%
Interest expense allocation	(29,724)	(8,657)	21,067	nm
Pre-tax income	\$ 91,952	\$ 67,459	\$ 24,493	36%
Other Selected Information				
Adjusted EBITDA	\$ 191,990	\$ 121,981	\$ 70,009	57%
Average rental equipment ¹	\$ 1,093,086	\$ 855,640	\$ 237,446	28%
Average rental equipment on rent	\$ 870,621	\$ 667,559	\$ 203,062	30%
Average monthly total yield ²	2.18%	2.01%		8%
Average utilization ³	79.7%	78.0%		2%
Average monthly rental rate ⁴	2.73%	2.57%		6%
Period end rental equipment ¹	\$ 1,163,704	\$ 869,926	\$ 293,778	34%
Period end utilization ³	79.4%	80.3%		(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 2023 increased \$96.0 million, or 59%, to \$257.9 million. For the year ended December 31, 2023 compared to the year ended December 31, 2022:

- **Gross Profit on Rental Revenues** – Rental revenues increased \$79.5 million, or 39%, due to 30% higher average rental equipment on rent and 6% higher average monthly rental rates in 2023. As a percentage of rental revenues, depreciation was 13% and 14% in 2023 and 2022, respectively, and other direct costs were 30% in 2023 and 37% in 2022, which resulted in gross margin percentage of 57% in 2023, compared to 49% in 2022. The higher rental revenues and increased rental margins resulted in gross profit on rental revenues increasing \$60.8 million, or 60%, to \$161.6 million in 2023.
- **Gross Profit on Rental Related Services** – Rental related services revenues increased \$39.8 million, or 53%, compared to 2022. 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 delivery, return delivery and dismantle revenues and higher site related services. The higher revenues accompanied by higher gross margin percentage of 34% in 2023, compared to 33% in 2022, resulted in rental related services gross profit increasing \$14.3 million, or 57%, to \$39.1 million in 2023.
- **Gross Profit on Sales** – Sales revenues increased \$58.2 million, or 60%, primarily due to higher new equipment sales. The higher sales revenues and lower gross margins of 32% in 2023, compared to 36% in 2022, resulted in sales gross profit increasing \$15.4 million, or 44%, to \$50.2 million in 2023. 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 2023, Mobile Modular's selling and administrative expenses increased \$52.8 million, or 62%, to \$138.6 million, primarily due to increased employee salaries and benefit costs totaling \$21.6 million, partly attributed to increased employee headcount from the Vesta Modular acquisition, \$14.1 million higher allocated corporate expenses, which included \$5.3 million of transaction costs primarily attributed to the divestiture of Adler Tanks. In addition, the Company had \$10.7 million higher marketing and administrative costs compared to 2022, which included \$7.7 million Vesta transaction costs.

Portable Storage

For 2023, Portable Storage's total revenues increased \$18.6 million, or 23%, to \$101.1 million compared to 2022, primarily due to higher rental, rental related services and sales revenues. Higher gross profit on rental, rental related services and sales revenues, partly offset by \$7.1 million higher selling and administrative expenses, resulted in an increase in pre-tax income of \$3.5 million, or 12%, to \$32.9 million in 2023.

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.

Portable Storage – 2023 compared to 2022

	Year Ended December 31,		Increase (Decrease)	
	2023	2022	\$	%
<i>(dollar amounts in thousands)</i>				
Revenues				
Rental	\$ 74,536	\$ 62,218	\$ 12,318	20%
Rental related services	20,510	17,095	3,415	20%
Rental operations	95,046	79,313	15,733	20%
Sales	4,587	2,933	1,654	56%
Other	1,504	260	1,244	nm
Total revenues	101,137	82,506	18,631	23%
Costs and Expenses				
Direct costs of rental operations:				
Depreciation of rental equipment	3,514	2,799	715	26%
Rental related services	18,568	16,344	2,224	14%
Other	7,317	6,212	1,105	18%
Total direct costs of rental operations	29,399	25,355	4,044	16%
Costs of sales	2,858	1,849	1,009	55%
Total costs of revenues	32,257	27,204	5,053	19%
Gross Profit				
Rental	63,705	53,207	10,498	20%
Rental related services	1,942	750	1,192	nm
Rental operations	65,647	53,957	11,690	22%
Sales	1,729	1,084	645	60%
Other	1,504	260	1,244	nm
Total gross profit	68,880	55,302	13,578	25%
Selling and administrative expenses	(31,537)	(24,465)	7,072	29%
Other income	457	—	457	nm
Income from operations	37,800	30,837	6,963	23%
Interest expense allocation	(4,950)	(1,518)	3,432	nm
Pre-tax income	\$ 32,850	\$ 29,319	\$ 3,531	12%
Other Selected Information				
Adjusted EBITDA	\$ 47,147	\$ 37,393	\$ 9,754	26%
Average rental equipment ¹	\$ 206,095	\$ 169,997	\$ 36,098	21%
Average rental equipment on rent	\$ 159,391	\$ 144,133	\$ 15,258	11%
Average monthly total yield ²	3.01%	3.05%		(1)%
Average utilization ³	77.3%	84.8%		(9)%
Average monthly rental rate ⁴	3.90%	3.60%		8%
Period end rental equipment ¹	\$ 221,817	\$ 184,919	\$ 36,898	20%
Period end utilization ³	71.5%	82.6%		(13)%

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

Portable Storage's gross profit for 2023 increased \$13.6 million, or 25%, to \$68.9 million. For the year ended December 31, 2023 compared to the year ended December 31, 2022:

- **Gross Profit on Rental Revenues** – Rental revenues increased \$12.3 million, or 20%, due to 11% higher average rental equipment on rent and 8% higher average monthly rental rates in 2023. As a percentage of rental revenues, depreciation was 5% and 4% in 2023 and 2022, respectively, and other direct costs were 10% in both 2023 and 2022, which resulted in gross margin percentage of 85% in 2023 compared to 86% in 2022. The higher rental revenues and lower rental margins resulted in gross profit on rental revenues increasing \$10.5 million, or 20%, to \$63.7 million in 2023.
- **Gross Profit on Rental Related Services** – Rental related services revenues increased \$3.4 million, or 20%, compared to 2022. The increase in rental related services revenues was primarily attributable to increased delivery and return delivery revenues. The higher revenues coupled with higher gross margin percentage of 9% in 2023, compared to 4% in 2022, resulted in rental related services gross profit increasing \$1.2 million to \$1.9 million in 2023.
- **Gross Profit on Sales** – Sales revenues increased \$1.7 million, or 56%, primarily due to higher used equipment sales. The higher sales revenues and higher gross margins of 38% in 2023, compared to 37% in 2022, resulted in sales gross profit increasing \$0.6 million, or 60%, to \$1.7 million in 2023. Sales occur routinely as a normal part of Portable Storage's rental business; however, these sales can fluctuate from period to period depending on customer requirements, equipment availability and funding.

For 2023, Portable Storage's selling and administrative expenses increased \$7.1 million, or 29%, to \$31.5 million, primarily due to \$3.2 million higher allocated corporate expenses, which included \$1.3 million of allocated transaction costs from the divestiture of Adler Tanks, and increased employee salaries and benefit costs totaling \$2.0 million, as compared to 2022.

TRS-RenTelco

For 2023, TRS-RenTelco's total revenues decreased \$2.5 million, or 2%, to \$148.3 million compared to 2022, primarily due to lower rental revenues, partially offset by higher sales and other revenues. Pre-tax income decreased \$12.3 million, or 33%, to \$24.6 million for 2023, primarily due to lower gross profit on rental and sales revenues, coupled with an increase in selling and administrative expenses.

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.

TRS-RenTelco – 2023 compared to 2022

	Year Ended December 31,		Increase (Decrease)	
	2023	2022	\$	%
<i>(dollar amounts in thousands)</i>				
Revenues				
Rental	\$ 114,247	\$ 121,375	\$ (7,128)	(6)%
Rental related services	3,139	3,112	27	1%
Rental operations	117,386	124,487	(7,101)	(6)%
Sales	27,119	24,571	2,548	10%
Other	3,772	1,720	2,052	nm
Total revenues	148,277	150,778	(2,501)	(2)%
Costs and Expenses				
Direct costs of rental operations:				
Depreciation of rental equipment	48,477	49,253	(776)	(2)%
Rental related services	2,670	2,592	78	3%
Other	20,642	21,327	(685)	(3)%
Total direct costs of rental operations	71,789	73,172	(1,383)	(2)%
Costs of sales	13,884	9,707	4,177	43%
Total costs of revenues	85,673	82,879	2,794	3%
Gross Profit				
Rental	45,128	50,795	(5,667)	(11)%
Rental related services	469	520	(51)	(10)%
Rental operations	45,597	51,315	(5,718)	(11)%
Sales	13,235	14,864	(1,629)	(11)%
Other	3,772	1,720	2,052	119%
Total gross profit	62,604	67,899	(5,295)	(8)%
Selling and administrative expenses	(30,962)	(27,245)	3,717	14%
Other income	832	—	832	nm
Income from operations	32,474	40,654	(8,180)	(20)%
Interest expense allocation	(8,146)	(3,294)	4,852	nm
Foreign currency exchange loss	310	(378)	688	nm
Pre-tax income	\$ 24,638	\$ 36,982	\$ (12,344)	(33)%
Other Selected Information				
Adjusted EBITDA	\$ 84,736	\$ 92,007	\$ (7,271)	(8)%
Average rental equipment ¹	\$ 388,679	\$ 383,235	\$ 5,444	1%
Average rental equipment on rent	\$ 228,787	\$ 245,893	\$ (17,106)	(7)%
Average monthly total yield ²	2.43%	2.63%		(8)%
Average utilization ³	58.9%	64.2%		(8)%
Average monthly rental rate ⁴	4.16%	4.11%		1%
Period end rental equipment ¹	\$ 374,438	\$ 395,214	\$ (20,776)	(5)%
Period end utilization ³	55.9%	59.4%		(6)%

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

TRS-RenTelco's gross profit for 2023 decreased \$5.3 million, or 8%, to \$62.6 million. For the year ended December 31, 2023 compared to the year ended December 31, 2022:

- **Gross Profit on Rental Revenues** – Rental revenues decreased \$7.1 million, or 6%, to \$114.2 million, with depreciation expense decreasing \$0.8 million, or 2%, and other direct costs decreasing \$0.7 million, or 3%, resulting in a decrease in gross profit on rental revenues of \$5.7 million, or 11%, in 2023 compared to 2022. As a percentage of rental revenues, depreciation was 42% and 41% in 2023 and 2022, respectively, and other direct costs were 18% in both 2023 and 2022, which resulted in gross margin percentage of 40% in 2023, compared to 42% in 2022. The reduction in rental revenues was attributed to 7% lower average rental equipment on rent, partly offset by 1% higher average monthly rental rates.
- **Gross Profit on Sales** – Sales revenues increased \$2.5 million, or 10%, to \$27.1 million in 2023. Gross profit on sales decreased \$1.6 million, or 11%, to \$13.2 million, with a gross margin percentage of 49% in 2023, compared to 60% in 2022. The reduction in gross margin during the year was primarily attributed to a decrease in margin on used equipment sales. 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 2023, TRS-RenTelco's selling and administrative expenses increased \$3.7 million, or 14%, to \$31.0 million, primarily due to \$2.6 million higher allocated corporate expenses, which included \$1.6 million of allocated transaction costs from the divestiture of Adler Tanks, as compared to 2022.

Twelve Months Ended December 31, 2022 Compared to Twelve Months Ended December 31, 2021

Overview

Consolidated revenues in 2022 increased to \$733.8 million from \$616.8 million in 2021. Consolidated net income in 2022 increased to \$115.1 million, or \$4.70 per diluted share in 2022, compared to \$89.7 million, or \$3.66 per diluted share, in 2021. The Company's year over year total revenue increase was primarily due to higher rental, sales and rental related services revenues as more fully described below.

Revenues from discontinued operations for the twelve months ended December 31, 2022, was \$98.2 million, compared to \$82.2 million for the same period in 2021. Income from discontinued operations for the twelve months ended December 31, 2022, was \$11.8 million, compared to \$4.6 million for the same period in 2021. Earnings per diluted share from discontinued operations for 2022 was \$0.48, compared to \$0.19 for the same period in 2021. For additional information on discontinued operations and the divestiture of Adler Tanks, refer to Note 5 of the consolidated financial statements.

For 2022 compared to 2021, on a consolidated basis from continuing operations:

- Gross profit increased \$42.9 million, or 17%, to \$290.2 million. Mobile Modular's gross profit increased \$41.1 million, or 23%, due to higher gross profit on rental, sales and rental related services revenues. TRS-RenTelco's gross profit increased \$6.5 million, or 11%, primarily due to higher gross profit on rental and sales revenues. Enviroplex's gross profit decreased \$4.8 million, or 48%, primarily due to \$7.9 million lower sales revenues and lower gross margins of 22.1% compared to 31.8% in 2021.
- Selling and administrative expenses increased \$19.9 million, or 16%, to \$142.9 million, primarily due to increased headcount and employees' salaries and benefit costs totaling \$11.2 million and \$9.3 million higher marketing and administrative costs.
- Interest expense increased \$4.0 million, or 48%, due to 15% higher average debt levels of the Company, accompanied by 26% higher net average interest rates of 3.55% in 2022 compared to 2.81% in 2021.
- Pre-tax income contribution in 2022 was 72% and 27% by Mobile Modular and TRS-RenTelco, respectively, compared to 66% and 29%, respectively, in 2021. These results are discussed on a segment basis below. Pre-tax income contribution by Enviroplex was 1% and 4% in 2022 and 2021, respectively.
- The provision for income taxes resulted in an effective tax rate of 23.3% and 26.3% for the twelve months ended December 31, 2022 and 2021, respectively. The lower rate in 2022 was primarily due to decreased business activity levels in higher tax rate states.
- Adjusted EBITDA increased \$30.6 million, or 14%, to \$251.2 million in 2022. Adjusted EBITDA is a non-GAAP financial measure and is defined as net income before interest expense, provision for income taxes, depreciation, amortization, non-cash impairment costs, share-based compensation and transaction costs. A reconciliation of Adjusted EBITDA to net cash provided by operating activities and net income to Adjusted EBITDA can be found on page 48.

Mobile Modular

For 2022, Mobile Modular's total revenues increased \$98.4 million, or 27%, to \$461.7 million compared to 2021, primarily due to higher rental, sales and rental related services revenues. Higher gross profit on rental, sales and rental related services revenues, partly offset by \$17.6 million higher selling and administrative expenses, resulted in an increase in pre-tax income of \$19.8 million, or 26%, to \$96.8 million in 2022.

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.

Mobile Modular – 2022 compared to 2021

	Year Ended December 31,		Increase (Decrease)	
	2022	2021	\$	%
<i>(dollar amounts in thousands)</i>				
Revenues				
Rental	\$ 268,288	\$ 220,569	\$ 47,719	22 %
Rental related services	91,851	72,330	19,521	27 %
Rental operations	360,139	292,899	67,240	23 %
Sales	99,979	68,982	30,997	45 %
Other	1,599	1,435	164	11 %
Total revenues	461,717	363,316	98,401	27 %
Costs and Expenses				
Direct costs of rental operations:				
Depreciation of rental equipment	31,172	28,071	3,101	11 %
Rental related services	66,254	53,018	13,236	25 %
Other	83,031	60,429	22,602	37 %
Total direct costs of rental operations	180,457	141,518	38,939	28 %
Costs of sales	64,073	45,758	18,315	40 %
Total costs of revenues	244,530	187,276	57,254	31 %
Gross Profit				
Rental	154,085	132,070	22,015	17 %
Rental related services	25,597	19,310	6,287	33 %
Rental operations	179,682	151,380	28,302	19 %
Sales	35,906	23,225	12,681	55 %
Other	1,599	1,435	164	11 %
Total gross profit	217,187	176,040	41,147	23 %
Selling and administrative expenses	(110,234)	(92,603)	17,631	19 %
Income from operations	106,953	83,436	23,517	28 %
Interest expense allocation	(10,175)	(6,433)	3,742	58 %
Pre-tax income	\$ 96,778	\$ 77,003	\$ 19,775	26 %
Other Selected Information				
Adjusted EBITDA	\$ 159,224	\$ 130,089	\$ 29,135	22 %
Average rental equipment ¹	\$ 1,025,637	\$ 925,951	\$ 99,686	11 %
Average rental equipment on rent	\$ 811,693	\$ 705,577	\$ 106,116	15 %
Average monthly total yield ²	2.18 %	1.99 %		10 %
Average utilization ³	79.1 %	76.2 %		4 %
Average monthly rental rate ⁴	2.75 %	2.61 %		5 %
Period end rental equipment ¹	\$ 1,054,845	\$ 1,001,165	\$ 53,680	5 %
Period end utilization ³	80.7 %	76.4 %		6 %

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.

Mobile Modular's gross profit for 2022 increased \$41.1 million, or 23%, to \$217.2 million. For the year ended December 31, 2022 compared to the year ended December 31, 2021:

- **Gross Profit on Rental Revenues** – Rental revenues increased \$47.7 million, or 22%, due to 15% higher average rental equipment on rent and 5% higher average monthly rental rates in 2022. As a percentage of rental revenues, depreciation was 12% and 13% in 2022 and 2021, respectively, and other direct costs were 31% in 2022 and 27% in 2021, which resulted in gross margin percentage of 57% in 2022 compared to 60% in 2021. The higher rental revenues and lower rental margins resulted in gross profit on rental revenues increasing \$22.0 million, or 17%, to \$154.1 million in 2022.
- **Gross Profit on Rental Related Services** – Rental related services revenues increased \$19.5 million, or 27%, compared to 2021. 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 modular building delivery and return delivery and dismantle revenues and increased delivery and return delivery revenues at Portable Storage. The higher revenues accompanied by higher gross margin percentage of 28% in 2022 compared to 27% in 2021, resulted in rental related services gross profit increasing \$6.3 million, or 33%, to \$25.6 million in 2022.
- **Gross Profit on Sales** – Sales revenues increased \$31.0 million, or 45%, due to higher used and new equipment sales. The higher sales revenues and higher gross margins of 36% in 2022 compared to 34% in 2021, resulted in sales gross profit increasing \$12.7 million, or 55%, to \$35.9 million in 2022. 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 2022, Mobile Modular's selling and administrative expenses increased \$17.6 million, or 19%, to \$110.2 million, primarily due to \$8.2 million higher allocated corporate expenses, increased employee salaries and benefit costs totaling \$6.0 million, and \$2.8 million higher marketing and administrative costs, compared to 2021.

TRS-RenTelco

For 2022, TRS-RenTelco's total revenues increased \$10.6 million, or 8%, to \$150.8 million compared to 2021, primarily due to higher rental and sales revenues. Pre-tax income increased \$3.2 million, or 10%, to \$37.0 million for 2022, primarily due to higher gross profit on rental and sales revenues, partly offset by an increase in selling and administrative expenses.

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.

TRS-RenTelco – 2022 compared to 2021

	Year Ended December 31,		Increase (Decrease)	
	2022	2021	\$	%
<i>(dollar amounts in thousands)</i>				
Revenues				
Rental	\$ 121,375	\$ 113,419	\$ 7,956	7%
Rental related services	3,112	2,880	232	8%
Rental operations	124,487	116,299	8,188	7%
Sales	24,571	22,242	2,329	10%
Other	1,720	1,653	67	4%
Total revenues	150,778	140,194	10,584	8%
Costs and Expenses				
Direct costs of rental operations:				
Depreciation of rental equipment	49,253	47,374	1,879	4%
Rental related services	2,592	2,704	(112)	(4)%
Other	21,327	19,148	2,179	11%
Total direct costs of rental operations	73,172	69,226	3,946	6%
Costs of sales	9,707	9,574	133	1%
Total costs of revenues	82,879	78,800	4,079	5%
Gross Profit				
Rental	50,795	46,897	3,898	8%
Rental related services	520	176	344	nm
Rental operations	51,315	47,073	4,242	9%
Sales	14,864	12,667	2,197	17%
Other	1,720	1,653	67	4%
Total gross profit	67,899	61,394	6,505	11%
Selling and administrative expenses	(27,245)	(25,152)	2,093	8%
Income from operations	40,654	36,243	4,411	12%
Interest expense allocation	(3,294)	(2,270)	1,024	45%
Foreign currency exchange loss	(378)	(210)	(168)	nm
Pre-tax income	\$ 36,982	\$ 33,763	\$ 3,219	10%
Other Selected Information				
Adjusted EBITDA	\$ 92,007	\$ 85,723	\$ 6,284	7%
Average rental equipment ¹	\$ 383,235	\$ 351,895	\$ 31,340	9%
Average rental equipment on rent	\$ 245,893	\$ 235,773	\$ 10,120	4%
Average monthly total yield ²	2.63%	2.69%		(2)%
Average utilization ³	64.2%	67.0%		(4)%
Average monthly rental rate ⁴	4.11%	4.01%		2%
Period end rental equipment ¹	\$ 395,214	\$ 361,130	\$ 34,084	9%
Period end utilization ³	59.4%	62.9%		(6)%

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

TRS-RenTelco's gross profit for 2022 increased \$6.5 million, or 11%, to \$67.9 million. For the year ended December 31, 2022 compared to the year ended December 31, 2021:

- **Gross Profit on Rental Revenues** – Rental revenues increased \$8.0 million, or 7%, to \$121.4 million, with depreciation expense increasing \$1.9 million, or 4%, and other direct costs increasing \$2.2 million, or 11%, resulting in an increase in gross profit on rental revenues of \$3.9 million, or 8%, in 2022 compared to 2021. As a percentage of rental revenues, depreciation was 41% and 42% in 2022 and 2021, respectively, and other direct costs was 18% in 2022 compared to 17% in 2021, which resulted in gross margin percentage of 42% in 2022 compared to 41% in 2021. The rental revenues increase was due to 4% higher average rental equipment on rent and 2% higher average monthly rental rates.
- **Gross Profit on Sales** – Sales revenues increased \$2.3 million, or 10%, to \$24.6 million in 2022. Gross profit on sales increased \$2.2 million, or 17%, to \$14.9 million with a gross margin percentage of 60% in 2022, compared to 57% in 2021. The increase in gross margin during the year was primarily attributed to an increase in margin on used equipment sales. 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 2022, TRS-RenTelco's selling and administrative expenses increased \$2.1 million, or 8%, to \$27.2 million, primarily due to \$0.9 million higher allocated corporate expenses and an increase of \$0.7 million in marketing and administrative expenses, compared to 2021.

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, non-cash impairment costs, share-based compensation and transaction costs. 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, and transaction costs 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 and transaction costs. 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 Income from Continuing Operations to Adjusted EBITDA

	Year Ended December 31,				
	2023	2022	2021	2020	2019
Income from continuing operations	\$ 111,852	\$ 103,309	\$ 85,085	\$ 96,121	\$ 85,907
Provision for income taxes	37,610	31,377	30,725	28,715	28,961
Interest expense	40,560	12,230	8,244	6,680	8,894
Depreciation and amortization	107,918	93,490	87,972	75,751	69,802
EBITDA	297,940	240,406	212,026	207,267	193,564
Share-based compensation	8,157	6,747	6,585	4,746	4,805
Transaction costs ³	15,877	4,053	2,045	—	—
Adjusted EBITDA ¹	\$ 321,974	\$ 251,206	\$ 220,656	\$ 212,013	\$ 198,369
Adjusted EBITDA margin ²	39%	40%	41%	43%	42%

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

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

3. Transaction costs include acquisition and divestiture related legal and professional fees and other costs specific to these transactions.

For the year ended December 31, 2023, total Adjusted EBITDA from both continuing and discontinued operations was \$325.7 million, excluding the gain on divestiture of Adler Tanks, compared to \$288.9 million for the same period in 2022. For the years ended December 31, 2023 and 2022, the total Adjusted EBITDA from continuing operations was \$322.0 million and \$251.4 million, respectively, and the total Adjusted EBITDA from discontinued operations was \$3.7 million and \$37.7 million, respectively.

The following table reconciles Adjusted EBITDA on a combined basis, including both continuing and discontinued operations, to the net cash provided by operating activities on the Company's consolidated statement of cash flows.

Reconciliation of Adjusted EBITDA to Net Cash Provided by Operating Activities

(dollar amounts in thousands)

	Year Ended December 31,				
	2023	2022	2021	2020	2019
Adjusted EBITDA ¹	\$ 325,656	\$ 288,866	\$ 248,617	\$ 241,023	\$ 236,824
Interest paid	(38,603)	(14,775)	(10,326)	(9,050)	(12,475)
Income taxes paid, net of refunds received	(91,565)	(27,362)	(9,087)	(34,903)	(17,528)
Gain on sale of used rental equipment	(31,642)	(37,979)	(25,441)	(19,329)	(21,309)
Foreign currency exchange (gain) loss	(310)	378	210	(78)	(84)
Amortization of debt issuance costs	8	16	15	11	11
Change in certain assets and liabilities:					
Accounts receivable, net	(35,143)	(30,524)	(23,946)	4,783	(6,310)
Prepaid expenses and other assets	(29,326)	(16,484)	(6,816)	3,807	(13,530)
Accounts payable and other liabilities	(17,826)	8,595	11,155	3,229	17,257
Deferred income	14,094	23,701	9,082	(8,989)	5,138
Net cash provided by operating activities	\$ 95,343	\$ 194,432	\$ 193,463	\$ 180,504	\$ 187,994

- Adjusted EBITDA is defined as net income before interest expense, provision for income taxes, depreciation, amortization, non-cash impairment costs and share-based compensation.
- Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by total revenues for the period.
- Transaction costs include acquisition and divestiture related legal and professional fees and other costs specific to these transactions.

Adjusted EBITDA is a component of two restrictive financial covenants for the Company's unsecured Credit Facility, the Note Purchase Agreement, Series D Senior Notes, Series E Senior Notes and Series F 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, 2023, the actual ratio was 3.33 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, 2023, the actual ratio was 2.34 to 1.

At December 31, 2023, 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.

Liquidity and Capital Resources

The Company's rental businesses are capital intensive and generate significant cash flows. Cash flows for the Company in 2023 as compared to 2022 are summarized as follows:

Cash Flows from Operating Activities: The Company's operations provided net cash flows of \$95.3 million for 2023, compared to \$194.4 million in 2022. The \$99.1 million reduction in net cash provided by operating activities was primarily the result of the \$61.5 million gain on sale of discontinued operations and \$48.9 million lower accounts payable and accrued liabilities in 2023, as compared to 2022.

Cash Flows from Investing Activities: Net cash used in investing activities was \$391.9 million for 2023, compared to \$131.4 million in 2022. The \$260.4 million increase in net cash used was primarily due to the \$462.1 million paid for the business acquisitions of Vesta Modular, Brekke Storage, Dixie Storage and Inland Leasing in 2023, partly offset by \$268.0 million in proceeds received from the sale of the Adler Tanks business.

Cash Flows from Financing Activities: Net cash provided by financing activities was \$296.4 million in 2023, compared to net used of \$63.5 million in 2022. The change in net cash during 2023 was primarily due to increased borrowings under bank lines of credit and note purchase agreements. The borrowings in 2023 were primarily attributed to the funding of the Vesta Modular, Brekke Storage, Dixie Storage and Inland Leasing acquisitions, and capital needs for the tax obligations arising from the divestiture of Adler Tanks.

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 flows from operations, proceeds from the sale of rental equipment and from borrowings. During the year ended December 31, 2023, the Company sold its Adler Tanks business, generating a total of \$202.7 million in net proceeds, which were primarily used to expand the Company's rental asset fleet through the purchase of Vesta Modular. Sales of rental equipment 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
	2023	2022	2021	
Cash provided by operating activities	\$ 95,343	\$ 194,432	\$ 195,743	\$ 485,518
Proceeds from sales of used rental equipment	66,168	73,879	57,337	197,384
Proceeds from sale of discontinued operation, net of tax	202,706	—	—	202,706
Cash available for purchase of rental equipment	364,217	268,311	253,080	885,608
Purchases of rental equipment	(229,679)	(187,689)	(114,145)	(531,513)
Cash available for other purposes	\$ 134,538	\$ 80,622	\$ 138,935	\$ 354,095

In addition to increasing its rental assets, the Company has periodically made acquisitions of businesses and business assets. During the year ended December 31, 2023, the Company transacted a total of \$462.1 million in acquisition related costs. There were no acquisition related transactions during the year ended December 31, 2022 and \$292.2 million in acquisition related costs during the same period in 2021. The Company had other capital expenditures for property, plant and equipment of \$44.0 million in 2023, \$17.6 million in 2022 and \$2.7 million in 2021, and has used cash to provide returns to its shareholders in the form of cash dividends. The Company paid cash dividends of \$45.6 million, \$44.3 million and \$42.2 million in the years ended December 31, 2023, 2022 and 2021, respectively.

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 2,000,000 shares of the Company's outstanding common stock (the "Repurchase Plan"). 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. There were no shares of common stock repurchased during the twelve months

ended December 31, 2023, 2022 and 2021. As of December 31, 2023, 1,309,805 shares remain authorized for repurchase under the Repurchase Plan.

Unsecured Revolving Lines of Credit

On July 15, 2022, the Company entered into an amended and restated credit agreement with Bank of America, N.A., as Administrative Agent, Swing Line Lender, L/C Issuer and lender, and other lenders named therein (the "Credit Facility"). The Credit Facility provides for a \$650.0 million unsecured revolving credit facility (which may be further increased to \$950.0 million by adding one or more tranches of term loans and/or increasing the aggregate revolving commitments), which includes a \$40.0 million sublimit for the issuance of standby letters of credit and a \$20.0 million sublimit for swingline loans. The proceeds of the Credit Facility are available to be used for general corporate purposes, including permitted acquisitions. The Credit Facility permits the Company's existing indebtedness to remain, which includes the Company's \$20.0 million Treasury Sweep Note due July 15, 2027, the Company's existing senior notes issued pursuant to the Note Purchase and Private Shelf Agreement with Prudential Investment Management, Inc., dated as of April 21, 2011 (as amended): (i) the \$60.0 million aggregate outstanding principal of notes issued November 5, 2015 which were repaid on November 5, 2022, (ii) the \$40.0 million aggregate outstanding principal of notes issued March 17, 2021 and due March 17, 2028, and (iii) the \$60.0 million aggregate outstanding principal of notes issued June 16, 2021 and due June 16, 2026. In addition, the Company may incur additional senior note indebtedness in an aggregate amount not to exceed \$250.0 million. The Credit Facility matures on July 15, 2027 and replaced the Company's prior \$420.0 million credit facility dated March 31, 2020 with Bank of America, N.A., as agent, as amended. All obligations outstanding under the prior credit facility as of the date of the Credit Facility were refinanced by the Credit Facility on July 15, 2022.

On August 19, 2022, the Company entered into an amended and restated Credit Facility Letter Agreement and a Credit Line Note in favor of MUFG Union Bank, N.A., which provides for a \$20.0 million line of credit facility related to its cash management services ("Sweep Service Facility"). The Sweep Service Facility matures on the earlier of July 15, 2027, or the date the Company ceases to utilize MUFG Union Bank, N.A. for its cash management services. The Sweep Service Facility replaced the Company's prior \$12.0 million sweep service facility, dated as of March 30, 2020.

At December 31, 2023, under the Credit Facility and Sweep Service Facility, the Company had unsecured lines of credit that permit it to borrow up to \$650.0 million of which \$588.0 million was outstanding. 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, 2023, the actual ratio was 3.33 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, 2023, the actual ratio was 2.34 to 1.

At December 31, 2023, 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.

Note Purchase and Private Shelf Agreement

On June 8, 2023, the Company entered into a Second Amended and Restated Note Purchase and Private Shelf Agreement (the "Note Purchase Agreement") with PGIM, Inc. ("PGIM") and the holders of Series D and Series E Notes previously issued pursuant to the Prior Amended and Restated NPA, among the Company and the other parties to the Note Purchase Agreement. The Note Purchase Agreement amended and restated, and superseded in its entirety, the Prior NPA. Pursuant to the Prior NPA, the Company issued (i) \$40.0 million aggregate principal amount of its 2.57% Series D Senior Notes, due March 17, 2028, and (ii) \$60.0 million aggregate principal amount of its 2.35% Series E Senior Notes, due June 16, 2026, to which the terms of the Note Purchase Agreement shall apply.

In addition, pursuant to the Note Purchase Agreement, the Company may authorize the issuance and sale of additional senior notes (the "Shelf Notes") in the aggregate principal amount of (x) \$300 million minus (y) the amount of other notes (such as the Series D Senior Notes, Series E Senior Notes and Series F Senior Notes, each defined below) then outstanding, to be dated the date of issuance thereof, to mature, in case of each Shelf Note so issued, no more than 15 years after the date of original issuance thereof, to have an average life, in the case of each Shelf Note so issued, of no more than 15 years after the date of original issuance thereof, to bear interest on the unpaid balance thereof from the date thereof at the rate per annum, and to have such other particular terms, as shall be set forth, in the case of each Shelf Note so issued, in accordance with the Note Purchase Agreement. Shelf Notes may be issued and sold from time to time at the discretion of the Company's Board of Directors and in such amounts as the Board of Directors may determine, subject to prospective purchasers' agreement to purchase the Shelf Notes. The Company will sell the Shelf Notes directly to such

purchasers. The full net proceeds of each Shelf Note will be used in the manner described in the applicable Request for Purchase with respect to such Shelf Note.

6.25% Senior Notes Due in 2030

On September 27, 2023, the Company issued and sold to the purchasers \$75.0 million aggregate principal amount of 6.25% Series F Notes (the "Series F Senior Notes") pursuant to the terms of the Second Amended and Restated Note Purchase and Private Shelf Agreement, dated June 8, 2023 (the "Note Purchase Agreement"), among the Company, PGIM, Inc. and the noteholders party thereto.

The Series F Senior Notes are an unsecured obligation of the Company and bear interest at a rate of 6.25% per annum and mature on September 27, 2030. Interest on the Series F Senior Notes is payable semi-annually beginning on March 27, 2024 and continuing thereafter on September 27 and March 27 of each year until maturity. The principal balance is due when the notes mature on September 27, 2030. The full net proceeds from the Series F Senior Notes will primarily be used to fulfill the income tax obligations incurred from the divestiture of Adler Tanks. At December 31, 2023, the principal balance outstanding under the Series F Senior Notes was \$75.0 million.

2.57% Senior Notes Due in 2028

On March 17, 2021, the Company issued and sold to the purchasers \$40 million aggregate principal amount of 2.57% Series D Notes (the "Series D Senior Notes") pursuant to the terms of the Amended and Restated Note Purchase and Private Shelf Agreement, dated March 31, 2020 (the "Note Purchase Agreement"), among the Company, PGIM, Inc. and the noteholders party thereto.

The Series D Senior Notes are an unsecured obligation of the Company and bear interest at a rate of 2.57% per annum and mature on March 17, 2028. Interest on the Series D Senior Notes is payable semi-annually beginning on September 17, 2021 and continuing thereafter on March 17 and September 17 of each year until maturity. The principal balance is due when the notes mature on March 17, 2028. The full net proceeds from the Series D Senior Notes were used to pay off the Company's \$40 million Series B Senior Notes. At December 31, 2023, the principal balance outstanding under the Series D Senior Notes was \$40.0 million.

2.35% Senior Notes Due in 2026

On June 16, 2021, the Company issued and sold to the purchasers \$60 million aggregate principal amount of 2.35% Series E Notes (the "Series E Notes") pursuant to the terms of the Amended and Restated Note Purchase and Private Shelf Agreement, dated March 31, 2020 (the "Note Purchase Agreement"), among the Company, PGIM, Inc. and the noteholders party thereto.

The Series E Senior Notes are an unsecured obligation of the Company and bear interest at a rate of 2.35% per annum and mature on June 16, 2026. Interest on the Series E Senior Notes is payable semi-annually beginning on December 16, 2021 and continuing thereafter on June 16 and December 16 of each year until maturity. The principal balance is due when the notes mature on June 16, 2026. The full net proceeds from the Series E Senior Notes were used to pay down the Company's credit facility. At December 31, 2023, the principal balance outstanding under the Series E Senior Notes was \$60.0 million.

Among other restrictions, the Note Purchase Agreement, which has superseded in its entirety the Prior NPA, under which the Series D Senior Notes, Series E Senior Notes and Series F 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, 2023, the actual ratio was 3.33 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, 2023, the actual ratio was 2.34 to 1.

At December 31, 2023, 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.

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, 2023, the Company's material contractual obligations and commitments consisted of outstanding borrowings under our credit facilities expiring in 2027, outstanding amounts under our 2.35%, 2.57% and 6.25% senior notes due in 2026, 2028 and 2030, 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, 2023 and does not reflect changes that could arise after that date.

Payments Due by Period

<i>(dollar amounts in thousands)</i>	Total	Within 1 Year	Within 2 to 3 Years	Within 4 to 5 Years	More than 5 Years
Revolving lines of credit	\$ 588,000	\$ —	\$ —	\$ 588,000	\$ —
6.25% Series F senior notes due in 2030	107,813	4,688	9,375	9,375	84,375
2.57% Series D senior notes due in 2028	44,626	1,028	2,056	41,542	—
2.35% Series E senior notes due in 2026	63,525	1,410	62,115	—	—
Operating leases for facilities	15,002	6,270	6,827	786	1,119
Total contractual obligations	\$ 818,966	\$ 13,396	\$ 80,373	\$ 639,703	\$ 85,494

The Company believes that its needs for working capital and capital expenditures through 2024 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 65 for a more detailed presentation of the sources and uses of the Company's cash.

Critical Accounting Policies

The Company prepares its consolidated financial statements in accordance with GAAP. A summary of the Company's significant accounting policies are in Note 1 to the Company's consolidated financial statements. The Company determined its critical accounting policies by considering those policies that involve the most complex or subjective assumptions, estimates, and/or judgment. Material changes in these assumptions, estimates or judgments could have the potential to have a material impact on the Company's financial results. The Company has identified below the accounting policies that it believes could potentially have a material impact on operating results if a change in assumption, estimate and/or judgment were to occur.

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 portable storage containers, external factors to consider may include, but are not limited to, the quality of the steel construction, types of materials stored and the frequency of movements and uses. Internal factors for portable storage containers may include, but are not limited to, change in equipment specifications and 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.

To the extent that the useful lives of all of our rental equipment were to decrease or increase by one year, the Company estimates the annual depreciation expense would increase or decrease by approximately \$4 million. If the estimated residual values of all of our rental equipment were to change one percentage point, the Company estimates the annual depreciation expense would change by approximately \$1 million. Any changes in depreciation expense as a result of a change in useful lives or residual values would result in a proportional increase or decrease in the gross profit the Company would recognize upon the ultimate sale of the equipment.

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 portable storage office conversions, 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. The Company capitalized \$16 million in extended life or value added refurbishments in 2023. Changes in these policies to expense these costs as incurred could impact the Company's financial results.

Acquisition Accounting - The Company has made acquisitions of businesses in the past and records the assets acquired and liabilities assumed based on their respective fair values at the date of acquisition. Long-lived assets (primarily rental equipment), goodwill and other intangible assets generally represent the largest components of the Company's acquisitions. Determining the fair value of the assets and liabilities acquired can be judgmental in nature and can involve the use of significant estimates and assumptions. Rental equipment is valued utilizing either a cost, market or income approach, or a combination of certain of these methods, depending on the asset being valued and the availability of market or income data. The intangible assets acquired are primarily comprised of customer relationships, non-compete agreements and trade names. These assets are valued on an excess earnings or income approach based on projected cash flows. The estimated fair values of these intangible assets reflect various assumptions about revenue growth rates, operating margins, projected cash flows, discount rates, customer attrition rates, terminal values, useful lives and other prospective financial information. When appropriate, the Company's estimates of the fair values of assets and liabilities acquired include assistance from independent third-party valuation firms. Goodwill is calculated as the excess of the cost of the acquired business over the net of the fair value of the assets acquired and the liabilities assumed. The judgments made in determining the estimated fair value assigned to the assets acquired, as well as the estimated life of the assets, can materially impact the Company's financial results in periods subsequent to the acquisition through depreciation and amortization, and in certain instances through impairment charges, if the asset becomes impaired in the future. As discussed below, we regularly review for impairments.

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 evaluates the carrying value of rental equipment for impairment whenever events and circumstances have occurred that would indicate the carrying value may not be fully recoverable. Determining fair value includes estimates and judgments regarding the projected net cash flows considering current and future market conditions including assumptions regarding utilization, rental pricing, the condition of the equipment, the equipment's expected remaining life and sale proceeds. 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's goodwill is not amortized to expense, the Company assesses whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount as a basis for determining whether it is necessary to complete quantitative impairment assessments. These impairment assessments occur annually, or more frequently if an event occurs, or circumstances change in the interim that would indicate that it was more likely than not the fair value had reduced below its carrying value. Application of the goodwill impairment assessment requires judgement including the identification of reporting units, assignment of assets and liabilities to reporting units, business projections including changes in pricing, rental and sale activity and costs, long term growth rates and discount rates. In 2023, 2022 and 2021 the Company performed qualitative assessments taking into consideration the market value of the Company, any changes in management, key personnel, strategy and any relevant macroeconomic conditions, concluding that the fair value of the reporting units substantially exceeded the respective reporting units carrying value, including goodwill.

Intangible assets (other than goodwill) acquired are recorded at their estimated fair value at the date of acquisition. Definite lived intangibles are amortized over their expected useful lives, while indefinite lived intangibles are not amortized. The Company monitors conditions related to these assets to determine whether events and circumstances warrant a revision to the remaining amortization period. The Company tests these assets for potential impairment annually and whenever management determines events or changes in circumstances indicate that the carrying value may not be recoverable.

Revenue recognition:

Lease revenue - Rental revenues from operating leases are recognized on a straight-line basis over the term of the lease for all operating segments. Rental billings for periods extending beyond period end are recorded as deferred income and are recognized in the period earned. Rental related services revenues are primarily associated with relocatable modular building and portable storage container leases. For modular building leases, rental related services revenues for modifications, delivery, installation, dismantle and return delivery are lease related because the payments are considered minimum lease payments that are an integral part of the negotiated lease agreement with the customer. These revenues are recognized on a straight-line basis over the term of the lease. 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 revenues include interest income on sales-type leases and rental income on facility leases.

Non-lease revenue - 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. The Company typically recognizes non-lease related revenues at a point in time because the customer does not simultaneously consume the benefits of the Company's promised goods and services, or performance obligations, and obtain control when delivery and installation are complete. Revenue from contracts that satisfy the criteria for over-time recognition

are recognized as work is performed by using the input method based on the ratio of costs incurred to estimated total contract costs for each contract. For contracts that have multiple performance obligations, the transaction price is allocated to each performance obligation in the contract based on the Company's best estimate of the standalone selling prices of each distinct performance obligation in the contract. The standalone selling price is typically determined based upon the expected cost plus an estimated margin of each performance obligation. Judgment is involved in determining the performance obligations and standalone selling prices. To the extent actual results were to differ from these estimates, the timing of profit recognition could change and impact the Company's financial results.

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 2.35%, 2.57% and 6.25% senior notes due in 2026, 2028 and 2030, respectively, and its revolving lines of credit. Weighted average variable rates are based on implied forward rates in the yield curve at December 31, 2023. 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 E, Series D and Series F Senior Notes and the Company's revolving lines of credit under the Credit Facility and Sweep Service Facility as of December 31, 2023.

<i>(dollar amounts in thousands)</i>	2024	2025	2026	2027	2028	Thereafter	Total	Estimated Fair Value
Revolving lines of credit				588,00			588,00	
	\$ —	\$ —	\$ —	\$ 0	\$ —	\$ —	\$ 0	\$ 588,000
Weighted average interest rate	—	—	—	6.63 %	—	—	6.63 %	
2.35% Series E senior notes due in 2026	\$ —	\$ —	\$ 60,000	\$ —	\$ —	\$ —	\$ 60,000	\$ 55,950
Stated interest rate	—	—	2.35 %	—	—	—	2.35 %	
2.57% Series D senior notes due in 2028	\$ —	\$ —	\$ —	\$ —	\$ 40,000	\$ —	\$ 40,000	\$ 35,931
Stated interest rate	—	—	—	—	2.57 %	—	2.57 %	
6.25% Series F senior notes due in 2030						\$ 75,000	\$ 75,000	\$ 77,283
Stated interest rate	—	—	—	—	—	6.25 %	6.25 %	

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 Company commenced the closure of its Indian operations during 2017. The Canadian 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 2023, 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 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.

Index	<u>Page</u>
<u>Management's Report on Internal Control over Financial Reporting</u>	57
<u>Reports of Independent Registered Public Accounting Firm (PCAOB ID: 248)</u>	58
Consolidated Financial Statements	
<u>Consolidated Balance Sheets as of December 31, 2023 and 2022</u>	61
<u>Consolidated Statements of Income for the Years Ended December 31, 2023, 2022 and 2021</u>	62
<u>Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2023, 2022 and 2021</u>	63
<u>Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2023, 2022 and 2021</u>	64
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2023, 2022 and 2021</u>	65
<u>Notes to Consolidated Financial Statements</u>	66

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 consolidated 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. On February 1, 2023, McGrath RentCorp completed its acquisition of Vesta Modular Housing Solutions Holdings, Inc. ("Vesta Modular"), as discussed in Note 4. Acquisitions. Management has excluded Vesta Modular's internal controls from its assessment of the effectiveness of internal controls over financial reporting as of December 31, 2023. Vesta Modular's revenues and total assets (excluding goodwill and intangible assets) represents approximately 13 and 14 percent, respectively, of the consolidated financial statement amounts as of, and for the fiscal year ended, December 31, 2023.

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, 2023 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, 2023, the Company's internal control over financial reporting was effective based on those criteria.

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders

McGrath RentCorp

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of McGrath RentCorp (a California corporation) and subsidiaries (the “Company”) as of December 31, 2023, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, 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) (“PCAOB”), the consolidated financial statements of the Company as of and for the year ended December 31, 2023, and our report dated February 21, 2024 expressed an unqualified opinion on those financial statements.

Basis for opinion

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 (“Management’s Report”). Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Our audit of, and opinion on, the Company’s internal control over financial reporting does not include the internal control over financial reporting of Vesta Housing Solutions Holdings, Inc. (“Vesta Modular”), a wholly-owned subsidiary, whose financial statements reflect total assets and revenues constituting 14 and 13 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2023. As indicated in Management’s Report, Vesta Modular was acquired during 2023. Management’s assertion on the effectiveness of the Company’s internal control over financial reporting excluded internal control over financial reporting of Vesta Modular.

Definition and limitations of internal control over financial reporting

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.

/s/ GRANT THORNTON LLP

San Francisco, California
February 21, 2024

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders

McGrath RentCorp

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of McGrath RentCorp (a California corporation) and subsidiaries (the “Company”) as of December 31, 2023 and 2022, 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, 2023, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, 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) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2023, 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 21, 2024 expressed an unqualified opinion.

Basis for opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of Customer Relationships Intangible Asset Acquired through Vesta Modular Acquisition

As described further in Note 4 to the financial statements, the Company completed the purchase of substantially all of the assets of Vesta Housing Solutions Holdings, Inc. (“Vesta Modular”) for \$437.2 million in cash consideration. The acquisition was accounted for as a purchase of a “business” in accordance with criteria in Accounting Standards Certification (ASC) 805 – *Business Combinations* using the purchase method of accounting. We identified the valuation of the acquired customer relationships asset as a critical audit matter.

The principal considerations for our determination that the Company’s assessment of the fair value of the acquired customer relationships asset represents a critical audit matter is that the judgments and key assumptions made in assessing the fair value of the customer relationship are complex and subjective. The significant assumptions utilized to determine the fair value included projected future cash

flows, associated discount rates used to calculate present value, customer attrition rates, and other assumptions that form the basis of the forecasted results. These significant assumptions are forward looking and could be affected by future economic and market conditions.

Our audit procedures related to the valuation of the customer relationships asset from the acquisition of Vesta Modular included the following, among others:

- We inspected the purchase agreement and evaluated management's process for identifying and estimating the fair value of the acquired customer relationships asset.
- We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's controls over its valuation of the acquired customer relationships asset, including determination of the underlying assumptions.
- We evaluated the Company's selection of the valuation methodology and significant assumptions for reasonableness. We compared management's assumptions used to develop the discount rates to the weighted average cost of capital of guideline public companies. Additionally, we compared the significant assumptions related to prospective financial information to the industry. We also performed a sensitivity analysis of the significant assumptions to evaluate the impact on the concluded fair value that would result from changes in assumptions.
- We reviewed the qualifications of the external third-party valuation specialist engaged by management in the fair value determination.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2002.

San Francisco, California
February 21, 2024

MCGRATH RENTCORP
CONSOLIDATED BALANCE SHEETS

<i>(in thousands)</i>	December 31,	
	2023	2022
Assets		
Cash	\$ 877	\$ 957
Accounts receivable, net of allowance for credit losses of \$2,801 at December 31, 2023 and \$2,300 at December 31, 2022	227,368	169,937
Rental equipment, at cost:		
Relocatable modular buildings	1,291,093	938,081
Portable storage containers	236,123	185,187
Electronic test equipment	377,587	398,267
	1,904,803	1,521,535
Less: accumulated depreciation	(575,480)	(531,218)
Rental equipment, net	1,329,323	990,317
Property, plant and equipment, net	169,114	138,713
Prepaid expenses and other assets	102,789	69,837
Intangible assets, net	64,588	35,431
Goodwill	323,224	106,403
Assets of discontinued operations	—	196,249
Total assets	\$ 2,217,283	\$ 1,707,844
Liabilities and Shareholders' Equity		
Liabilities:		
Notes payable	\$ 762,975	\$ 413,742
Accounts payable and accrued liabilities	167,523	151,208
Deferred income	111,428	82,417
Deferred income taxes, net	241,555	203,361
Liabilities of discontinued operations	—	53,171
Total liabilities	1,283,481	903,899
Commitments and contingencies (Note 12)		
Shareholders' equity:		
Common stock, no par value - Authorized 40,000 shares		
Issued and outstanding - 24,496 shares as of December 31, 2023 and 24,388 shares as of December 31, 2022	111,122	110,080
Retained earnings	822,796	693,943
Accumulated other comprehensive loss	(116)	(78)
Total shareholders' equity	933,802	803,945
Total liabilities and shareholders' equity	\$ 2,217,283	\$ 1,707,844

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

MCGRATH RENTCORP
CONSOLIDATED STATEMENTS OF INCOME

<i>(in thousands, except per share amounts)</i>	Year Ended December 31,		
	2023	2022	2021
Revenues			
Rental	\$ 474,336	\$ 389,663	\$ 333,988
Rental related services	138,160	94,963	75,210
Rental operations	612,496	484,626	409,198
Sales	207,165	147,720	122,305
Other	12,181	3,319	3,088
Total revenues	831,842	635,665	534,591
Costs and Expenses			
Direct costs of rental operations:			
Depreciation of rental equipment	88,912	80,425	75,445
Rental related services	96,628	68,846	55,722
Other	114,942	104,358	79,577
Total direct costs of rental operations	300,482	253,629	210,744
Costs of sales	137,727	91,828	76,525
Total costs of revenues	438,209	345,457	287,269
Gross profit	393,633	290,208	247,322
Selling and administrative expenses	(207,539)	(142,914)	(123,058)
Other income	3,618	—	—
Income from operations	189,712	147,294	124,264
Interest expense	(40,560)	(12,230)	(8,244)
Foreign currency exchange gain (loss)	310	(378)	(210)
Income from continuing operations before provision for income taxes	149,462	134,686	115,810
Provision for income taxes from continuing operations	37,610	31,377	30,725
Income from continuing operations	111,852	103,309	85,085
Discontinued operations:			
Income from discontinued operations before provision for income taxes	1,709	15,334	5,946
Provision for income taxes from discontinued operations	453	3,505	1,326
Gain on sale of discontinued operations, net of tax	61,513	—	—
Income from discontinued operations	62,769	11,829	4,620
Net income	\$ 174,621	\$ 115,138	\$ 89,705
Earnings per share from continuing operations:			
Basic	\$ 4.57	\$ 4.24	\$ 3.51
Diluted	\$ 4.56	\$ 4.21	\$ 3.47
Earnings per share from discontinued operations:			
Basic	\$ 2.57	\$ 0.49	\$ 0.19
Diluted	\$ 2.56	\$ 0.48	\$ 0.19
Earnings per share:			
Basic	\$ 7.14	\$ 4.73	\$ 3.70
Diluted	\$ 7.12	\$ 4.70	\$ 3.66
Shares used in per share calculation:			
Basic	24,469	24,353	24,220
Diluted	24,529	24,519	24,515
Cash dividends declared per share	\$ 1.86	\$ 1.82	\$ 1.74

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

MCGRATH RENTCORP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>(in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Net income	\$ 174,621	\$ 115,138	\$ 89,705
Other comprehensive income:			
Foreign currency translation adjustment, net of tax impact	(38)	(24)	50
Comprehensive income	<u>\$ 174,583</u>	<u>\$ 115,114</u>	<u>\$ 89,755</u>

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

MCGRATH RENTCORP
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

<i>(in thousands, except per share amounts)</i>	Common Stock		Retained Earnings	Accumulated Other Comprehensiv e Income (Loss)	Total Shareholders' Equity
	Shares	Amount			
Balance at December 31, 2020	24,128	\$ 106,289	\$ 576,419	\$ (104)	\$ 682,604
Net income	—	—	89,705	—	89,705
Share-based compensation	—	7,666	—	—	7,666
Common stock issued under stock plans, net of shares withheld for employee taxes	132	—	—	—	—
Taxes paid related to net share settlement of stock awards	—	(5,345)	—	—	(5,345)
Dividends accrued at \$1.74 per share	—	—	(42,659)	—	(42,659)
Other comprehensive income	—	—	—	50	50
Balance at December 31, 2021	24,260	108,610	623,465	(54)	732,021
Net income	—	—	115,138	—	115,138
Share-based compensation	—	8,009	—	—	8,009
Common stock issued under stock plans, net of shares withheld for employee taxes	128	—	—	—	—
Taxes paid related to net share settlement of stock awards	—	(6,539)	—	—	(6,539)
Dividends accrued at \$1.82 per share	—	—	(44,660)	—	(44,660)
Other comprehensive loss	—	—	—	(24)	(24)
Balance at December 31, 2022	24,388	110,080	693,943	(78)	803,945
Net income	—	—	174,621	—	174,621
Share-based compensation	—	8,275	—	—	8,275
Common stock issued under stock plans, net of shares withheld for employee taxes	108	—	—	—	—
Taxes paid related to net share settlement of stock awards	—	(7,233)	—	—	(7,233)
Dividends accrued at \$1.86 per share	—	—	(45,768)	—	(45,768)
Other comprehensive loss	—	—	—	(38)	(38)
Balance at December 31, 2023	24,496	\$ 111,122	\$ 822,796	\$ (116)	\$ 933,802

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

MCGRATH RENTCORP
CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Cash Flows from Operating Activities:			
Net income	\$ 174,621	\$ 115,138	\$ 89,705
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	109,375	111,344	106,695
Deferred income taxes	(16,952)	4,486	26,348
Provision for credit losses	2,633	837	451
Share-based compensation	8,275	8,009	7,666
Gain on sale of property, plant and equipment	(3,618)	—	—
Gain on sale of discontinued operations	(61,513)	—	—
Gain on sale of used rental equipment	(31,642)	(37,979)	(25,441)
Foreign currency exchange (gain) loss	(310)	378	210
Amortization of debt issuance costs	8	16	15
Change in:			
Accounts receivable	(37,776)	(31,361)	(24,397)
Prepaid expenses and other assets	(29,326)	(16,484)	(6,816)
Accounts payable and accrued liabilities	(32,526)	16,347	12,225
Deferred income	14,094	23,701	9,082
Net cash provided by operating activities	<u>95,343</u>	<u>194,432</u>	<u>195,743</u>
Cash Flows from Investing Activities:			
Proceeds from sale of discontinued operations	268,012	—	—
Purchases of rental equipment	(229,679)	(187,689)	(114,145)
Purchases of property, plant and equipment	(43,989)	(17,617)	(2,680)
Cash paid for acquisition of businesses	(458,315)	—	(283,124)
Cash paid for acquisition of business assets	(3,767)	—	(6,585)
Cash paid for acquisition of non-compete agreements	—	—	(2,500)
Proceeds from sales of used rental equipment	66,168	73,879	57,337
Proceeds from sales of property, plant and equipment	9,702	—	—
Net cash used in investing activities	<u>(391,868)</u>	<u>(131,427)</u>	<u>(351,696)</u>
Cash Flows from Financing Activities:			
Net borrowings under bank lines of credit	274,225	47,275	143,729
Borrowings under senior note purchase agreement	75,000	—	100,000
Principal payment of Series C senior notes	—	(60,000)	—
Principal payment of Series B senior notes	—	—	(40,000)
Taxes paid related to net share settlement of stock awards	(7,233)	(6,539)	(5,345)
Payment of dividends	(45,556)	(44,269)	(42,182)
Net cash provided by (used in) financing activities	<u>296,436</u>	<u>(63,533)</u>	<u>156,202</u>
Effect of foreign currency exchange rate changes on cash	9	(6)	4
Net increase (decrease) in cash	(80)	(534)	253
Cash balance, beginning of period	957	1,491	1,238
Cash balance, end of period	<u>\$ 877</u>	<u>\$ 957</u>	<u>\$ 1,491</u>
Supplemental Disclosure of Cash Flow Information:			
Interest paid, during the period	\$ 38,603	\$ 14,775	\$ 10,326
Net income taxes paid, during the period	\$ 91,565	\$ 27,362	\$ 9,087
Dividends accrued during the period, not yet paid	\$ 12,010	\$ 11,227	\$ 11,280
Rental equipment acquisitions, not yet paid	\$ 16,653	\$ 13,220	\$ 5,750

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

MCGRATH RENTCORP
NOTES TO 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 three rental divisions; relocatable modular buildings, portable storage containers and electronic test equipment. Although the Company's primary emphasis is on equipment rentals, sales of equipment occur in the normal course of business. At December 31, 2023, the Company was comprised of four reportable business segments: modular building segment ("Mobile Modular"), portable storage container segment ("Portable Storage"), electronic test equipment segment ("TRS-RenTelco") and classroom manufacturing division selling modular classrooms in California ("Enviroplex").

Agreement and Plan of Merger with WillScot Mobile Mini Holdings Corp.

On January 28, 2024, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement"), with WillScot Mobile Mini Holdings Corp., a Delaware corporation ("WillScot Mobile Mini"), Brunello Merger Sub I, Inc., a California corporation and a direct wholly owned subsidiary of WillScot Mobile Mini ("Merger Sub I"), and Brunello Merger Sub II, LLC, a Delaware limited liability company and direct wholly owned subsidiary of WillScot Mobile Mini ("Merger Sub II"). The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, Merger Sub I will merge with and into the Company (the "First-Step Merger"), with the Company surviving the First-Step Merger and, immediately thereafter, the Company will merge with and into Merger Sub II (the "Second-Step Merger" and together with the First-Step Merger, the "Transaction"), with Merger Sub II surviving the Second-Step Merger as a wholly owned subsidiary of WillScot Mobile Mini. Each of the parties to the Merger Agreement intends that the Transaction will be treated as a single integrated transaction that qualifies as a "reorganization" within the meaning of Section 368(a) of the U.S. Internal Revenue Code of 1986, as amended. Consummation of the Transaction is subject to the approval of the Company's shareholders, the receipt of required regulatory approvals, and satisfaction or waiver of other customary closing conditions. The First-Step Merger and the Second-Step Merger will be consummated on the same day.

On the terms and subject to the conditions set forth in the Merger Agreement, at the effective time of the First-Step Merger (the "Effective Time"), each share of common stock, no par value, of the Company (the "Company Common Stock") issued and outstanding immediately prior to the Effective Time, other than shares of Company Common Stock owned by WillScot Mobile Mini or any subsidiary of WillScot Mobile Mini or the Company, and shares held by shareholders who did not vote in favor of the Transaction (or consent thereto in writing) and who are entitled to demand and properly demands appraisal of such shares, will be automatically converted into the right to receive either (1) \$123 in cash (the "Per Share Cash Consideration") or (2) 2.8211 (the "Exchange Ratio") shares of validly issued, fully paid and nonassessable shares of common stock, par value \$0.0001, of WillScot Mobile Mini (the "WillScot Mobile Mini Common Stock") (the "Per Share Stock Consideration" together with the Per Share Cash Consideration, the "Merger Consideration"), as determined pursuant to the election and allocation procedures in the Merger Agreement. The Company's shareholders will have the opportunity to elect to receive either the Per Share Cash Consideration or the Per Share Stock Consideration in respect of their Company Common Stock, provided that 60% of the Company Common Stock will be converted into the cash consideration and 40% of the Company Common Stock will be converted into the stock consideration. Pursuant to the terms of the Merger Agreement, the closing of the Merger Agreement is subject to the satisfaction of customary closing conditions, including adoption of the Merger Agreement by the Company's shareholders and receipt of regulatory approvals. The closing of the Transaction is not subject to any financing condition.

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

Lease revenues - Rental revenues from operating leases are recognized on a straight-line basis over the term of the lease for all operating segments. Rental billings for periods extending beyond period end are recorded as deferred income and are recognized in the period earned. Rental related services revenues are primarily associated with relocatable modular building and portable storage container leases. For modular building leases, rental related services revenues for modifications, delivery, installation, dismantle and return delivery are lease related because the payments are considered minimum lease payments that are an integral part of the negotiated lease agreement with the customer. These revenues are recognized on a straight-line basis over the term of the lease. 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 revenues include interest income on sales-type leases and rental income on facility leases.

Non-lease revenues - 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. Revenue from contracts that satisfy the criteria for over-time recognition are recognized as work is performed by using the input method based on the ratio of costs incurred to estimated total contract costs for each contract. The majority of revenue for these contracts is derived from long-term projects which typically span multiple quarters. The Company uses third parties to provide certain services as part of its contracts with customers. The Company is considered the principal (vs. an agent) as the Company is responsible for the fulfillment of all service elements and risks associated with the underlying performance obligation. Revenue for these services is recognized on a gross basis.

Other revenue is recognized when earned and primarily includes interest income on sales-type leases, rental income on facility leases 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
Blast resistant and kitchen modules	20 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

Costs of Rental Related Services

Costs of rental related services are primarily associated with relocatable modular building and portable storage container leases. Modular building leases primarily 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 portable storage containers consists of costs of delivery, removal and cleaning of the containers. 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, 2023, 2022 and 2021.

Other Direct Costs of Rental Operations

Other direct costs of rental operations include direct labor, supplies, repairs, insurance, property taxes, license fees, impairment of rental equipment 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 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 expense 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 from continuing operations consist of the following:

<i>(dollar amounts in thousands)</i>	Estimated useful life in years	December 31,	
		2023	2022
Land	Indefinite	\$ 75,143	\$ 61,487
Land improvements	20 – 50	65,931	65,451
Buildings	30	35,360	34,055
Furniture, office equipment and software	3 – 10	30,039	33,845
Vehicles and machinery	5 – 25	35,233	27,419
		241,706	222,257
Less: accumulated depreciation		(87,399)	(84,447)
		154,307	137,810
Construction in progress		14,807	903
		\$ 169,114	\$ 138,713

Property, plant and equipment depreciation expense was \$9.7 million, \$9.0 million and \$8.9 million for the years ended December 31, 2023, 2022 and 2021, respectively. Construction in progress at December 31, 2023 and 2022 consisted primarily of costs related to acquisition of land and land improvements. For information on the property, plant and equipment from discontinued operations, refer to Note 5.

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, training and post implementation 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 less than \$0.2 million and \$0.1 million in internal use software during the years ended December 31, 2023 and 2022, respectively.

Shipping Costs

The Company includes third party costs to deliver rental equipment to customers in costs of rental related services and costs of sales.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising expenses were \$5.9 million, \$5.0 million and \$5.1 million for the years ended December 31, 2023, 2022 and 2021.

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 "Provision for income taxes" in the Consolidated Statements of Income.

Goodwill and Intangible Assets

Purchase prices of acquired businesses are 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 are allocated to goodwill. At December 31, 2023 and 2022, goodwill and trade name intangible assets from continuing operations which have indefinite lives totaled \$323.2 million and \$106.4 million, respectively. For information on goodwill and trade name intangible assets from discontinued operations, refer to Note 5.

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 with indefinite lives 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 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. The fair value of the reporting unit is compared to its carrying value to determine if the goodwill is impaired. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, then goodwill is not impaired. If the carrying value of the net assets assigned to the reporting unit were to exceed its fair value, then a goodwill impairment loss is recorded for the amount the reporting unit's carrying value exceeds the estimated fair value.

The Company conducted its annual impairment analysis in the fourth quarter of 2023. The impairment analysis did not result in an impairment charge for the fiscal year ended 2023. There were no impairment charges in 2022 or 2021. 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:

<i>(in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Weighted-average common stock for calculating basic earnings per share	24,469	24,353	24,220
Effect of potentially dilutive securities from equity-based compensation	60	166	295
Weighted-average common stock for calculating diluted earnings per share	24,529	24,519	24,515

In 2023, 2022 and 2021, there were no shares having an anti-dilutive effect requiring exclusion from the computation of diluted earnings per share.

The Company has 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 up to 2,000,000 shares of the Company's outstanding common stock (the "Repurchase Plan"). 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 Plan may be modified, extended or terminated by the Board of Directors at any time. In the twelve months ended December 31, 2023, 2022 and 2021 there were no shares of common stock repurchased. As of December 31, 2023, 1,309,805 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 \$59.5 million at December 31, 2023 and \$52.6 million at December 31, 2022. 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 credit losses 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 credit losses when an account is determined to be uncollectable. The allowance for credit losses is based on the Company's assessment of the collectability of customer accounts receivable from operating lease and non-lease revenues. The Company regularly reviews the allowance by considering factors such as historical payment experience and trends, the age of the accounts receivable balances, the Company's operating segment, customer industry, credit quality and current economic conditions that may affect a customer's ability to pay. The Company recognized credit losses of \$2.6 million, \$0.8 million and \$0.5 million for the twelve months ended December 31, 2023, 2022 and 2021, respectively. The allowance for credit losses was \$2.8 million, \$2.3 million and \$2.1 million for the years ended December 31, 2023, 2022 and 2021, respectively.

The allowance for credit loss activity was as follows:

<i>(in thousands)</i>	2023	2022
Beginning balance, January 1	\$ 2,300	\$ 2,125
Provision for credit losses	2,633	837
Acquired reserve from Vesta Modular (see Note 4)	250	—
Derecognition of reserve from discontinued operations (see Note 5)	(450)	—
Write-offs, net of recoveries	(1,932)	(662)
Ending balance, December 31	\$ 2,801	\$ 2,300

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.

Net Investment in Sales-Type Leases

The Company enters into sales-type leases with certain qualified customers to purchase its rental equipment, primarily at its TRS-RenTelco operating segment. Sales-type leases have terms that generally range from 12 to 36 months and are collateralized by a security interest in the underlying rental asset. The net investment in sales-type leases was \$3.7 million at December 31, 2023 and \$4.5 million at December 31, 2022. The Company's assessment of current expected losses on these receivables was not material and no credit loss expense was provided as of December 31, 2023. The Company regularly reviews the allowance by considering factors such as historical payment experience, the age of the lease receivable balances, credit quality and current economic conditions that may affect a customer's ability to pay. Lease receivables are considered past due 90 days after invoice. The Company manages the credit risk in net investment in sales-type leases, on an ongoing basis, using a number of factors, including, but not limited to the following: historical payment history, credit score, size of operations, length of time in business, industry, historical profitability, historical cash flows, liquidity and past due amounts. The Company uses credit scores obtained from external credit bureaus as a key indicator for the purposes of determining credit quality of its new customers. The Company does not own available for sale debt securities or other financial assets at December 31, 2023.

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 \$169.2 million and \$89.3 million compared to the recorded value of \$175.0 million and \$100.0 million as of December 31, 2023 and 2022, 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"), functioned as a rental and sales office for TRS-RenTelco in India, which commenced its closure during 2017. 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 it is probable that vesting conditions will be 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 recognizes forfeitures based on actual forfeitures when they occur. 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 10.

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 and indefinite lived intangible assets carrying value, the various assets' useful lives and residual values, and the allowance for credit losses. In addition, determining the fair value of the assets and liabilities acquired in a business or asset acquisition can be judgmental in nature and can involve the use of significant estimates and assumptions.

NOTE 2. NEW ACCOUNTING PRONOUNCEMENTS

On March 27, 2023, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2023-01, Leases (Topic 842): Common Control Arrangements, which requires a lessee involved in a common control lease agreement to amortize leasehold improvements over the useful life of the improvements to the common control group, regardless of the lease term, as long as the lessee controls the use of the underlying asset. If the lessor obtains the right to control the use of the underlying asset through a lease with another entity not within the same control group, the amortization period cannot exceed the period of the common control group. Furthermore, the ASU requires the accounting for a transfer between entities under common control through an adjustment to equity when the lessee no longer controls the use of the underlying asset. The ASU is effective for fiscal years beginning after December 15, 2023. The Company is in the process of evaluating the financial statement impact of this ASU.

In November 2023, the FASB issued Accounting Standards Update ("ASU") 2023-07, *Segment Reporting—Improvements to Reportable Segment Disclosures* (Topic 280), which will require public companies to provide more transparency in both quarterly and annual reports about the expenses they incur from revenue generating reportable business segments. In addition, the ASU requires that a public entity disclose significant segment expenses that are regularly provided to the chief operating decision maker, an amount for

other segment items by reportable business segment, including a description of its composition, and the primary measures of a business segment's profit or loss in assessing segment performance. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The Company is in the process of evaluating the financial statement impact of this ASU.

In December 2023, the FASB issued Accounting Standards Update (“ASU”) 2023-09, *Income Taxes—Improvements to Income Tax Disclosures* (Topic 740), which will require Companies to disclose annually the specific categories in income tax rate reconciliations, provide additional information for reconciling items which meet a quantitative threshold, and disaggregate domestic and foreign income or loss from continuing operations. Additionally, this ASU will also require the disclosure of income tax expense or benefit from continuing operations disaggregated by federal, state and foreign. This ASU is effective for fiscal years beginning after December 15, 2024, and applied on a prospective basis. The Company is in the process of evaluating the financial statement impact of this ASU.

NOTE 3. IMPLEMENTED ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2023, the Company adopted the Financial Accounting Standards Board's Accounting Standards Update (“ASU”) 2022-02, *Financial Instruments—Credit Losses* (Topic 326): Troubled Debt Restructurings and Vintage Disclosures, which eliminated the separate recognition and measurement guidance for troubled debt restructurings by creditors. In addition, the ASU requires disclosure of current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of FASB ASC 326-20, *Financial Instruments—Credit Losses—Measured at Amortized Cost*. The adoption of this new guidance did not have a material impact on the Company's consolidated financial statements.

Effective January 1, 2023, the Company adopted the ASU 2021-08, *Business Combinations* (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which requires an entity to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606, *Revenue from Contracts with Customers*. Additionally, the ASU requires revenue contracts, including contract assets and liabilities, to be evaluated on the acquisition date and reported as if the contracts had originated with the acquirer, resulting in a measurement consistent with the recognition on the acquiree's financial statements. The adoption of this new guidance did not have a material impact on the Company's consolidated financial statements.

NOTE 4. ACQUISITIONS

On February 1, 2023, the Company completed the acquisition of Vesta Housing Solutions Holdings, Inc. (“Vesta Modular”), a portfolio company of Kinderhook Industries, for \$437.2 million cash consideration on the closing date, which included certain adjustments, including net working capital and certain qualified capital expenditures. In connection with the acquisition, the Company purchased a representation and warranty insurance policy to provide certain recourse in the event of breaches of representations and warranties of Vesta Modular and the seller of Vesta Modular under the stock purchase agreement. Vesta Modular was a leading provider of temporary and permanent modular space solutions serving customers between its modular leasing and modular construction divisions. The acquisition was accounted for as a purchase of a “business” in accordance with criteria in Accounting Standards Codification (“ASC”) 805, *Business Combinations*, using the purchase method of accounting. Under the purchase method of accounting, the total purchase price is assigned to tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values on the closing date. The excess of the purchase price over those fair values is recorded as goodwill. The financial results of Vesta Modular were a part of the Mobile Modular segment since February 1, 2023, including \$7.7 million of acquisition related transaction costs incurred during the current year as a result of the acquisition.

On March 1, 2023, the Company completed the acquisition of Jerald R. Brekke, Inc., DBA Brekke Storage (“Brekke Storage”), for a total purchase price of \$16.4 million. Brekke Storage was a regional provider of portable storage solutions in the Colorado market. The acquisition expanded the Portable Storage fleet by approximately 2,700 units and provided a new regional operation to serve the Colorado market. The acquisition was accounted for as a purchase of a “business” in accordance with criteria in ASC 805 using the purchase method of accounting. The financial results of Brekke Storage were a part of the Portable Storage segment since March 1, 2023, including \$0.2 million of transaction costs.

On April 1, 2023, the Company completed the acquisition of Dixie Temporary Storage, LLC (“Dixie Storage”), for a purchase price of \$4.9 million. Dixie Storage was a regional provider of portable storage solutions in the South Carolina market and is highly complementary to the Company's Portable Storage business segment. The acquisition expanded the Portable Storage fleet by approximately 800 units and provided a new regional operation to serve the South Carolina market. The acquisition was accounted for as a purchase of a “business” in accordance with criteria in ASC 805 using the purchase method of accounting. The financial results of Dixie Storage were a part of the Portable Storage segment since April 1, 2023, including \$0.1 million of transaction costs.

On July 1, 2023, the Company completed the purchase of assets of Inland Leasing and Storage, LLC ("Inland Leasing"), for a purchase price of \$3.8 million. Inland Leasing was a regional provider of portable storage solutions in the Colorado market and is highly complementary to the Company's Portable Storage business segment. The acquisition grew the Portable Storage fleet by approximately 600 units, which will further support the Colorado market. The acquisition was accounted for as a purchase of "assets" in accordance with criteria in ASC 805 and the assessment of the fair value of the purchased assets was allocated primarily to rental equipment totaling \$3.0 million and intangible assets totaling \$0.7 million. Supplemental pro forma information has not been provided as the historical financial results of Inland Leasing were not significant. Incremental transaction costs associated with the asset purchase were not significant.

The following tables summarize the purchase price allocations reflecting estimated fair values of assets acquired and liabilities assumed in the Vesta Modular, Brekke Storage and Dixie Storage business acquisitions, with excess amounts allocated to goodwill. The estimated fair values of the assets acquired and liabilities assumed at the acquisition date are determined based on preliminary valuations and analyses. Accordingly, the Company has made provisional estimates for the assets acquired and liabilities assumed. The valuation of intangible assets acquired is based on certain valuation assumptions including cash flow projections, discount rates, contributory asset charges and other valuation model inputs. The valuation of tangible long-lived assets acquired is dependent upon various analyses including an analysis of the condition and estimated remaining economic lives of the assets acquired.

Vesta Modular:

<i>(dollar amounts in thousands)</i>	
Rental equipment	\$ 212,639
Intangible assets:	
Goodwill	211,178
Customer relationships	29,900
Non-compete	7,100
Trade name	800
Cash	11
Accounts receivable	22,666
Property, plant and equipment	1,437
Prepaid expenses and other assets	3,550
Accounts payable and accrued liabilities	(26,202)
Deferred income	(14,273)
Deferred income taxes	(11,596)
Total purchase price	\$ 437,210

Brekke Storage:

<i>(dollar amounts in thousands)</i>	
Rental equipment	\$ 10,798
Intangible assets:	
Goodwill	4,083
Customer relationships	949
Non-compete	59
Property, plant and equipment	875
Deferred income	(382)
Total purchase price	\$ 16,382

Dixie Storage:

<i>(dollar amounts in thousands)</i>	
Rental equipment	\$ 2,758
Intangible assets:	
Goodwill	1,555
Customer relationships	259
Non-compete	22
Property, plant and equipment	318
Deferred income	(161)
Total purchase price	\$ 4,751

The value assigned to identifiable intangible assets was determined based on discounted estimated future cash flows associated with such assets to their present value. The combined acquired goodwill of \$216.8 million reflects the strategic fit of Vesta Modular, Brekke Storage and Dixie Storage with the Company's modular and portable storage business operations. The Company amortizes the acquired customer relationships over their expected useful lives of 11 years for Vesta Modular, 8 years for Brekke Storage and 9 years for Dixie Storage. The expected useful life for the non-compete agreements is 5 years. The trade name intangible acquired from the Vesta Modular acquisition will be amortized over its useful life of nine months. Goodwill is expected to have an indefinite life and will be subject to future impairment testing. The goodwill is deductible for tax purposes over 15 years.

The following unaudited supplemental pro forma financial information shows the combined results of continuing operations of the Company and Vesta Modular as if the acquisition occurred as of the beginning of the periods presented. The pro forma results include the effects of the amortization of the purchased intangible assets and depreciation expense of acquired rental equipment valuation step up, interest expense on the debt incurred to finance the acquisitions. A pro forma adjustment has been made to reflect the income taxes that would have been recorded at the combined federal and state statutory rate of 26.5% on the acquisitions' combined net income. The pro forma results for the years ended December 31, 2023 and 2022, have been adjusted to include transaction related costs. This pro forma data is presented for informational purposes only and does not purport to be indicative of the results of the future operations or the results that would have occurred had the acquisitions taken place in the periods noted below:

	<i>(Unaudited)</i>	
	Year Ended December 31,	
	2023	2022
<i>(dollar amounts in thousands, except for per share amounts)</i>		
Pro-forma total revenues	\$ 839,485	\$ 765,916
Pro-forma net income	\$ 174,325	\$ 110,210
Pro-forma basic earnings per share	\$ 4.56	\$ 4.04
Pro-forma diluted earnings per share	\$ 4.55	\$ 4.01
Vesta Modular		
Actual total revenues	\$ 110,504	
Actual net income	\$ 21,458	
Actual basic earnings per share	\$ 0.88	
Actual diluted earnings per share	\$ 0.87	

NOTE 5. DISCONTINUED OPERATIONS

On February 1, 2023, the Company completed the sale of Adler Tank Rentals, LLC to Ironclad Environmental Solutions, Inc. ("Ironclad"), a portfolio company of Kinderhook Industries, for a sale price of \$268.0 million. The total transaction costs incurred from the divestiture was \$6.7 million and \$2.1 million during the years ended December 31, 2023 and 2022, respectively. The divestiture of the Company's Adler Tanks business represents the Company's strategic shift to concentrate its operations on its core modular and storage businesses. The sale price was subject to certain adjustments, including net working capital, certain qualified capital expenditures and certain transaction expenses to be borne by the Company. In connection with the sale, the Company entered into a number of ancillary agreements, including an escrow agreement associated with net working capital adjustments, a restricted covenant agreement, a transition services agreement, and a number of leases whereby Ironclad or one of its affiliates would be a lessee to certain properties owned by the Company that the Adler Tanks business would continue to utilize after the sale. These ancillary agreements do not provide for continued involvement by the Company in Adler Tanks. In accordance with ASC 205-20, *Presentation of Financial Statements - Discontinued Operations* and ASC 360, *Property, Plant and Equipment*, the Company determined that the criteria for the presentation of discontinued operations and held-for-sale, respectively, were met during the first quarter of 2023.

The following table presents the results of Adler Tanks as reported in income from discontinued operations within the Consolidated Statements of Income for the years ended December 31, 2023, 2022 and 2021:

(dollar amounts in thousands)

	Year Ended December 31,		
	2023	2022	2021
Revenues			
Rental	\$ 6,520	\$ 66,366	\$ 56,025
Rental related services	2,584	27,654	22,851
Rental operations	9,104	94,020	78,876
Sales	269	2,933	2,930
Other	65	1,205	436
Total revenues	9,438	98,158	82,242
Costs and Expenses			
Direct costs of rental operations:			
Depreciation of rental equipment	1,325	16,004	16,442
Rental related services	2,020	20,947	18,534
Other	1,270	12,422	11,492
Total direct costs of rental operations	4,614	49,373	46,468
Costs of sales	159	2,085	2,075
Total costs of revenues	4,773	51,458	48,543
Gross Profit			
Rental	3,926	37,940	28,091
Rental related services	564	6,707	4,317
Rental operations	4,490	44,647	32,408
Sales	110	848	855
Other	65	1,205	436
Total gross profit	4,665	46,700	33,699
Selling and administrative expenses	(2,582)	(28,428)	(25,542)
Income from operations	2,083	18,272	8,157
Interest expense allocation	(374)	(2,938)	(2,211)
Income from discontinued operations before provision for income taxes	1,709	15,334	5,946
Provision for income taxes from discontinued operations	453	3,505	1,326
Income from discontinued operations	\$ 1,256	\$ 11,829	\$ 4,620

The following table presents the carrying value of the divested business' assets and liabilities as presented within assets and liabilities of discontinued operations on the Consolidated Balance Sheets as of December 31, 2022:

	December 31, 2022
<i>(in thousands)</i>	
Assets	
Accounts receivable, net of allowance for credit losses of \$450	\$ 20,086
Rental equipment, net	137,738
Property, plant and equipment, net	6,632
Prepaid expenses and other assets	191
Intangible assets, net	5,700
Goodwill	25,902
Total assets of discontinued operations	\$ 196,249
Liabilities	
Accounts payable and accrued liabilities	\$ 9,621
Deferred income taxes, net	43,550
Total liabilities of discontinued operations	\$ 53,171

For the years ended December 31, 2023 and 2022, significant operating and investing items related to Adler Tanks were as follows:

<i>(in thousands)</i>	December 31, 2023	December 31, 2022
Operating activities of discontinued operations:		
Depreciation and amortization	\$ 1,457	\$ 17,704
Gain on sale of used rental equipment	(111)	(704)
Investing activities of discontinued operations:		
Proceeds from sales of used rental equipment	269	2,374
Purchases of rental equipment	(25)	(3,624)
Purchases of property, plant and equipment	(40)	(10,255)

NOTE 6. LEASES

Lessee

The Company leases real estate for certain of its branch offices and rental equipment storage yards, vehicles and equipment used in its rental operations. The Company determines if an arrangement is a lease at inception. The Company has leases with lease and non-lease components, which are accounted for separately. Right-Of-Use (“ROU”) assets and liabilities are recognized on the commencement date based on the present value of lease payments over the lease term. Variable lease payments are excluded from the ROU assets and lease liabilities and are recognized in the period in which the obligation for those payments is incurred, which are not material. The Company’s lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Company uses the interest rate stated in the lease as the discount rate. If the interest rate is not stated, the Company uses its incremental borrowing rate based on information available on lease commencement date in determining the present value of lease payments. Many of the Company’s real estate lease agreements include options to extend the lease, which are not included in the minimum lease terms unless they are reasonably certain to be exercised. These leases include one or more options to renew, with renewal terms that may extend the lease term from one to three years. The amount of payments associated with such options is not material. Short-term leases are leases having a term of twelve months or less and exclude leases with a lease term of one month or less. The Company recognizes short-term leases on a straight-line basis and does not record a related ROU asset or liability for such leases. At December 31, 2023 and 2022 the Company’s ROU assets and operating lease liabilities were \$14.8 million and \$11.6 million, respectively, which are recorded in Prepaid expenses and other assets and Accounts payable and accrued liabilities on the Company’s Consolidated Balance Sheets.

During the year ended December 31, 2023, operating lease expense was \$6.7 million, which includes short term lease expense of \$0.1 million. At December 31, 2023, the weighted-average remaining lease term for operating leases was 3.5 years and the weighted average discount rate was 4.94%. The Company had no sub-lease income during the year ended December 31, 2023, and did not have any finance leases as of December 31, 2023.

Supplemental cash flow information related to leases was as follows:

<i>(in thousands)</i>	Year Ended December 31,	
	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 6,441	\$ 5,863
Right of use assets obtained in exchange for lease obligations:		
Operating leases	\$ 10,058	\$ 3,284

As of December 31, 2023, maturities of operating lease liabilities were as follows:

<i>(in thousands)</i>	
<u>Year ended December 31,</u>	
2024	\$ 6,857
2025	4,940
2026	2,282
2027	575
2028	270
Thereafter	1,119
Total lease payments	<u>16,043</u>
Less: imputed interest	<u>(1,270)</u>
	<u>\$ 14,773</u>

Lessor

The Company's equipment rentals for each of its operating segments are governed by agreements that detail the lease terms and conditions. The determination of whether these contracts with customers contain a lease generally does not require significant judgement. The Company accounts for these rentals as operating leases. These leases do not include material amounts of variable payments and the Company has made the accounting policy election to exclude all taxes assessed by a governmental authority. The Company generally does not provide an option for the lessee to purchase the rented equipment at the end of the lease term, thus, does not generate material revenue from sales of equipment under such options. Initial lease terms vary in length based upon customer needs and generally range from one to sixty months. Customers have the option to keep equipment on rent beyond the initial lease term on a month-to-month basis based upon their needs. All of the Company's rental products have long useful lives relative to the typical rental term with the original investment typically recovered in approximately three to five years. The rental products are typically rented for a majority of the time owned and a significant portion of the original investment is recovered when sold from inventory. The Company's lease agreements do not contain residual value guarantees or restrictive covenants.

As of December 31, 2023, maturities of operating lease payments to be received in 2024 and thereafter were as follows:

<i>(in thousands)</i>	
<u>Year Ended December 31,</u>	
2024	\$ 174,339
2025	59,505
2026	21,986
2027	9,738
2028	2,335
Thereafter	1,097
	<u>\$ 269,000</u>

In the year ended December 31, 2023, the Company's lease revenues from continuing operations were \$564.1 million, consisting of \$561.5 million of operating lease revenues and \$2.6 million of finance lease revenues. The Company has entered into finance leases to finance certain equipment sales to customers. The lease agreements have a bargain purchase option at the end of the lease term. 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. For the year ended December 31, 2023, the Company's finance lease revenues included \$2.2 million of sales revenues and \$0.4 million of interest income. The minimum lease payments receivable and the net investment are included in Accounts receivable on the Company's Consolidated Balance Sheet for such leases, which were as follows:

<i>(in thousands)</i>	<u>December 31, 2023</u>	
Gross minimum lease payments receivable	\$	4,004
Less – unearned interest		<u>(352)</u>
Net investment in finance lease receivables	\$	<u>3,652</u>

As of December 31, 2023, the future minimum lease payments under non-cancelable finance leases to be received in 2024 and thereafter were as follows:

(in thousands)

Year Ended December 31,

2024	\$	2,243
2025		884
2026		429
2027		96
Total minimum future lease payments to be received	\$	3,652

NOTE 7. REVENUE RECOGNITION

The Company's accounting for revenues is governed by two accounting standards. The majority of the Company's revenues are considered lease or lease related and are accounted for in accordance with Topic 842, Leases. Revenues determined to be non-lease related are accounted for in accordance with ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The Company accounts for revenues when approval and commitment from both parties have been obtained, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. The Company typically recognizes non-lease related revenues at a point in time because the customer does not simultaneously consume the benefits of the Company's promised goods and services, or performance obligations, and obtain control when delivery and installation are complete. For contracts that have multiple performance obligations, the transaction price is allocated to each performance obligation in the contract based on the Company's best estimate of the standalone selling prices of each distinct performance obligation in the contract. The standalone selling price is typically determined based upon the expected cost plus an estimated margin of each performance obligation.

Revenue from contracts that satisfy the criteria for over time recognition are recognized as work is performed by using the ratio of costs incurred to estimated total contract costs for each contract. The majority of revenue for these contracts is derived from long-term projects which typically span multiple quarters. The timing of revenue recognition, billings, and cash collections results in billed contract receivables and contract assets on the Company's Consolidated Balance Sheets. In the Company's contracts, amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Billings can occur subsequent to revenue recognition, resulting in contract assets, or in advance, resulting in contract liabilities. These contract assets and liabilities are reported on the Consolidated Balance Sheets on a contract-by-contract basis at the end of each reporting period. The contract liabilities included in Deferred income on the Company's Consolidated Balance Sheets totaled \$40.7 million and \$27.4 million at December 31, 2023 and 2022, respectively. Sales revenues totaling \$21.4 million were recognized during the year ended December 31, 2023, which were included in the contract liability balance at December 31, 2022. For certain modular building sales, the customer retains a small portion of the contract price until full completion of the contract, or revenue is recognizable prior to customer billing, which results in revenue earned in excess of billings. These unbilled contract assets are included in Accounts receivable on the Company's Consolidated Balance Sheets and totaled \$8.7 million and \$0.6 million at December 31, 2023 and 2022, respectively. The Company did not recognize any material contract asset impairments during the years ended December 31, 2023 and 2022.

The Company's uncompleted contracts with customers which meet the criteria for over-time revenue recognition have unsatisfied or partially satisfied performance obligations. As of December 31, 2023, approximately \$34.3 million of revenue is expected to be recognized for unsatisfied or partially satisfied obligations. We expect to recognize revenue for approximately one half of these unsatisfied or partially satisfied performance obligations over the next 12 months, with the remaining balance recognized thereafter. As of December 31, 2023, approximately \$236.4 million of revenue was recognized for sales and non-lease services transferred at a point in time and approximately \$31.3 million of revenue was recognized for sales and non-lease services transferred over time.

The Company generally rents and sells to customers on 30 day payment terms. The Company does not typically offer variable payment terms, or accept non-monetary consideration. Amounts billed and due from the Company's customers are classified as Accounts receivable on the Company's Consolidated Balance Sheets. For certain sales of modular buildings, progress payments from the customer are received during the manufacturing of new equipment, or the preparation of used equipment. The advance payments are not considered a significant financing component because the payments are used to meet working capital needs during the contract and to protect the Company from the customer failing to adequately complete their obligations under the contract.

Lease Revenues

Rental revenues from operating leases are recognized on a straight-line basis over the term of the lease for all operating segments. Rental billings for periods extending beyond period end are recorded as deferred income and are recognized in the period earned. Rental related services revenues are primarily associated with relocatable modular building and portable storage container leases. For modular building leases, rental related services revenues for modifications, delivery, installation, dismantle and return delivery are lease related because the payments are considered minimum lease payments that are an integral part of the negotiated lease agreement with the customer. These revenues are recognized on a straight-line basis over the term of the lease. 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 revenues include interest income on sales-type leases and rental income on facility leases.

Non-Lease Revenues

Non-lease revenues are recognized in the period when control of the performance obligation is transferred, in an amount that reflects the consideration the Company expects to be entitled to receive in exchange for those goods or services. For portable storage container and electronic test equipment leases, rental related services revenues for delivery and return delivery are considered non-lease revenues.

Sales revenues are typically recognized at a point in time, which occurs upon the completion of delivery, installation and acceptance of the equipment by the customer. Sales contracts that satisfy the criteria for over-time recognition are recognized as work is performed by using the ratio of costs incurred to estimated total contracts costs for each contract. Accounting for non-lease revenues requires judgment in determining the point in time the customer gains control of the equipment and the appropriate accounting period to recognize revenue.

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

The following table disaggregates the Company's revenues from continuing operations by lease (within the scope of Topic 842) and non-lease revenues (within the scope of Topic 606) and the underlying service provided for the three years ended December 31, 2023, 2022 and 2021:

<i>(in thousands)</i>	Mobile Modular	Portable Storage	TRS- RenTelco	Enviroplex	Consolidated
Year Ended December 31,					
2023					
Leasing	\$ 367,753	\$ 77,181	\$ 119,134	\$ —	\$ 564,068
Non-lease:					
Rental related services	36,734	19,250	2,658	—	58,642
Sales	155,267	4,587	24,951	20,192	204,997
Other	2,482	119	1,534	—	4,135
Total non-lease	194,483	23,956	29,143	20,192	267,774
Total revenues	\$ 562,236	\$ 101,137	\$ 148,277	\$ 20,192	\$ 831,842
2022					
Leasing	\$ 267,779	\$ 63,422	\$ 125,695	\$ —	\$ 456,896
Non-lease:					
Rental related services	14,348	16,082	2,579	—	33,009
Sales	97,045	2,933	21,267	23,170	144,415
Other	39	69	1,237	—	1,345
Total non-lease	111,432	19,084	25,083	23,170	178,769
Total revenues	\$ 379,211	\$ 82,506	\$ 150,778	\$ 23,170	\$ 635,665
2021					
Leasing	\$ 223,383	\$ 45,792	\$ 116,769	\$ —	\$ 385,944
Non-lease:					
Rental related services	13,091	11,943	2,469	—	27,503
Sales	64,809	4,175	19,788	31,081	119,853
Other	82	41	1,168	—	1,291
Total non-lease	77,982	16,159	23,425	31,081	148,647
Total revenues	\$ 301,365	\$ 61,951	\$ 140,194	\$ 31,081	\$ 534,591

Customer returns of rental equipment prior to the end of the rental contract term are typically billed a cancellation fee, which is recorded as rental revenue in the period billed. 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.

The Company's incremental cost of obtaining lease contracts, which consists of salesperson commissions, are deferred and amortized over the initial lease term for modular building leases. Incremental costs for obtaining a contract for all other operating segments are expensed in the period incurred because the lease term is typically less than 12 months.

NOTE 8. NOTES PAYABLE

Notes payable consists of the following:

<i>(in thousands)</i>	December 31,	
	2023	2022
Unsecured revolving lines of credit	\$ 588,000	\$ 313,775
2.35% Series E senior notes due in 2026	60,000	60,000
2.57% Series D senior notes due in 2028	40,000	40,000
6.25% Series F senior notes due in 2030	75,000	—
	763,000	413,775
Unamortized debt issuance cost	(25)	(33)
	\$ 762,975	\$ 413,742

As of December 31, 2023, the future minimum payments under the unsecured revolving lines of credit, 2.35% Series E senior notes, 2.57% Series D senior notes and 6.25% Series F senior notes due in 2026, 2028 and 2030, respectively, are as follows:

<i>(in thousands)</i>	
<u>Year Ended December 31,</u>	
2024	\$ —
2025	—
2026	60,000
2027	588,000
2028	40,000
Thereafter	75,000
	\$ 763,000

Unsecured Revolving Lines of Credit

On July 15, 2022, the Company entered into an amended and restated credit agreement with Bank of America, N.A., as Administrative Agent, Swing Line Lender, L/C Issuer and lender, and other lenders named therein (the “Credit Facility”). The Credit Facility provides for a \$650.0 million unsecured revolving credit facility (which may be further increased to \$950.0 million by adding one or more tranches of term loans and/or increasing the aggregate revolving commitments), which includes a \$40.0 million sublimit for the issuance of standby letters of credit and a \$20.0 million sublimit for swingline loans. The proceeds of the Credit Facility are available to be used for general corporate purposes, including permitted acquisitions. The Credit Facility permits the Company’s existing indebtedness to remain, which includes the Company’s \$20.0 million Treasury Sweep Note due July 15, 2027, the Company’s existing senior notes issued pursuant to the Note Purchase and Private Shelf Agreement with Prudential Investment Management, Inc., dated as of April 21, 2011 (as amended): (i) the \$60.0 million aggregate outstanding principal of notes issued November 5, 2015, which were repaid on November 5, 2022, (ii) the \$40.0 million aggregate outstanding principal of notes issued March 17, 2021 and due March 17, 2028, and (iii) the \$60.0 million aggregate outstanding principal of notes issued June 16, 2021 and due June 16, 2026. In addition, the Company may incur additional senior note indebtedness in an aggregate amount not to exceed \$250.0 million. The Credit Facility matures on July 15, 2027 and replaced the Company’s prior \$420.0 million credit facility dated March 31, 2020 with Bank of America, N.A., as agent, as amended. All obligations outstanding under the prior credit facility as of the date of the Credit Facility were refinanced by the Credit Facility on July 15, 2022.

On August 19, 2022, the Company entered into an amended and restated Credit Facility Letter Agreement and a Credit Line Note in favor of MUFG Union Bank, N.A., which provides for a \$20.0 million line of credit facility related to its cash management services (“Sweep Service Facility”). The Sweep Service Facility matures on the earlier of July 15, 2027, or the date the Company ceases to utilize MUFG Union Bank, N.A. for its cash management services. The Sweep Service Facility replaced the Company’s prior \$12.0 million sweep service facility, dated as of March 30, 2020.

At December 31, 2023, under the Credit Facility and Sweep Service Facility, the Company had unsecured lines of credit that permit it to borrow up to \$650.0 million of which \$588.0 million was outstanding. 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, 2023 the actual ratio was 3.31 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, 2023, the actual ratio was 2.35 to 1.

Amounts borrowed under the Credit Facility bear interest at the Company's option at either: (i) SOFR 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 SOFR loans and 0% to 0.75% for base rate loans. In addition, the Company pays an unused commitment fee for the portion of the \$650.0 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, 2023 and 2022, the applicable margins were 1.25% for SOFR based loans, 0.25% for base rate loans and 0.20% for unused fees. 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 \$20.0 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:

<i>(dollar amounts in thousands)</i>	Year Ended December 31,	
	2023	2022
Maximum amount outstanding	\$ 591,000	\$ 328,752
Average amount outstanding	\$ 541,635	\$ 276,399
Weighted average interest rate, during the period	6.63%	3.29%
Prime interest rate, end of period	8.50%	7.50%

Note Purchase and Private Shelf Agreement

On June 8, 2023, the Company entered into a Second Amended and Restated Note Purchase and Private Shelf Agreement (the "Note Purchase Agreement") with PGIM, Inc. ("PGIM") and the holders of Series D and Series E Notes previously issued pursuant to the Prior Amended and Restated NPA, among the Company and the other parties to the Note Purchase Agreement. The Note Purchase Agreement amended and restated, and superseded in its entirety, the Prior NPA. Pursuant to the Prior NPA, the Company issued (i) \$40.0 million aggregate principal amount of its 2.57% Series D Senior Notes, due March 17, 2028, and (ii) \$60.0 million aggregate principal amount of its 2.35% Series E Senior Notes, due June 16, 2026, to which the terms of the Note Purchase Agreement shall apply.

In addition, pursuant to the Note Purchase Agreement, the Company may authorize the issuance and sale of additional senior notes (the "Shelf Notes") in the aggregate principal amount of (x) \$300 million minus (y) the amount of other notes (such as the Series D Senior Notes, Series E Senior Notes and Series F Senior Notes, each defined below) then outstanding, to be dated the date of issuance thereof, to mature, in case of each Shelf Note so issued, no more than 15 years after the date of original issuance thereof, to have an average life, in the case of each Shelf Note so issued, of no more than 15 years after the date of original issuance thereof, to bear interest on the unpaid balance thereof from the date thereof at the rate per annum, and to have such other particular terms, as shall be set forth, in the case of each Shelf Note so issued, in accordance with the Note Purchase Agreement. Shelf Notes may be issued and sold from time to time at the discretion of the Company's Board of Directors and in such amounts as the Board of Directors may determine, subject to prospective purchasers' agreement to purchase the Shelf Notes. The Company will sell the Shelf Notes directly to such purchasers. The full net proceeds of each Shelf Note will be used in the manner described in the applicable Request for Purchase with respect to such Shelf Note.

6.25% Senior Notes Due in 2030

On September 27, 2023, the Company issued and sold to the purchasers \$75.0 million aggregate principal amount of 6.25% Series F Notes (the "Series F Senior Notes") pursuant to the terms of the Second Amended and Restated Note Purchase and Private Shelf Agreement, dated June 8, 2023 (the "Note Purchase Agreement"), among the Company, PGIM, Inc. and the noteholders party thereto.

The Series F Senior Notes are an unsecured obligation of the Company and bear interest at a rate of 6.25% per annum and mature on September 27, 2030. Interest on the Series F Senior Notes is payable semi-annually beginning on March 27, 2024 and continuing thereafter on September 27 and March 27 of each year until maturity. The principal balance is due when the notes mature on September 27, 2030. The full net proceeds from the Series F Senior Notes will primarily be used to fulfill the income tax obligations incurred from the divestiture of Adler Tanks. At December 31, 2023, the principal balance outstanding under the Series F Senior Notes was \$75.0 million.

2.57% Senior Notes Due in 2028

On March 17, 2021, the Company issued and sold to the purchasers \$40 million aggregate principal amount of 2.57% Series D Notes (the "Series D Senior Notes") pursuant to the terms of the Amended and Restated Note Purchase and Private Shelf Agreement, dated March 31, 2020 (the "Note Purchase Agreement"), among the Company, PGIM, Inc. and the noteholders party thereto.

The Series D Senior Notes are an unsecured obligation of the Company and bear interest at a rate of 2.57% per annum and mature on March 17, 2028. Interest on the Series D Senior Notes is payable semi-annually beginning on September 17, 2021 and continuing thereafter on March 17 and September 17 of each year until maturity. The principal balance is due when the notes mature on March 17, 2028. The full net proceeds from the Series D Senior Notes were used to pay off the Company's \$40 million Series B Senior Notes. At December 31, 2023, the principal balance outstanding under the Series D Senior Notes was \$40.0 million.

2.35% Senior Notes Due in 2026

On June 16, 2021, the Company issued and sold to the purchasers \$60 million aggregate principal amount of 2.35% Series E Notes (the "Series E Notes") pursuant to the terms of the Amended and Restated Note Purchase and Private Shelf Agreement, dated March 31, 2020 (the "Note Purchase Agreement"), among the Company, PGIM, Inc. and the noteholders party thereto.

The Series E Senior Notes are an unsecured obligation of the Company and bear interest at a rate of 2.35% per annum and mature on June 16, 2026. Interest on the Series E Senior Notes is payable semi-annually beginning on December 16, 2021 and continuing thereafter on June 16 and December 16 of each year until maturity. The principal balance is due when the notes mature on June 16, 2026. The full net proceeds from the Series E Senior Notes were used to pay down the Company's credit facility. At December 31, 2023, the principal balance outstanding under the Series E Senior Notes was \$60.0 million.

Among other restrictions, the Note Purchase Agreement, which has superseded in its entirety the Prior NPA, under which the Series D Senior Notes and Series E 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, 2023, the actual ratio was 3.33 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, 2023, the actual ratio was 2.34 to 1.

At December 31, 2023, 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.

NOTE 9. INCOME TAXES

Income before provision (benefit) for income taxes consisted of the following:

<i>(in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
U.S.	\$ 234,188	\$ 149,759	\$ 121,660
Foreign	228	261	96
	<u>\$ 234,416</u>	<u>\$ 150,020</u>	<u>\$ 121,756</u>

The provision (benefit) for income taxes consisted of the following:

<i>(in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Current:			
U.S. Federal	\$ 57,176	\$ 19,480	\$ (1,692)
State	(5,587)	8,708	5,360
Foreign	1,847	2,208	2,035
	<u>53,436</u>	<u>30,396</u>	<u>5,703</u>
Deferred:			
U.S. Federal	4,892	4,563	23,433
State	1,481	(68)	2,896
Foreign	(14)	(9)	19
	<u>6,359</u>	<u>4,486</u>	<u>26,348</u>
Total	<u>\$ 59,795</u>	<u>\$ 34,882</u>	<u>\$ 32,051</u>

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

	Year Ended December 31,		
	2023	2022	2021
U.S. federal statutory rate	21.0%	21.0%	21.0%
State taxes, net of federal benefit	4.9	4.9	5.1
State deferred tax apportionment change, net of federal benefit	(0.2)	(1.1)	1.6
Non-deductible transaction costs	0.3	—	—
Non-deductible executive compensation	0.4	0.6	0.8
Share-based compensation	(1.2)	(1.7)	(2.1)
Enactment of the Tax Cuts and Jobs Act	(0.2)	(0.2)	—
Other	0.5	(0.2)	(0.1)
	25.5%	23.3%	26.3%

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:

<i>(in thousands)</i>	December 31,	
	2023	2022
Deferred tax liabilities:		
Accelerated depreciation	\$ 273,503	\$ 249,568
Prepaid costs currently deductible	12,567	8,646
Other	6,767	8,124
Total deferred tax liabilities	292,837	266,338
Deferred tax assets:		
Accrued costs not yet deductible	13,742	12,207
Allowance for doubtful accounts	713	588
Net operating loss carry-forward	28,670	—
Deferred revenues	5,439	4,069
Share-based compensation	2,718	2,563
Total deferred tax assets, net of valuation allowance of \$0.2 million in 2023 and 2022	51,282	19,427
Deferred income taxes, net	\$ 241,555	\$ 246,911

The net deferred income tax liability presented in the table above for the period ended December 31, 2022, included a net deferred tax liability of \$43.6 million related to the divested Adler Tanks segment and is included in Liabilities of discontinued operations on the Consolidated Balance Sheets. As of December 31, 2023, the current and deferred tax liabilities from discontinued operations of \$64.8 million were paid in full and no future tax obligations pertaining to the Adler Tanks segment remain.

The Company's tax loss carryforwards for the year ended December 31, 2023, were \$129.2 million and \$32.2 million for federal and state jurisdictions, respectively, which are expected to result in a future federal and state tax benefit of \$27.1 million and \$1.5 million, respectively. The availability of these tax losses to offset future income varies by jurisdiction. Furthermore, the ability to utilize the tax losses may be subject to additional limitations. The company's federal net operating loss carryforwards have an indefinite carryforward period. The company's state net operating loss carryforwards have differing carryforward periods. The Company anticipates that the available net operating losses as of December 31, 2023, will be utilized prior to their respective expiration dates.

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 began in 2017. As a result, a valuation allowance was recorded against the deferred tax assets that resulted primarily from accumulated net operating loss carry forwards in India that management estimated the benefit of which will not be realized. As of December 31, 2023, the Company's foreign net operating losses for tax purposes were \$0.6 million. If not realized, these carry forwards will expire in 2024.

For income tax purposes, deductible compensation related to share-based awards is based on the value of the award when realized, which may be different than the compensation expense recognized by the company for financial statement purposes which is based on the award value on the date of grant. The difference between the value of the award upon grant, and the value of the award when ultimately realized, creates either additional tax expense or benefit. In 2023, 2022 and 2021 exercise of share-based awards by employees resulted in an excess tax benefit of \$2.7 million, \$2.6 million and \$2.5 million, respectively.

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, 2023 and 2022. In addition, there have been no material changes in unrecognized benefits during 2023, 2022 and 2021.

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.

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. 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 2019.

The Company recognizes interest and penalties related to unrecognized tax benefits in the provision (benefit) for income taxes in the accompanying Consolidated Statements of Income for all periods presented. Such interest and penalties were not significant for the years ended December 31, 2023, 2022 and 2021.

NOTE 10. 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”) 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, restricted stock units (“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 2016 Plan by two shares. There were no significant modifications to the 2016 Plan or awards classified as liabilities in the year ended December 31, 2023.

For the years ended December 31, 2023, 2022 and 2021, the share-based compensation expense was \$8.3 million, \$8.0 million and \$7.7 million, respectively, before provision for income taxes. The Company recorded a tax benefit of approximately \$2.2 million, \$2.2 million and \$2.1 million, respectively, related to the aforementioned share-based compensation expenses. There was no capitalized share-based compensation expense in the years ended December 31, 2023, 2022 and 2021.

Stock Options

As of December 31, 2023, a cumulative total of 8,458,600 shares subject to options have been granted with exercise prices ranging from \$3.47 to \$40.37. Of these, options have been exercised for the purchase of 6,906,363 shares, while options for 1,672,732 shares have been terminated, and options for 240 shares with an exercise price of \$34.57 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, 2023, 1,123,946 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, 2023 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, 2020	409,410	\$ 29.33		
Options granted	—	—		
Options exercised	(133,020)	28.57		
Options cancelled/forfeited/expired	(1,760)	34.57		
Balance at December 31, 2021	274,630	29.66		
Options granted	—	—		
Options exercised	(135,280)	25.61		
Options cancelled/forfeited/expired	—	—		
Balance at December 31, 2022	139,350	33.59		
Options granted	—	—		
Options exercised	(139,110)	33.51		
Options cancelled/forfeited/expired	—	—		
Balance at December 31, 2023	240	\$ 34.57	0.17	\$ 0.02
Exercisable at December 31, 2023	240	\$ 34.57	0.17	\$ 0.02
Expected to vest after December 31, 2023	—	\$ —	—	\$ —

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 \$9.4 million, \$7.9 million and \$7.0 million for the years ended December 31, 2023, 2022 and 2021, respectively, determined as of the date of option exercise. As of December 31, 2023, there was no unrecognized compensation cost related to unvested share-based compensation option arrangements granted under the Company's stock plans.

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, 2023:

Exercise price	Options Outstanding			Options Exercisable	
	Number outstanding at December 31, 2023	Weighted-average remaining contractual life (Years)	Weighted-average grant date value	Number exercisable at December 31, 2023	Weighted-average grant date value
\$30 – 35	240	0.17	\$ 34.57	240	\$ 34.57
\$30 – 35	240	0.17	\$ 34.57	139,350	\$ 34.57

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.

No options were granted in the years ended December 31, 2023, 2022 and 2021.

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, 2023:

	Number of shares	Weighted-average grant date fair value	Aggregate intrinsic value (in millions)
Balance at December 31, 2020	225,970	\$ 57.06	
RSUs granted	116,326	72.75	
RSUs vested	(116,242)	53.32	
RSUs cancelled/forfeited/expired	(8,646)	52.78	
Balance at December 31, 2021	217,408	67.63	
RSUs granted	95,028	77.79	
RSUs vested	(114,274)	58.30	
RSUs cancelled/forfeited/expired	(10,754)	70.10	
Balance at December 31, 2022	187,408	76.74	
RSUs granted	92,320	103.56	
RSUs vested	(86,402)	50.98	
RSUs cancelled/forfeited/expired	(21,649)	82.69	
Balance at December 31, 2023	171,677	\$ 92.18	\$ 27.4

Performance-based RSUs issued prior to 2018 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. The performance-based RSU grants issued in 2018 and thereafter vest after three years with 100% of the shares vesting immediately when performance criteria has been determined to have been met. There were 88,110 performance-based RSUs expected to vest as of December 31, 2023. Service based RSUs issued to the Company's directors generally vest over twelve to fourteen months. Service based RSUs issued to the Company's management vest over three years. There were 83,567 service-based RSUs expected to vest as of December 31, 2023. No forfeitures are currently expected. The total fair value of RSUs that vested during the years ended December 31, 2023, 2022 and 2021 based on the weighted average grant date values was \$8.6 million, \$9.3 million and \$9.2 million, respectively.

Share-based compensation expense for RSUs for the years ended December 31, 2023, 2022 and 2021 was \$8.3 million, \$7.9 million and \$7.3 million, respectively. As of December 31, 2023, the total unrecognized compensation expense related to unvested RSUs was \$10.7 million and is expected to be recognized over a weighted-average period of 1.4 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. Each employee who has at least two months of service with the Company and is 21 years or older, is eligible to participate in the KSOP. 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, 2023 dividends deducted by the Company were \$0.5 million, which resulted in a tax benefit of approximately \$0.1 million in 2023.

At December 31, 2023, the KSOP held 249,468 shares, or 1% of the Company’s total common shares outstanding. These shares are included in basic and diluted earnings per share calculations.

NOTE 11. SHAREHOLDERS’ EQUITY

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 2,000,000 shares of the Company’s outstanding common stock (the “Repurchase Plan”). 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. There were no shares of common stock repurchased during the twelve months ended December 31, 2023 and 2022. As of December 31, 2023, 1,309,805 shares remain authorized for repurchase under the Repurchase Plan.

NOTE 12. 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:

<i>(in thousands)</i>	
<u>Year Ended December 31,</u>	
2024	\$ 6,270
2025	4,702
2026	2,125
2027	516
2028	270
Thereafter	1,119
	<u>\$ 15,002</u>

Facility rent expense was \$10.8 million in 2023, \$7.0 million in 2022 and \$5.6 million in 2021.

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 plans are self-funded high deductible plans with annual stop-loss insurance of \$200,000 per claim. Beginning in 2019, the Company’s workers compensation insurance is underwritten by an insurance company with no stop-loss value and \$350,000 for prior claim years. 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 to impact the amounts previously accrued and the Company may be required to increase or decrease the amounts previously accrued. At December 31, 2023 and 2022, accruals for the Company's health and workers' compensation high deductible plans were \$1.6 million and \$2.0 million, respectively.

NOTE 13. GOODWILL AND INTANGIBLE ASSETS

Changes in the carrying amount of goodwill were as follows:

<i>(dollar amounts in thousands)</i>	Mobile Modular	Adler Tanks (Discontinued)	Total
Balance at December 31, 2021	\$ 106,491	\$ 25,902	\$ 132,393
Changes to Design Space purchase accounting	(88)	—	(88)
Balance at December 31, 2022	106,403	25,902	132,305
Goodwill acquired through business combination	216,821	—	216,821
Derecognition of goodwill divested	—	(25,902)	(25,902)
Balance at December 31, 2023	<u>\$ 323,224</u>	<u>\$ —</u>	<u>\$ 323,224</u>

Intangible assets from continuing operations consist of the following:

<i>(dollar amounts in thousands)</i>	Estimated useful life in years	Average remaining life in years	Cost	Accumulated amortization	Net book value
December 31, 2023					
Customer relationships	8 to 11	7.8	\$73,217	\$(17,003)	\$56,214
Non-compete agreements	5	3.7	10,556	(3,141)	7,415
Trade name	0.75 to 8	5.3	2,000	(1,212)	788
Total amortizing			85,773	(21,356)	64,417
Trade name - non-amortizing	Indefinite		171	—	171
Total			<u>\$85,944</u>	<u>\$(21,356)</u>	<u>\$64,588</u>
December 31, 2022					
Customer relationships	8 to 11	6.3	\$50,284	\$(18,098)	\$32,186
Non-compete agreements	5	3.2	3,296	(1,159)	2,137
Customer backlog	—	—	1,900	(1,900)	—
Trade name	8	6.3	1,200	(263)	937
Total amortizing			56,680	(21,420)	35,260
Trade name - non-amortizing	Indefinite		5,871	—	5,871
Total			<u>\$62,551</u>	<u>\$(21,420)</u>	<u>\$41,131</u>

The Company assesses potential impairment of its goodwill and intangible assets when there is evidence that events or circumstances have occurred that would indicate the recovery of an asset's carrying value is unlikely. The Company also assesses potential impairment of its goodwill and intangible assets with indefinite lives 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 asset's carrying amount, an impairment loss would be charged to expense in the period identified. The amount of an impairment loss that would be recognized is the excess of the asset's carrying value over its fair value. Factors the Company considers important, which may cause impairment include, among others, significant changes in the manner of use of the acquired asset, negative industry or economic trends, and significant underperformance relative to historical or projected operating results. The Company last conducted a qualitative analysis of its goodwill and intangible assets in the fourth quarter 2023, with no indicators of impairment. In addition, no impairment triggering events occurred during the year ended December 31, 2023. Determining fair value of a reporting unit is judgmental and involves the use of significant estimates and assumptions. The

Company bases its fair value estimates on assumptions that it believes are reasonable but are uncertain and subject to changes in market conditions.

Intangible assets with finite useful lives are amortized over their respective useful lives. Amortization expense in the years ended December 31, 2023, 2022 and 2021 was \$10.7 million, \$5.9 million and \$5.9 million, respectively. Based on the carrying values at December 31, 2023 and assuming no subsequent impairment of the underlying assets, the annual amortization is expected to be \$10.3 million in 2024, \$10.2 million in 2025, \$9.8 million in 2026, \$9.6 million in 2027 and \$8.2 million in 2028. For information on intangible assets from discontinued operations refer to Note 5.

NOTE 14. RELATED PARTY TRANSACTIONS

There were no significant related party transactions in the years ended December 31, 2023, 2022 and 2021, or amounts owed to related parties at such dates.

NOTE 15. SEGMENT REPORTING

During the quarter ended December 31, 2023, the Company determined that its Portable Storage business segment met the criteria for separate recognition as defined in the Accounting Standards Codification ("ASC") Topic 280, *Segment Reporting*. The guidance under this topic requires a public business entity to evaluate both quantitative and qualitative thresholds to determine the significance of a business segment and whether the separate reporting of a business segment enhances the users understanding of the reporting entity's performance, future net cash flows and judgments. The Company evaluated the guidance within Topic 280 and made its determination to separately report the Portable Storage segment primarily due to the Company's continued growth in container fleet purchases and related increased revenues and improved profitability performance when compared to previously reported periods.

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, Portable Storage, TRS-RenTelco 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, Portable Storage and TRS-RenTelco, based on their pro-rata share of direct revenues. Interest expense is allocated amongst Mobile Modular, Portable Storage and TRS-RenTelco 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 from continuing operations for the years ended December 31, 2023, 2022 and 2021, for the Company's reportable segments is shown in the following tables:

<i>(dollar amounts in thousands)</i>	Mobile Modular	Portable Storage	TRS- RenTelco	Enviroplex ¹	Consolidated
Year Ended December 31,					
2023					
Rental revenues	\$ 285,553	\$ 74,536	\$ 114,247	\$ —	\$ 474,336
Rental related services revenues	114,511	20,510	3,139	—	138,160
Sales and other revenues	162,172	6,091	30,891	20,192	219,346
Total revenues	562,236	101,137	148,277	20,192	831,842
Depreciation of rental equipment	36,921	3,514	48,477	—	88,912
Gross profit	257,921	68,880	62,604	4,228	393,633
Selling and administrative expenses	(138,574)	(31,537)	(30,962)	(6,466)	(207,539)
Other income	2,329	457	832	—	3,618
Income (loss) from operations	121,676	37,800	32,474	(2,238)	189,712
Interest expense (income) allocation	29,724	4,950	8,146	(2,260)	40,560
Income before provision for income taxes	91,952	32,850	24,638	22	149,462
Rental equipment acquisitions	176,200	27,967	28,945	—	233,112
Accounts receivable, net (period end)	175,360	16,057	25,511	10,440	227,368
Rental equipment, at cost (period end)	1,291,093	236,123	377,587	—	1,904,803
Rental equipment, net book value (period end)	967,712	217,315	144,296	—	1,329,323
Utilization (period end) ²	79.4%	71.5%	55.9%		
Average utilization ²	79.7%	77.3%	58.9%		

Segment Data (Continued) (dollar amounts in thousands)	Mobile Modular	Portable Storage	TRS- RenTelco	Enviroplex ¹	Consolidated
Year Ended December 31,					
2022					
Rental revenues	\$ 206,070	\$ 62,218	\$ 121,375	\$ —	\$ 389,663
Rental related services revenues	74,756	17,095	3,112	—	94,963
Sales and other revenues	98,385	3,193	26,291	23,170	151,039
Total revenues	379,211	82,506	150,778	23,170	635,665
Depreciation of rental equipment	28,373	2,799	49,253	—	80,425
Gross profit	161,885	55,302	67,899	5,122	290,208
Selling and administrative expenses	(85,769)	(24,465)	(27,245)	(5,435)	(142,914)
Income (loss) from operations	76,116	30,837	40,654	(313)	147,294
Interest expense (income) allocation	8,657	1,518	3,294	(1,239)	12,230
Income before provision for income taxes	67,459	29,319	36,982	926	134,686
Rental equipment acquisitions	87,535	34,072	69,928	—	191,535
Accounts receivable, net (period end)	124,184	14,923	26,442	4,302	169,851
Rental equipment, at cost (period end)	929,636	193,632	398,267	—	1,521,535
Rental equipment, net book value (period end)	637,151	178,241	174,924	—	990,316
Utilization (period end) ²	80.3%	82.6%	59.4%		
Average utilization ²	78.0%	84.8%	64.2%		
2021					
Rental revenues	\$ 175,626	\$ 44,943	\$ 113,419	\$ —	\$ 333,988
Rental related services revenues	59,756	12,574	2,880	—	75,210
Sales and other revenues	65,983	4,434	23,895	31,081	125,393
Total revenues	301,365	61,951	140,194	31,081	534,591
Depreciation of rental equipment	25,852	2,219	47,374	—	75,445
Gross profit	136,618	39,422	61,394	9,888	247,322
Selling and administrative expenses	(72,091)	(20,512)	(25,152)	(5,303)	(123,058)
Income from operations	64,526	18,910	36,243	4,585	124,264
Interest expense (income) allocation	5,553	880	2,270	(459)	8,244
Income before benefit for income taxes	58,973	18,030	33,763	5,044	115,810
Rental equipment acquisitions	151,625	36,767	61,097	—	249,489
Accounts receivable, net (period end)	101,839	10,456	22,115	8,711	143,121
Rental equipment, at cost (period end)	879,272	160,822	361,391	—	1,401,485
Rental equipment, net book value (period end)	603,497	148,040	161,900	—	913,437
Utilization (period end) ²	75.3%	82.5%	62.9%		
Average utilization ²	75.4%	81.0%	67.0%		

1. Gross Enviroplex sales revenues were \$22,615, \$24,162 and \$32,095 in 2022, 2021 and 2020, respectively. There were \$2,422, \$992 and \$969 inter-segment sales to Mobile Modular in 2023, 2022 and 2021, respectively, which have been eliminated in consolidation.

2. Utilization is calculated each month by dividing the cost of rental equipment on rent by the total cost of rental equipment excluding 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 2023, 2022 and 2021. Revenue from foreign country customers accounted for 3% of the Company's total revenues for 2023 and 4% for years 2022 and 2021.

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, 2023.

On February 1, 2023, McGrath RentCorp completed its acquisition of Vesta Modular Housing Solutions Holdings, Inc. ("Vesta Modular"). Management has excluded Vesta Modular's internal controls from its assessment of the effectiveness of internal controls over financial reporting as of December 31, 2023. Vesta Modular's revenues and total assets (excluding goodwill and intangible assets) represents approximately 13% and 14%, respectively, of the consolidated financial statement amounts as of, and for the fiscal year ended, December 31, 2023.

Changes in Internal Control over Financial Reporting. During the last quarter of the Company's fiscal year ended December 31, 2023, 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, 2023, 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, 2023 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.

During the three months ended December 31, 2023, none of our directors or officers adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" as such terms are defined under Item 408 of Regulation S-K.

During the three months ended December 31, 2023, the Company did not adopt, modify or terminate a "Rule 10b5-1 trading arrangement" as such term is defined under Item 408 of Regulation S-K.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this Item will either be incorporated herein by reference to the Company's Definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for its 2024 Annual or Special Meeting of Shareholders or included in an amendment to this Report, which, in either case, will be filed no later than 120 days after December 31, 2023.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item will either be incorporated herein by reference to the Company's Definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for its 2024 Annual or Special Meeting of Shareholders or included in an amendment to this Report, which, in either case, will be filed no later than 120 days after December 31, 2023.

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

The information required by this Item will either be incorporated herein by reference to the Company's Definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for its 2024 Annual or Special Meeting of Shareholders or included in an amendment to this Report, which, in either case, will be filed no later than 120 days after December 31, 2023.

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

The information required by this Item will either be incorporated herein by reference to the Company's Definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for its 2024 Annual or Special Meeting of Shareholders or included in an amendment to this Report, which, in either case, will be filed no later than 120 days after December 31, 2023.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this Item will either be incorporated herein by reference to the Company's Definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for its 2024 Annual or Special Meeting of Shareholders or included in an amendment to this Report, which, in either case, will be filed no later than 120 days after December 31, 2023.

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.

	<i>Page of this report</i>
<u>Management's Report on Internal Control over Financial Reporting</u>	57
<u>Reports of Independent Registered Public Accounting Firm (PCAOB ID: 248)</u>	58
Consolidated Financial Statements	
<u>Consolidated Balance Sheets as of December 31, 2023 and 2022</u>	61
<u>Consolidated Statements of Income for the Years Ended December 31, 2023, 2022 and 2021</u>	62
<u>Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2023, 2022 and 2021</u>	63
<u>Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2023, 2022 and 2021</u>	64
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2023, 2022 and 2021</u>	65
<u>Notes to Consolidated Financial Statements</u>	66

2. Financial Statement Schedules. None
3. Exhibits. See Index of Exhibits on page 95 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.

<i>Number</i>	<i>Description</i>	<i>Method of Filing</i>
2.1	Equity Purchase Agreement, dated as of February 1, 2023, made by and among McGrath RentCorp, a California corporation, Adler Tank Rentals, LLC, a Delaware limited liability company, and Ironclad Environmental Solutions, Inc., a Delaware corporation.	Filed as exhibit 1.01 to the Company's Current Report on Form 8-K (filed February 1, 2023), and incorporated herein by reference.
2.2	Stock Purchase Agreement, dated as of February 1, 2023, made by and among Vesta Housing Solutions Investor, LLC, a Delaware limited liability company, Vesta Housing Solutions Holdings, Inc., a Delaware corporation, and McGrath RentCorp, a California corporation.	Filed as exhibit 1.02 to the Company's Current Report on Form 8-K (filed February 1, 2023), and incorporated herein by reference.
2.3	Agreement and Plan of Merger, dated as of January 28, 2024, by and among WillScot Mobile Mini Holdings Corp., Brunello Merger Sub I, Inc., Brunello Merger Sub II, LLC, and McGrath RentCorp.	Filed as Exhibit 2.1 to the Company's Current Report on Form 8-K/A (filed January 29, 2024), and incorporated herein by reference.
3.1	Articles of Incorporation of McGrath RentCorp. 'p'	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. 'p'	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 herewith.
4.1	Second Amended and Restated Note Purchase and Private Shelf Agreement, dated as of June 8, 2023 (filed as Exhibit 10.1 to Registrant's Current Report on 8-K filed on June 13, 2023, and incorporated herein by reference).	Filed as exhibit 10.1 to the Company's Current Report on Form 8-K (filed June 13, 2023), and incorporated herein by reference.
4.1.1	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.
4.1.2	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	Amended and Restated Credit Agreement, dated as of July 15, 2022, 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 July 19, 2022) and incorporated herein by reference.
4.2.1	Amended and Restated Guaranty, dated as of July 15, 2022, among certain domestic subsidiaries of the Company in favor of Bank of America, N.A., in its capacity as the Administrative Agent.	Filed as exhibit 10.2 to the Company's Current Report on Form 8-K (filed July 19, 2022) and incorporated herein by reference.
4.2.2	Amended and Restated Credit Facility Letter Agreement, dated as of August 19, 2022, between the Company and MUFG Union Bank, N.A.	Filed as exhibit 4.3 to the Company's Quarterly Report on Form 10-Q (filed October 27, 2022) and incorporated herein by reference.
4.2.3	Amended and Restated Credit Line Note, dated as of August 19, 2022, in favor of MUFG Union Bank, N.A.	Filed as exhibit 4.4 to the Company's Quarterly Report on Form 10-Q (filed October 27, 2022) and incorporated herein by reference.
4.3	Description of Registrant's Securities.	Filed as exhibit 4.2.4 to the Company's Annual Report on Form 10K for the year ended December 31, 2019 (filed February 25, 2020), and incorporated herein by reference.
10.1†	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, 2008 (filed February 26, 2009), and incorporated herein by reference.
10.1.1†	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, 2008 (filed February 26, 2009), and incorporated herein by reference.

<i>Number</i>	<i>Description</i>	<i>Method of Filing</i>
10.2†	McGrath RentCorp 2007 Stock Incentive Plan.	Filed as exhibit 10.12 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (filed August 2, 2007), and incorporated herein by reference.
10.2.1†	Form of 2007 Stock Incentive Plan Stock Option Award and Agreement.	Filed as exhibit 10.12.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (filed August 2, 2007), and incorporated herein by reference.
10.2.2†	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 Form 10-Q for the quarter ended June 30, 2007 (filed August 2, 2007), and incorporated herein by reference.
10.2.3†	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.
10.2.4†	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.
10.3†	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.
10.4†	McGrath RentCorp Change in Control Severance Plan and Summary Plan Description	Filed as exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 (filed April 28, 2022), and incorporated herein by reference.
10.5†	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.
10.5.1†	Form of 2016 Stock Incentive Plan Restricted Stock Unit Award and Agreement - Corporate	Filed as exhibit 10.8.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 (filed April 28, 2022), and incorporated herein by reference.
10.5.2†	Form of 2016 Stock Incentive Plan Performance-Based Restricted Stock Unit Award and Agreement - Division Management	Filed as exhibit 10.8.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 (filed April 28, 2022), and incorporated herein by reference.
10.5.3†	Form of 2016 Stock Incentive Plan Stock Appreciation Right Award and Agreement - Enviroplex	Filed as exhibit 10.8.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 (filed April 28, 2022), and incorporated herein by reference.
10.6†	Form of Indemnification Agreement with Directors and Officers	Filed herewith.
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.
97	McGrath RentCorp Compensation Recoupment Policy.	Filed herewith.
101	The following materials from McGrath RentCorp's annual Report on Form 10-K for the year ended December 31, 2023, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Consolidated Statement of Income, (ii) the Consolidated Balance Sheet, (iii) the Condensed Consolidated Statement of Cash Flows, and (iv) Notes to Condensed Consolidated Financial Statements.	
104	Cover Page Interactive Data File (embedded within the inline XBRL)	

document).

† = Indicates a management contract or compensatory plan

'P' = exhibit was filed in paper form

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 21, 2024

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.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Nicolas Anderson</u> NICOLAS ANDERSON	Director	February 21, 2024
<u>/s/ Kim A. Box</u> KIM A. BOX	Director	February 21, 2024
<u>/s/ Smita Conjeevaram</u> SMITA CONJEEVARAM	Director	February 21, 2024
<u>/s/ William J. Dawson</u> WILLIAM J. DAWSON	Director	February 21, 2024
<u>/s/ Elizabeth A. Fetter</u> ELIZABETH A. FETTER	Director	February 21, 2024
<u>/s/ Joseph F. Hanna</u> JOSEPH F. HANNA	Chief Executive Officer, President and Director	February 21, 2024
<u>/s/ Bradley M. Shuster</u> BRADLEY M. SHUSTER	Chairman of the Board	February 21, 2024

AMENDED AND RESTATED BYLAWS

OF

**McGRATH RENTCORP,
a California corporation**

(Amended and Restated as of April 2, 2023)

1. OFFICES

1.1. **Principal Office.** The Board of Directors shall fix the location of the principal executive office of the corporation at any place within or outside the State of California. If the principal executive office is located outside this state, and the corporation has one or more business offices in this state, the Board of Directors shall fix and designate a principal business office in the State of California.

1.2. **Other Offices.** Branch or subordinate offices may at any time be established by the Board of Directors at any place or places where the corporation is qualified to do business.

2. MEETINGS OF SHAREHOLDERS

2.1. **Place of Meetings.** All meetings of shareholders shall be held either at the principal executive office of the corporation or at any other place within or without the State of California designated by the Board of Directors. In the absence of any such designation, shareholders' meeting shall be held at the principal executive office of the corporation.

2.2. **Annual Meetings.** The Annual Meeting of shareholders shall be held each year on a date and at a time designated by the Board of Directors. In the absence of such designation, the Annual Meeting of shareholders shall be held on the first Thursday of June in each year at 2:00 p.m. However, if this day falls on a legal holiday, then the meeting shall be held at the same time and place on the next succeeding full business day. At such meeting, directors shall be elected, reports of the affairs of the corporation shall be considered, and any other proper business may be transacted.

2.3. **Special Meetings.** Special meetings of the shareholders may be called at any time by the Board of Directors, the Chairman of the Board, the President, or by the holders of shares in the aggregate entitled to cast not less than 10 percent of the votes at the meeting.

If a special meeting is desired to be called by any person or persons other than the Board of Directors, their request shall be made in writing, specifying the time of such meeting and the general nature of the business proposed to be transacted. The written request shall then be delivered personally or by registered mail or by telegraphic or other facsimile transmission to the Chairman of the Board, President, any Vice President, or Secretary of the corporation. The officer receiving the request shall cause notice to be promptly given to the shareholders entitled to vote, in accordance with the provisions of Sections 2.4 and 2.5 of these Bylaws, that a meeting will be held at the time requested by the person or persons calling the meeting, not less than thirty-five (35) nor more than sixty (60) days after the receipt of the request. If the notice is not given within twenty (20) days after receipt of the request, the person or persons requesting the meeting may give the notice. Nothing contained in this paragraph shall be construed as limiting, fixing or affecting the time when a meeting of shareholders called by action of the Board of Directors may be held.

2.4. **Notice of Shareholders' Meetings.** All notices of meetings of shareholders shall be sent or otherwise given to each shareholder entitled to vote thereat in accordance with Section 2.5 of these Bylaws not less than ten (10) nor more than sixty (60) days before the date of the meeting. The notice shall specify the place, date and hour of the

meeting and (i) in the case of a special meeting, the general nature of the business to be transacted, and no other business may be transacted, or (ii) in the case of the annual meeting, those matters which the Board of Directors, at the time of giving the notice, intends to present for action by the shareholders. The notice of any meeting at which Directors are to be elected shall include the name of any nominee or nominees whom, at the time of the notice, management intends to present for election.

If shareholder action, other than unanimous approval of those entitled to vote, is proposed to be taken at any meeting for approval of (i) a contract or transaction in which a director has a direct or indirect financial interest, pursuant to Section 310 of the California Corporations Code, (ii) an amendment of the Articles of Incorporation, pursuant to Section 902 of that Code, (iii) a reorganization of the corporation, pursuant to Section 1201 of that Code, (iv) a voluntary dissolution of the corporation, pursuant to Section 1900 of that Code, or (v) a plan of distribution other than in accordance with the rights of outstanding preferred shares, pursuant to Section 2007 of that Code, then the notice shall also state the general nature of that proposal.

2.5. Manner of Giving Notice; Affidavit of Notice. Written notice of any meeting of shareholders shall be given to each shareholder entitled to vote thereat either personally or by first class mail or other means of written communication, charges prepaid, addressed to the shareholder at the address of that shareholder appearing on the books of the corporation or given by the shareholder to the corporation for the purpose of notice. If no such address appears on the corporation's books or is given, notice shall be deemed to have been given if sent to that shareholder by first class mail or other means of written communication to the corporation's principal executive office, or if published at least once in a newspaper of general circulation in the county where that office is located. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by other means of written communication.

If any notice addressed to a shareholder at the address of that shareholder appearing on the books of the corporation is returned to the corporation by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver the notice to the shareholder at that address, all future notices or reports shall be deemed to have been duly given without further mailing if these shall be available to the shareholder on written demand of the shareholder at the principal executive office of the corporation for a period of one year from the date of the giving of notice.

An affidavit of the mailing or other means of giving any notice of any shareholders' meeting shall be executed by the Secretary, Assistant Secretary, or any transfer agent of the corporation giving the notice, and shall be filed and maintained in the Minute Book of the Corporation.

2.6. Quorum. The presence in person or by proxy of shareholders entitled to vote a majority of the voting shares of the corporation at any meeting of shareholders shall constitute a quorum for the transaction of business. The shareholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum.

2.7. Adjourned Meetings and Notice Thereof. Whether or not a quorum is present, any shareholders' meeting may be adjourned from time to time by the vote of a majority of the shares represented at that meeting, either in person or by proxy, but in the absence of a quorum no other business may be transacted at that meeting, except as provided in Section 2.6 of these Bylaws.

When any meeting of shareholders is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place are announced at the meeting at which the adjournment is taken, unless a new record date for the adjourned meeting is fixed, or unless the adjournment is for more than forty-five (45) days from the date set for the original meeting, in which case the Board of Directors shall set a new record date. When required, notice of any such adjourned meeting shall be given to each shareholder of record entitled to vote at the adjourned meeting in accordance with the provisions of Sections 2.4 and 2.5 of these Bylaws. At any adjourned meeting the corporation may transact any business which might have been transacted at the original meeting.

2.8. Voting. Except as provided in Section 708 of the California Corporations Code, each outstanding share of this corporation, regardless of class, shall be entitled to one vote on each matter submitted to a vote of shareholders. The shareholders entitled to vote at any meeting of shareholders shall be determined in accordance with the provisions of

Section 2.11 of these Bylaws, subject to the provisions of Sections 702, 703 and 704 of the California Corporations Code (relating to voting by fiduciaries, corporate shareholders, or shares standing in joint ownership). The shareholders' vote may be by voice vote or by ballot; provided, however, that any election for directors must be by ballot if demanded by any shareholder at the meeting and before the voting has begun. Any shareholder entitled to vote on a proposal may vote part of the shares in favor of the proposal and refrain from voting the remaining shares or vote them against the proposal, but, if the shareholder fails to specify the number of shares which the shareholder is voting affirmatively, it will be conclusively presumed that the shareholder's approving vote is with respect to all shares which the shareholder is entitled to vote.

If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on any matter (other than the election of directors) shall be the act of the shareholders unless the vote of a greater number or voting by classes is required by the California Corporations Code or by the Articles of Incorporation.

At a shareholders' meeting at which Directors are to be elected, no shareholders shall be entitled to cumulate votes (i.e., cast for any one or more candidates a number of votes greater than the number of the shareholder's shares) unless such candidate's or candidates' names have been placed in nomination prior to commencement of the voting and a shareholder has given notice prior to commencement of the voting of the shareholder's intention to cumulate votes. If any shareholder has given such a notice, then every shareholder entitled to vote may cumulate votes for candidates in nomination and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which that shareholder's shares are entitled, or distribute the shareholder's shares on the same principle among any or all of the candidates, as the shareholder thinks fit. The candidates receiving the highest number of affirmative votes, up to the number of directors to be elected, shall be elected. A shareholder may not cumulate his votes for any candidate whose name was not placed in nomination prior to the commencement of the voting.

2.9. Waiver of Notice or Consent by Absent Shareholders. The transactions of any meeting of shareholders, however called and noticed, and wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each person entitled to vote, who was not present in person or by proxy, signs a written waiver of notice or a consent to the holding of the meeting, or an approval of the minutes thereof. The waiver of notice or consent need not specify either the business to be transacted or the purpose of any annual or special meeting of shareholders, except that if action is taken or proposed to be taken for approval of any of those matters specified in the second paragraph of Section 2.4 of these Bylaws, the waiver of notice or consent shall state the general nature of the proposal. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Attendance by a person at a meeting shall also constitute a waiver of notice of that meeting, except when the person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting if that objection is expressly made at the meeting.

2.10. Shareholder Action by Written Consent Without a Meeting. Any action which may be taken at any annual or special meeting of shareholders may be taken without a meeting and without prior notice, if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take that action at a meeting at which all shares entitled to vote on that action were present and voted. In the case of the election of directors, such a consent shall be effective only if signed by the holders of all outstanding shares entitled to vote for the election of directors; provided, however, that a director may be elected at any time to fill a vacancy on the board of directors that has not been filled by the directors, by the written consent of the holders of a majority of the outstanding shares entitled to vote for the election of directors. All such consents shall be filed with the Secretary of the corporation and shall be maintained in the corporate records. Any shareholder giving a written consent, or the shareholder's proxy holders, or a transferee of the shares or a personal representative of the shareholder or their respective proxy holders, may revoke the consent by a writing received by the Secretary of the corporation before written consents of the number of shares required to authorize the proposed action have been filed with the Secretary, but may not do so thereafter. Such revocation is effective upon its receipt by the Secretary.

If the consents of all shareholders entitled to vote have not been solicited in writing, and if the unanimous written consent of all such shareholders shall not have been received, the Secretary shall give prompt notice of the corporate action approved by the shareholders without a meeting. This notice shall be given in the manner specified in Section 2.5 of these Bylaws. In the case of approval of (i) contracts or transactions in which a director has a direct or indirect financial interest, pursuant to Section 310 of the California Corporations Code, (ii) indemnification of agents of the corporation, pursuant to Section 317 of that Code, (iii) reorganization of the corporation, pursuant to Section 1201 of that Code, and (iv) a distribution in dissolution other than in accordance with the rights of outstanding preferred shares, pursuant to Section 2007 of that Code, the notice shall be given at least ten (10) days before the consummation of any action authorized by that approval.

Any form of written consent distributed to 10 or more shareholders of this corporation shall afford an opportunity on the form of written consent to specify a choice between approval, disapproval or abstention as to each matter or group of related matters the approval for which the written consent is solicited, other than elections to office.

2.11. Record Date for Shareholder Notice, Voting, and Giving Consents. For purposes of determining the shareholders entitled to notice of any meeting or to vote or entitled to give consent to corporate action without a meeting, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) days nor less than ten (10) days before the date of any such meeting nor more than sixty (60) days before any such action without a meeting; and in this event only shareholders of record on the date so fixed are entitled to notice and to vote or to give consents, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date, except as otherwise provided in the California General Corporation Law.

If the Board of Directors does not so fix a record date:

(a) The record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the business day next preceding the day on which notice is given or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held.

(b) The record date for determining shareholders entitled to give consent to the corporate action in writing without a meeting, (i) when no prior action by the Board has been taken, shall be the day on which the first written consent is given, or (ii) when prior action of the Board has been taken, shall be at the close of business on the date on which the Board adopts the resolution relating to that action, or the sixtieth (60th) day before the date of such action, whichever is later.

2.12. Proxies. Every person entitled to vote shares shall have the right to do so either in person or by one or more agents authorized by a written proxy signed by the person and filed with the Secretary of the corporation. A proxy shall be deemed signed if the shareholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission, or otherwise) by the shareholder or the shareholder's attorney in fact. A validly executed proxy which does not state that it is irrevocable shall continue in full force and effect unless (i) revoked by the person executing it, before the vote pursuant to that proxy, by a writing delivered to the corporation stating that the proxy is revoked, or by a subsequent proxy executed by, or by attendance at the meeting and voting in person by, the person executing the proxy; or (ii) written notice of the death or incapacity of the maker of that proxy is received by the corporation before the vote pursuant to that proxy is counted; provided, however, that no proxy shall be valid after the expiration of eleven (11) months from the date of the proxy, unless otherwise provided in the proxy. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Sections 705(e) and 705(f) of the California Corporations Code.

Any form of proxy distributed to 10 or more shareholders of this corporation shall afford an opportunity on the proxy to specify a choice between approval, disapproval or abstention as to each matter or group of related matters intended to be acted upon at the meeting for which the proxy is solicited, other than elections to office.

2.13. Inspectors of Election. Before any meeting of shareholders, the Board of Directors may appoint any persons other than nominees for office to act as inspectors of election at the meeting or its adjournment. If no inspectors of election are appointed, the Chairman of the meeting may, and on the request of any shareholder or a shareholder's proxy shall, appoint inspectors of election at the meeting. The number of inspectors shall be either one (1) or three (3). If inspectors are appointed at a meeting on the request of one or more shareholders or proxies, the holders of a majority of shares or their proxies present at the meeting shall determine whether one (1) or three (3) inspectors are to be appointed. If any person appointed as inspector fails to appear or fails or refuses to act, the Chairman of the

meeting may, and upon the request of any shareholder or a shareholder's proxy shall, appoint a person to fill that vacancy.

As prescribed by California Corporations Code Section 707, these inspectors shall:

- (a) Determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity, and effect of proxies;
- (b) Receive votes, ballots, or consents;
- (c) Hear and determine all challenges and questions in any way arising in connection with the right to vote;
- (d) Count and tabulate all votes or consents;
- (e) Determine when the polls shall close;
- (f) Determine the result; and
- (g) Do any other acts that may be proper to conduct the election or vote with fairness to all shareholders.

3. DIRECTORS

3.1. Powers. Subject to the provisions of the California General Corporation Law and any limitations in the Articles of Incorporation and these Bylaws relating to action required to be approved by the shareholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board of Directors.

Without prejudice to these general powers, and subject to the same limitations, the directors shall have the power to:

- (a) Select and remove all officers, agents and employees of the corporation; prescribe any powers and duties for them that are consistent with law, with the Articles of Incorporation, and with these Bylaws; fix their compensation; and require from them security for faithful service.
- (b) Conduct, manage, and control the affairs and business of the corporation, and to make such rules and regulations therefor not inconsistent with law, or with the Articles of Incorporation, or the Bylaws, as they may deem to be in the best interests of the corporation.
- (c) Change the principal executive office or the principal business office in the State of California from one location to another; cause the corporation to be qualified to do business in any other state, territory, dependency, or country and conduct business within or without the State of California; and designate any place within or without the State of California for the holding of any shareholders' meeting or meetings, including annual meetings.
- (d) Adopt, make, and use a corporate seal; prescribe the forms of certificates of stock; and alter the form of the seal and certificates.
- (e) Authorize the issuance of shares of stock of the corporation on any lawful terms, in consideration of money paid, labor done, services actually rendered, debts or securities cancelled, or tangible or intangible property actually received.
- (f) Borrow money and incur indebtedness on behalf of the corporation, and cause to be executed and delivered for the corporation's purposes, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, and other evidences of debt and securities.

3.2. Number of Directors. The number of directors of the corporation shall be not less than five (5) nor more than nine (9). The exact number of directors shall be seven (7) until changed, within the limits specified above, by a Bylaw amending this Section 3.2 duly adopted by the Board of Directors or by the shareholders. The indefinite number of directors may be changed, or a definite number fixed without provision for an indefinite number, by an amendment to this Bylaw duly adopted by the vote or written consent of a majority of the outstanding shares entitled to vote.

3.3. Election and Term of Office. The Directors shall be elected at each annual meeting of shareholders, but if any such annual meeting is not held, or the Directors are not elected thereat, the Directors may be elected at any special meeting of shareholders held for that purpose. Each Director, including a Director elected to fill a vacancy, shall hold office until the next annual or special meeting of shareholders at which Directors are elected and until their successors are elected and qualified.

3.4. Vacancies. A vacancy or vacancies in the Board of Directors shall be deemed to exist in the event of the death, resignation, or removal of any director, or if the Board of Directors by resolution declares vacant the office of the Director who has been declared of unsound mind by an order of court or convicted of a felony, or if the authorized number of directors is increased, or if the shareholders fail, at any meeting of shareholders at which any Director or Directors are elected, to elect the number of directors to be voted for at that meeting.

Any Director may resign effective on giving written notice to the Chairman of the Board, the President, the Secretary, or the Board of Directors, unless the notice specifies a later time for that resignation to become effective. If the resignation of a Director is effective at a future time, the Board of Directors may elect a successor to take office when the resignation becomes effective.

Vacancies in the Board of Directors may be filled by a majority of the remaining Directors, though less than a quorum, or by a sole remaining Director, except that a vacancy created by the removal of a Director by the vote or written consent of the shareholders or by court order may be filled only by the vote of a majority of the shares entitled to vote represented at a duly held meeting at which a quorum is present, or by the written consent of holders of a majority of the outstanding shares entitled to vote.

The shareholders may elect a Director or Directors at any time to fill any vacancy or vacancies not filled by the Directors, but any such election by written consent shall require the consent of a majority of the outstanding shares entitled to vote.

No reduction of the authorized number of Directors shall have the effect of removing any Director before that Director's term of office expires.

3.5. Place of Meetings and Meetings by Telephone. Regular meetings of the Board of Directors may be held at any place within or outside the State of California that has been designated from time to time by resolution of the Board. In the absence of such a designation, regular meetings shall be held at the principal executive office of the corporation. Special meetings of the Board shall be held at any place within or outside the State of California that has been designated in the notice of the meeting or, if not stated in the notice or there is no notice, at the principal executive office of the corporation. Any meeting, regular or special, may be held by conference telephone or similar communication equipment, so long as all Directors participating in the meeting can hear one another, and all such Directors shall be deemed to be present in person at the meeting.

3.6. Annual Meeting. Immediately following each annual meeting of shareholders, the Board of Directors shall hold a regular meeting for the purpose of organization, any desired election of officers, and the transaction of other business. Notice of this meeting shall not be required.

3.7. Other Regular Meetings. Other regular meetings of the Board of Directors shall be held without call at such time as shall from time to time be fixed by the Board of Directors; provided, however, that if any regular meeting should fall on a legal holiday, then said meeting shall be held at the same time and place on the next day thereafter which is not a legal holiday. Such regular meetings may be held without notice.

3.8. Special Meetings. Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the Chairman of the Board or the President or any Vice President or the Secretary or any two Directors.

Notice of the time and place of special meetings shall be delivered personally or by telephone to each Director or sent by first-class mail or telegram, charges prepaid, addressed to each Director at that Director's address as it is shown on the records of the corporation. In case the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. In case the notice is delivered personally, or by telephone or telegram, it shall be delivered personally or by telephone or to the telegraph company at least forty-eight (48) hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the Director or to a person at the office of the Director who the person giving the notice

has reason to believe will promptly communicate it to the Director. The notice need not specify the purpose of the meeting.

3.9. Quorum. A majority of the authorized number of Directors shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 3.11 of these Bylaws. Every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, subject to the provisions of Section 310 of the California Corporations Code (as to approval of contracts or transactions in which a Director has a direct or indirect material financial interest), Section 311 of that Code (as to appointment of committees), and Section 317(e) of that Code (as to indemnification of Directors). A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

3.10. Waiver of Notice. The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice if a quorum is present and if, either before or after the meeting, each of the Directors not present signs a written waiver of notice, a consent to holding the meeting or an approval of the Minutes. The waiver of notice or consent need not specify the purpose of the meeting. All such waivers, consents, and approvals shall be filed with the corporate records or made a part of the Minutes of the meetings. Notice of a meeting need not be given to any Director who attends the meeting without protesting, before or at its commencement, the lack of notice to that Director.

3.11. Adjournment. A majority of the Directors present, whether or not constituting a quorum, may adjourn any meeting of the Board to another time and place.

3.12. Notice of Adjournment. Notice of the time and place of holding an adjourned meeting need not be given, unless the meeting is adjourned for more than twenty-four (24) hours, in which case notice of the time and place shall be given before the time of the adjourned meeting, to the Directors who were not present at the time of the adjournment.

3.13. Action Without Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board shall individually or collectively consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board of Directors. Such written consent or consents shall be filed with the Minutes of the proceedings of the Board.

3.14. Fees and Compensation of Directors. Directors and members of committees may receive such compensation, if any, for their services, and such reimbursement of expenses, as may be fixed or determined by resolution of the Board of Directors. This shall not be construed to preclude any Director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise, and receiving compensation for those services.

4. COMMITTEES

4.1. Committees of Directors. The Board of Directors may, by resolution adopted by a majority of the authorized number of Directors, designate one or more committees, each consisting of two or more Directors, to serve at the pleasure of the Board. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. Any committee, to the extent provided in the resolution of the Board, shall have all the authority of the Board, except with respect to:

- (a) the approval of any action which, under the General Corporation Law of California, also requires the vote or consent of the shareholders;
 - (b) the filling of vacancies on the Board of Directors or on any committee;
 - (c) the fixing of compensation of the Directors for serving on the Board or on any committee;
 - (d) the amendment or repeal of Bylaws or the adoption of new Bylaws;
 - (e) the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable;
 - (f) a distribution to the shareholders of the corporation, except at a rate or in a periodic amount or within a price range determined by the Board of Directors; or
-

(g) the appointment of any other committees of the Board of Directors or the members of these committees.

5. OFFICERS

5.1. **Officers.** The officers of the corporation shall be a President, a Secretary, and a Chief Financial Officer. The corporation may also have, at the discretion of the Board of Directors, a Chairman of the Board, one or more Vice Presidents, one or more Assistant Secretaries, one or more Assistant Financial Officers, and such other officers as may be appointed in accordance with these Bylaws. Any number of offices may be held by the same person.

5.2. **Election of Officers.** The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Section 5.3 or Section 5.5 of these Bylaws, shall be chosen by the Board of Directors, and each shall serve at the pleasure of the Board, subject to the rights, if any, of an officer under any contract of employment.

5.3. **Subordinate Officers.** The Board of Directors may appoint, and may empower the President to appoint, such other officers as the business of the corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws or as the Board of Directors may from time to time determine.

5.4. **Removal and Resignation of Officers.** Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by the Board of Directors, at any regular or special meeting of the Board, or, except in case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors.

Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

5.5. **Vacancies in Offices.** A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office.

5.6. **Chairman of the Board.** The Board of Directors may, in its discretion, elect a Chairman of the Board from among its members. He shall preside at all meetings of the Board of Directors at which he is present and shall exercise and perform such other powers and duties as may be from time to time assigned to him by the Board of Directors or prescribed by the Bylaws.

5.7. **President.** Subject to such supervisory powers, if any, as may be given by the Board of Directors to the Chairman of the Board, if there be such an officer, the President shall, subject to the control of the Board of Directors, have general supervision, direction, and control of the business and officers of the corporation. He shall preside at all meetings of the shareholders and at all meetings of the Board of Directors not presided over by the Chairman of the Board. He shall have the general powers and duties of management usually vested in the office of president of a corporation, shall have such other powers and duties as may be prescribed by the Board of Directors or the Bylaws and shall be primarily responsible for carrying out all orders and resolutions of the Board of Directors.

5.8. **Vice President.** In the absence or disability of the President, the Vice Presidents, if any, in order of their rank as fixed by the Board of Directors, or if not ranked, the Vice President designated by the Board of Directors, shall perform all the duties of the President, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the President. The Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors or the Bylaws, and the President or the Chairman of the Board.

5.9. **Secretary.** The Secretary shall keep or cause to be kept, at the principal office, at the office of the corporation's counsel or at such other place as the Board of Directors may order, a Book of Minutes of all meetings and actions of Directors, committees of directors, and shareholders, with the time and place of holding, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at Directors' meetings or

committee meetings, the number of shares present or represented at shareholders' meetings and the proceedings thereof.

The Secretary shall keep, or cause to be kept, at the principal office or at the office of the corporation's transfer agent or registrar, a share register, or a duplicate share register, showing the names of all shareholders and their addresses, the number and classes of shares held by each, the number and dates of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The Secretary shall give, or cause to be given, notice of all meetings of the shareholders and of the Board of Directors required by the Bylaws or by law to be given, and he shall keep the seal of the corporation, if one be adopted, in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by the Bylaws.

5.10. Chief Financial Officer. The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, surplus, retained earnings, and shares. The books of account shall at all reasonable times be open to inspection by any Director.

The Chief Financial Officer shall deposit all moneys and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the Board of Directors. He shall disburse the funds of the corporation as may be ordered by the Board of Directors, shall render to the President and Directors, whenever they request it, an account of all of his transactions as Chief Financial Officer and of the financial condition of the corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.

6. INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND OTHER AGENTS

6.1. Indemnification. The corporation may, to the maximum extent permitted by Section 317 of the California General Corporation Law, indemnify each of its "agents" (as defined in Section 317(a) of the California General Corporation Law) against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding against such agent arising by reason of the fact any such person is or was an agent of the corporation. Except with respect to indemnification of agents which is mandatory under Section 317(d) of the California General Corporation Law, such indemnification shall only be effective:

(a) if "approval by the shareholders" (as defined in Section 153 of the California General Corporation Law) in a particular instance;

(b) if approved by the disinterested vote of the Board of Directors in a particular instance; or

(c) if authorized by a written agreement between the corporation and the agent to be indemnified entered into prior to assertion of the claim giving rise to indemnity thereunder by the corporation with any director of the corporation (in any or all of his or her corporate capacities) or with such other agent or agents as the Board of Directors shall approve.

6.2. Required Approval. Except as provided in Section 317(d) of the California General Corporation Law, any indemnification under Section 6.1 of these Bylaws shall be made by this corporation only if authorized in the specific case (on a determination that indemnification of the agent is proper under the circumstances because the agent has met the applicable standard of conduct set forth in Sections 317(b) or (c) of the California General Corporation Law) by:

(a) a majority vote of a quorum of the Board consisting of directors who are not parties to the proceeding;

(b) "approval of the shareholders" (as defined in Section 153 of the California General Corporation Law), with the shares owned by the person to be indemnified not being considered outstanding or entitled to vote thereon;

(c) the court in which the proceeding is or was pending, on application made by this corporation or the agent or the attorney or other person rendering services in connection with the defense, whether or not such application by the agent, attorney, or other person is opposed by this corporation; or

(d) such other method as Section 317 of the California General Corporation Law shall allow.

6.3. Advance of Expenses. Expenses incurred in defending any proceeding described in Section 6.1 of these Bylaws may be advanced by this corporation before the final disposition of the proceeding on receipt of an undertaking by or on behalf of the agent to repay the amount of the advance if it shall be determined ultimately that the agent is not entitled to be indemnified as authorized in Sections 6.1 and 6.2 of these Bylaws.

6.4. Insurance. This corporation shall have power to purchase and maintain insurance on behalf of any agent of the corporation against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, whether or not this corporation would have the power to indemnify the agent against that liability under Sections 6.1 and 6.2 of these Bylaws. Notwithstanding Section 6.1 above, the corporation shall not be obligated to indemnify any agent, to the extent any amount subject to indemnification thereunder is covered by insurance payable to such agent, the premiums for which are paid by the corporation.

6.5. No Limitation of Other Rights. The indemnification provided by this Section 6 above shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under Section 6.6 below to the extent such additional rights to indemnification are authorized in the corporation's Articles of Incorporation and Section 6.6 below. The rights to indemnity contained in Sections 6.1 and 6.4 above shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of the person. Nothing contained in Sections 6.1 through 6.4 above shall affect any right to indemnification to which persons other than the directors and officers may be entitled by contract or otherwise.

6.6. Additional Indemnification. If expressly authorized in the corporation's Articles of Incorporation, the corporation may provide indemnification of agents in excess of the indemnification otherwise permitted by Section 317 of the California General Corporation Law and to the fullest extent permitted by California law. Such additional indemnification shall only be effective (i) if "approved by the shareholders" (as defined in Section 153 of the California General Corporation Law) in a particular instance, (ii) if approved by the disinterested vote of the Board of Directors in a particular instance or (iii) if authorized by a written agreement between the corporation and the agent to be indemnified entered into prior to assertion of the claim giving rise to indemnity thereunder by the corporation with any director of the corporation (in any or all of his or her corporate capacities) or with such other agent or agents as the Board of Directors shall approve; provided, however, that no such agent shall be indemnified for any acts, omissions or transactions, or under circumstances, as to which indemnification is prohibited by Section 204(a)(11) of the California General Corporation Law, as such Section may be amended from time to time.

6.7. Amendment. Any amendment, repeal or modification of any provision of this Section 6 by the shareholders or the Board of Directors shall not adversely affect any right or protection of an agent of the corporation at the time of such amendment, repeal or modification.

7. RECORDS AND REPORTS

7.1. Maintenance, Inspection and Location of Share Register. The corporation shall keep at its principal executive office, or at the office of its transfer agent or registrar, if either be appointed and as determined by resolution of the Board of Directors, a record of its shareholders, giving the names and addresses of all shareholders and the number and class of shares held by each shareholder.

A shareholder or shareholders of the corporation holding at least five percent (5%) in the aggregate of the outstanding voting shares of the corporation may (i) inspect and copy the records of shareholders' names and addresses and shareholdings during usual business hours on five days' prior written demand on the corporation, and (ii) obtain from the transfer agent of the corporation, on written demand and on the tender of such transfer agent's usual charges for such list, a list of the shareholders' names and addresses, who are entitled to vote for the election of directors, and their shareholdings as of the most recent record date for which that list has been compiled or as of a date specified by the shareholder after the date of demand. This list shall be made available to any such shareholder by the transfer agent on or before the later of five (5) days after the demand is received or the date specified in the

demand as the date as of which the list is to be compiled. The record of shareholders shall also be open to inspection and copying on the written demand of any shareholder or holder of a voting trust certificate, at any time during usual business hours, for a purpose reasonably related to the holder's interests as a shareholder or as the holder of a voting trust certificate. Any inspection and copying under this Section may be made in person or by an agent or attorney of the shareholder or holder of a voting trust certificate making the demand.

7.2. Maintenance, Inspection and Location of Bylaws. The corporation shall keep at its principal executive office, the original or a copy of these Bylaws as amended to date, which shall be open to inspection by the shareholders at all reasonable times during office hours.

7.3. Maintenance, Inspection and Location of Other Corporate Records. The accounting books and records and Minutes of proceedings of the shareholders and the Board of Directors and any committee or committees of the Board of Directors shall be kept at such place or places designated by the Board of Directors, or, in the absence of such designation, at the principal executive office of the corporation. The Minutes shall be kept in written form and the accounting books and records shall be kept either in written form or in any other form capable of being converted into written form. The Minutes and accounting books and records shall be open to inspection upon the written demand of any shareholder or holder of a voting trust certificate, at any reasonable time during usual business hours, for a purpose reasonably related to the holder's interests as a shareholder or as the holder of a voting trust certificate. The inspection may be made in person or by an agent or attorney, and shall include the right to copy and make extracts. These rights of inspection shall extend to the records of each subsidiary corporation of the corporation.

7.4. Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of every kind and the physical properties of the corporation and each of its subsidiary corporations. This inspection by a director may be made in person or by an agent or attorney, and the right of inspection includes the right to copy and make extracts of documents.

7.5. Annual Report to Shareholders. The Board of Directors shall cause an annual report to be sent to the shareholders not later than one hundred twenty (120) days after the close of the fiscal year adopted by the corporation. This report shall be sent at least fifteen (15) days before the annual meeting of shareholders to be held during the next fiscal year and in the manner specified in Section 2.5 of these Bylaws for giving notice to shareholders of the corporation. The annual report shall contain a balance sheet as of the end of the fiscal year and an income statement and statement of changes in financial position for the fiscal year, accompanied by any report of independent accountants or, if there is no such report, the certificate of an authorized officer of the corporation that the statements were prepared without audit from the books and records of the corporation. The annual report shall also contain such further information as required by Section 1501(b) of the California Corporations Code.

7.6. Financial Statements. A copy of any annual financial statement and any income statement of the corporation for each quarterly period of each fiscal year, and any accompanying balance sheet of the corporation as of the end of each such period, that has been prepared by the corporation shall be kept on file in the principal executive office of the corporation for twelve (12) months, and each such statement shall be exhibited at all reasonable times to any shareholder demanding an examination of any such statement or a copy shall be mailed to any such shareholder.

If a shareholder or shareholders holding at least five percent (5%) of the outstanding shares of any class of stock of the corporation makes a written request to the corporation for an income statement of the corporation for the three-month, six-month or nine-month period of the then current fiscal year ended more than thirty (30) days before the date of the request, and a balance sheet of the corporation as of the end of that period, the Chief Financial Officer shall cause that statement to be prepared, if not already prepared, and shall deliver personally or mail that statement or statements to the person making the request within thirty (30) days after the receipt of the request. If the corporation has not sent to the shareholders its annual report for the last fiscal year, this report shall likewise be delivered or mailed to the shareholder or shareholders within thirty (30) days after the request.

The corporation shall also, upon the written request of any shareholder, mail to the shareholder a copy of the last annual, semi-annual, or quarterly income statement which it has prepared, and a balance sheet as of the end of that period.

The quarterly income statements and balance sheets referred to in this Section shall be accompanied by the report, if any, of any independent accountants engaged by the corporation or the certificate of an authorized officer of the

corporation that the financial statements were prepared without audit from the books and records of the corporation. All financial statements are to be prepared on a consolidated basis if the corporation has subsidiaries.

7.7. Annual Statement of General Information. The corporation shall, during the period in each year as provided for in Section 1502 of the California Corporations Code, file with the Secretary of State of the State of California, on the prescribed form, a statement setting forth the authorized number of directors, the number of vacancies on the board, if any, the names and complete business or residence addresses of all incumbent directors, the names and complete business or residence addresses of the Chief Executive Officer, Secretary and Chief Financial Officer, the street address of its principal executive office or principal business office in this state, and the general type of business constituting the principal business activity of the corporation, together with a designation of the agent of the corporation for the purpose of service of process, all in compliance with Section 1502 of the California Corporations Code.

8. GENERAL CORPORATE MATTERS

8.1. Record Date for Purposes Other than Notice and Voting. For purposes of determining the shareholders entitled to receive payment of any dividend or other distribution or allotment of any rights or entitled to exercise any rights in respect of any other lawful action (other than action by shareholders by written consent without a meeting), the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) days before any such action, and in that case only shareholders of record on the date so fixed are entitled to receive the dividend, distribution, or allotment of rights or to exercise the rights, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date so fixed, except as otherwise provided in the California General Corporation Law.

If the Board of Directors does not so fix a record date, the record date for determining shareholders for any such purpose shall be at the close of business on the day on which the Board adopts the applicable resolution or the sixtieth (60th) day before the date of that action, whichever is later.

8.2. Checks, Drafts, Evidences of Indebtedness. All checks, drafts, or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the corporation, shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the Board of Directors, or in the absence of such determination, by the President and the Secretary or the Chief Financial Officer.

8.3. Corporate Contracts and Instruments; How Executed. The Board of Directors, except as otherwise provided in these Bylaws, may authorize one or more officers, employees, or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation, and this authority may be general or confined to specific instances; and, unless so authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent, or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

8.4. Certificates; Direct Registration System. Shares of the Corporation's stock may be certificated or uncertificated, as provided under California law. Any certificates that are issued shall be signed in the name of the Corporation by the Chairman of the Board or Vice Chairman of the Board or the President or Vice President and by the Chief Financial Officer or any Assistant Financial Officer or the Secretary or any Assistant Secretary, certifying the number of shares and the class or series of shares owned by the shareholder. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed on a certificate shall have ceased to be that officer, transfer agent, or registrar before that certificate is issued, it may be issued by the corporation with the same effect as if that person were an officer, transfer agent, or registrar at the date of issue. Shares of the Corporation's capital stock may also be evidenced by registration in the holder's name in uncertificated, book-entry form on the books of the Corporation in accordance with a direct registration system approved by the Securities and Exchange Commission and by the NASDAQ or any securities exchange on which the stock of the Corporation may from time to time be traded.

8.5. Lost Certificates. Except as provided herein, no new certificates for shares shall be issued to replace an old certificate unless the latter is surrendered to the corporation and cancelled at the same time. The Board of Directors may, in case any share certificate or certificate for any other security is lost, stolen or destroyed, authorize the

issuance of a replacement certificate or uncertificated shares in place of any certificate or certificates previously issued by the Corporation on such terms and conditions as the Board may require, including provision for indemnification of the Corporation secured by a bond or other adequate security sufficient to protect the Corporation against any claim that may be made against it, including any expense or liability, on account of the alleged loss, theft or destruction of the certificate or the issuance of the replacement certificate or the uncertificated shares.

8.6. Representation of Shares of Other Corporations. The Chairman of the Board, the President or any Vice President, or any other person authorized by resolution of the Board of Directors or by any of the foregoing designated officers, is authorized to vote on behalf of the corporation any and all shares of any other corporation or corporations, foreign or domestic, standing in the name of the corporation. The authority granted to these officers to vote or represent on behalf of the corporation any and all shares held by the corporation in any other corporation or corporations may be exercised by any of these officers in person or by any person authorized to do so by a proxy duly executed by these officers.

8.7. Construction and Definitions. Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the California General Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the foregoing, the singular number includes the plural, the plural number includes the singular, and the term “person” refers to corporations and other entities as well as to natural persons.

9. AMENDMENTS

9.1. Amendment by Shareholders. New Bylaws may be adopted or these Bylaws may be amended or repealed by the vote or written consent of holders of a majority of the outstanding shares entitled to vote.

9.2. Amendment by Directors. Subject to the rights of the shareholders as provided in Section 9.1 hereof, bylaws may be adopted, amended, or repealed by the Board of Directors, except that the Board of Directors may adopt a bylaw or amendment of a bylaw changing the authorized number of directors only for the purpose of fixing the exact number of directors within the limits specified in Section 3.2 of these Bylaws.

CERTIFICATION

I, the undersigned, do hereby certify:

- (1) That I am the duly elected and acting Secretary of McGrath RentCorp, a California corporation; and
- (2) That the foregoing is a full, true and correct copy of the Bylaws of the corporation with all amendments to date of this Certificate.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said corporation this 2nd day of April, 2023.

Gilda Malek
Corporate Secretary

McGrath RentCorp

INDEMNIFICATION AGREEMENT

This Indemnification Agreement (the “Agreement”) is entered into, effective as of _____ between McGrath RentCorp, a California corporation, and _____ (“Officer/Director”).

Whereas, it is essential to McGrath RentCorp to retain and attract, as directors, officers and other agents, the most capable persons available; and

Whereas, Officer/Director is a director and/or officer or other agent of McGrath RentCorp; and

Whereas, both McGrath RentCorp and Officer/Director recognize the increased risk of litigation and other claims currently being asserted against directors, officers and other agents of corporations; and

Whereas, in recognition of Officer/Director’s need for substantial protection against personal liability in order to enhance Officer/Director’s continued and effective service to McGrath RentCorp, and in order to induce Officer/Director to provide services to McGrath RentCorp as a director, officer or other agent, McGrath RentCorp desires to provide in this Agreement for the indemnification of, and the advancing of expenses to, Officer/Director to the fullest extent (whether partial or complete) permitted by law (regardless of any amendment to or revocation of any Bylaws of McGrath RentCorp or any change in the ownership of McGrath RentCorp or the composition of its Board of Directors) and, to the extent insurance is maintained, for the coverage of Officer/Director under McGrath RentCorp’s general and/or directors’ and officers’ liability insurance policies; and

Whereas, Officer/Director is relying upon the rights afforded him under this Agreement in continuing in his position with McGrath RentCorp;

NOW, THEREFORE, in consideration of the above premises and of Officer/Director continuing to serve McGrath RentCorp directly or, at its request, with another enterprise, and intending to be legally bound hereby, the parties agree as follows:

1. CERTAIN DEFINITIONS

As used in this Agreement, the capitalized terms listed below shall have the meaning ascribed to them as follows:

1.1 “**Board**” means the Board of Directors of McGrath RentCorp.

1.2A “**Change in Control**” shall be deemed to have occurred if:

1.2.1 at any time after the effective date of this Agreement, any “person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than a trustee or other fiduciary holding securities under an employee benefit plan of McGrath RentCorp or a corporation owned directly or indirectly by the stockholders of McGrath RentCorp in substantially the same proportions as their ownership of stock of McGrath RentCorp, becomes the “Beneficial Owner” (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of McGrath RentCorp representing 30% or more of the total voting power represented by McGrath RentCorp’s then outstanding Voting Securities; or

1.2.2 during any period of two consecutive years after the effective date of this Agreement (or if two years have not elapsed since the effective date of this Agreement, such shorter period), individuals who at the beginning of such period constitute the Board and any new director whose election by the Board or nomination for election by McGrath RentCorp’s stockholders was approved by a vote of at least two-thirds ($\frac{2}{3}$) of the directors then still in office, who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

1.2.3 any time after the effective date of this Agreement, the stockholders of McGrath RentCorp approve a merger or consolidation of McGrath RentCorp with any other corporation, other than a merger or consolidation which results in the Voting Securities of McGrath RentCorp outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of McGrath RentCorp or such surviving entity outstanding immediately after such merger or consolidation and such plan of merger or consolidation is not abandoned or otherwise terminated before completion; or

1.2.4 any time after the effective date of this Agreement, the stockholders of McGrath RentCorp approve a plan of complete liquidation of McGrath RentCorp or an agreement for the sale or disposition by McGrath RentCorp (in one transaction or a series of transactions) of all or substantially all of McGrath RentCorp’s assets and such plan or agreement is not abandoned or otherwise terminated before completion.

1.3 “**Expenses**” shall be broadly construed and shall mean any expense, liability or loss, including but not limited to attorneys’ breach, judgments, fines, ERISA excise taxes, penalties, amounts paid or to be paid in settlement, any interest, assessments or other charges imposed thereon, any federal, state, local or foreign taxes imposed as a result of the actual or deemed receipt of any payments under this Agreement, and all other costs and obligations, paid or incurred or accrued in connection with investigating, defending, being a witness in, or participating in (including on appeal), or preparing for any of the foregoing in, any Proceeding relating to any Indemnifiable Event or enforcing a right to indemnification under this Agreement, Section 317 of the California Corporations Code or otherwise. “Expenses” shall also include the amount of any reasonable retainer required for Officer/Director to retain competent counsel to defend him in any Proceeding relating to any Indemnifiable Event.

1.4 An “**Indemnifiable Event**” is any event or occurrence that takes place either prior to or after the execution of this Agreement, related to the fact Officer/Director:

1.4.1 is or was a director, an officer, an employee or an agent of McGrath RentCorp; or

1.4.2 is or was serving at the request of McGrath RentCorp as a director, officer, employee, trustee, agent or fiduciary of another foreign or domestic corporation, partnership, joint venture, employee benefit plan, trust or other enterprise; or

1.4.3 is or was a director, officer, employee or agent of a foreign or domestic corporation that is a predecessor corporation of McGrath RentCorp or of another enterprise at the request of such predecessor corporation;

and is related to anything done or not done by Officer/Director in any such capacity, whether or not the basis of the Proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent of McGrath RentCorp, as described in subsections 1.4.1 through 1.4.3 above.

1.5 “**Independent Counsel**” is an attorney, law firm or member of a law firm, experienced in matters of corporate law, (i) selected by three or more persons seeking indemnification and/or advancement of expenses under indemnification agreements with McGrath RentCorp substantially the same as this Agreement and approved by Officer/Director and McGrath RentCorp (which approval shall not be unreasonably withheld) or (ii) selected by McGrath RentCorp and approved by Officer/Director (which approval shall not be unreasonably withheld), and who has not otherwise performed services for McGrath RentCorp, Officer/Director or any other party to the Proceeding giving rise to a claim for indemnification hereunder (other than in connection with other indemnification matters) within the last five years; provided, however, Independent Counsel shall not include any person or entity who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either McGrath RentCorp or Officer/Director in an action to determine Officer/Director’s rights under this Agreement.

1.6A “**Proceeding**” is any threatened, pending or completed action (including an action by or in the right of McGrath RentCorp), suit or proceeding, or any inquiry, hearing or investigation, whether conducted by McGrath RentCorp or any other party, Officer/Director in good faith believes might lead to the institution of any such action, suit or proceeding, whether civil, criminal, administrative, investigative or other.

1.7 The “**Reviewing Party**” is any appropriate person or body consisting of a member or members of the Board or any other person or body appointed by the Board, none of whom is a party to the particular Proceeding with respect to which Officer/Director is seeking indemnification; provided, however, after a Change in Control (other than a Change in Control approved by a majority of directors of the Board who were directors immediately prior to such Change in Control), the Reviewing Party shall be Independent Counsel.

1.8 “**Voting Securities**” are any securities of McGrath RentCorp that vote generally in the election of directors.

2. AGREEMENT TO INDEMNIFY

2.1 General Agreement.

2.1.1 In the event Officer/Director was, is or becomes a party to, or witness or other participant in, or is threatened to be made a party to, or witness or other participant in, a Proceeding by reason of (or arising in part out of) an Indemnifiable Event, McGrath RentCorp shall indemnify Officer/Director from and against any and all Expenses to the fullest extent permitted by law, as the same exists or may hereafter be amended or interpreted (but in the case of any such amendment or interpretation, only to the extent such amendment or interpretation permits McGrath RentCorp to provide broader indemnification rights than were permitted prior thereto).

2.1.2 The rights to receive indemnification and the advancement of Expenses under this Agreement are not exclusive of any other rights to which Officer/Director may be entitled or subsequently entitled under any law, statute or rule, McGrath RentCorp's Articles of Incorporation or Bylaws, by vote of the shareholders or the Board or otherwise.

2.1.3 To the extent that a change in applicable law, statute or rule (including without limitation by judicial decision) permits greater indemnification by agreement than would be afforded currently under McGrath RentCorp's Articles of Incorporation or Bylaws, applicable law or this Agreement, it is the intent of the parties that Officer/Director enjoy by this Agreement the greater benefits so afforded by such change. In the event of any change in any applicable law, statute or rule (including without limitation by judicial decision) which narrows the right of a California corporation to indemnify a director, officer, employee or agent of the corporation, such changes, to the extent not otherwise required by such applicable law, statute or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder.

2.2 Partial Indemnification. If Officer/Director is entitled under any provision of this Agreement to indemnification by McGrath RentCorp for some or a portion of Expenses, but not, however, for the total amount thereof, McGrath RentCorp shall nevertheless indemnify Officer/Director for the portion thereof to which Officer/Director is entitled.

2.3 Prohibited Indemnification. Subject only to Section 2.4 below, if applicable, no indemnification nor Expense Advance (as defined below) pursuant to this Agreement shall be paid by McGrath RentCorp:

2.3.1 In connection with any Proceeding initiated by Officer/Director against McGrath RentCorp or any director or officer of McGrath RentCorp unless: (a) McGrath RentCorp has joined in, or the Board has consented to, the initiation of such Proceeding; (b) the Proceeding is one to enforce indemnification rights under this Agreement or any other agreement or insurance policy or under McGrath RentCorp's Articles of Incorporation or Bylaws; or (c) the Proceeding is instituted after a Change in Control and Independent Counsel has approved its initiation;

2.3.2 On account of any Proceeding in which judgment is rendered against Officer/Director for an accounting of profits made from the purchase or sale by Officer/Director of securities of McGrath RentCorp pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended, or similar provisions of any federal, state or local laws;

2.3.3 To the extent Officer/Director settles or otherwise disposes of a Proceeding or causes the settlement or disposal of a Proceeding without McGrath RentCorp's express prior written consent (which shall not be unreasonably withheld), unless Officer/Director receives court approval for such settlement or other disposition where McGrath RentCorp had the opportunity to oppose Officer/Director's request for such court approval or the settlement is approved by Independent Counsel;

2.3.4 With regard to any judicial award if McGrath RentCorp was not given a reasonable and timely opportunity, at its expense, to participate in the defense of such action unless McGrath RentCorp's participation in such Proceeding was barred by this Agreement or the court in such Proceeding; or

2.3.5 For any acts, omissions, transactions or circumstances for which indemnification is prohibited by applicable state or federal law.

For convenience only, a copy of Sections 204(a)(10), 204(a)(11) and 317 of the California Corporations Code, the principal provisions which limit Officer/Director's right to indemnification, is included as Appendix A hereto. Officer/Director is cautioned that indemnification may be further limited by any changes to such laws or any other applicable law. **McGrath RentCorp is not obligated to notify Officer/Director of any such changes.** Further, McGrath RentCorp and Officer/Director are advised that the Securities and Exchange Commission believes indemnification for liabilities arising under federal securities laws is against public policy and is, therefore, unenforceable.

2.4Mandatory Indemnification. Notwithstanding any other provision of this Agreement, to the extent Officer/Director has been successful on the merits (within the meaning of Section 317(d) of the California Corporations Code) in defense of any Proceeding relating in whole or in part to an Indemnifiable Event or in defense of any issue or matter therein, Officer/Director shall be indemnified against all Expenses incurred in connection therewith.

3. EXPENSE ADVANCES

3.1Advance of Expenses to Officer/Director. Expenses incurred by Officer/Director in any Proceeding for which indemnification may be sought under this Agreement shall be advanced by McGrath RentCorp to Officer/Director within twenty (20) business days after receipt by McGrath RentCorp of a statement or statements from Officer/Director requesting such advance and reasonably evidencing the Expenses incurred by Officer/Director (each an "Expense Advance" and collectively, "Expense Advances"). Any dispute as to whether and to what extent Officer/Director shall be entitled to Expense Advances shall be determined by the Reviewing Party upon submission by Officer/Director or McGrath RentCorp, and the provisions of Sections 6.2 through 6.4 below shall apply.

3.2 Repayment of Expenses by Officer/Director. If it is ultimately determined that Officer/Director is not entitled to be indemnified by McGrath RentCorp, Officer/Director hereby agrees to repay any Expense Advances advanced by McGrath RentCorp under Section 3.1 above. Officer/Director agrees to execute any further agreements regarding the repayment of Expense Advances as McGrath RentCorp may reasonably request prior to receiving any such advances. Ultimate determination as to whether or not Officer/Director is entitled to be indemnified shall be made in accordance with Section 6 below.

4. INDEPENDENT COUNSEL; THE REVIEWING PARTY

4.1 Written Opinions. Any opinion required in this Agreement to be given by the Reviewing Party or by Independent Counsel shall be given in writing to McGrath RentCorp and Officer/Director concurrently.

4.2 Expenses of Independent Counsel. McGrath RentCorp agrees to bear the reasonable fees and expenses of Independent Counsel, irrespective of the determination as to Officer/Director's entitlement to indemnification. McGrath RentCorp further agrees to indemnify such counsel fully against any and all expenses (including attorneys' fees), claims, liabilities, losses and damages arising out of or relating to this Agreement or the engagement of such Independent Counsel pursuant to this Agreement.

5. NOTIFICATION AND DEFENSE OF PROCEEDING

5.1 Notice of Claim. Officer/Director shall give written notice to McGrath RentCorp promptly after Officer/Director has actual knowledge of any Proceeding as to which indemnity may be sought under this Agreement. The failure of Officer/Director to give written notice, as provided in this Section 5.1, shall not relieve McGrath RentCorp of its obligations to provide indemnification under this Agreement; provided, however, the amounts for which Officer/Director may be indemnified shall be reduced to the extent McGrath RentCorp may have been prejudiced by such failure.

5.2 Defense. With respect to any Proceeding, McGrath RentCorp will be entitled to participate in the Proceeding at its own expense. Except as otherwise provided below, to the extent McGrath RentCorp so desires, it may, upon delivery of written notice to Officer/Director, assume the defense of any Proceeding with counsel reasonably satisfactory to Officer/Director. However, McGrath RentCorp shall not be entitled to assume the defense of any Proceeding (i) brought by or on behalf of McGrath RentCorp, or (ii) as to which Officer/Director has reasonably determined there may be a conflict of interest between Officer/Director and McGrath RentCorp in the defense of the Proceeding and Officer/Director does in fact assume and conduct the defense.

5.2.1 If McGrath RentCorp assumes the defense, Officer/Director shall furnish such information as he may possess regarding Officer/Director or the Proceeding in question that McGrath RentCorp may reasonably request and as may be required in connection with the defense or settlement of such Proceeding and shall fully cooperate with McGrath RentCorp in every other respect. Except as provided in Section 5.3 below, if McGrath RentCorp assumes the defense of the Proceeding, McGrath RentCorp shall take all necessary steps in good faith to defend, settle or otherwise dispose of the Proceeding.

5.2.2 After written notice from McGrath RentCorp to Officer/Director of its election to assume the defense of any Proceeding, McGrath RentCorp will not be liable to Officer/Director under this Agreement or otherwise for any Expenses subsequently incurred by Officer/Director in connection with the defense of such Proceeding other than reasonable costs of investigation or as otherwise provided in clauses (i) through (iv) below. Officer/Director shall have the right to employ Officer/Director's own counsel in such Proceeding, but all Expenses related thereto incurred after written notice from McGrath RentCorp of its assumption of the defense shall be at Officer/Director's expense, unless: (i) the employment of counsel by Officer/Director has been authorized by McGrath RentCorp; (ii) Officer/Director has reasonably determined there may be a conflict of interest between Officer/Director and McGrath RentCorp in the defense of the Proceeding; (iii) after a Change in Control, the employment of counsel by Officer/Director has been approved by Independent Counsel; or (iv) McGrath RentCorp shall not, in fact, assume and conduct the defense of such Proceeding within a reasonable time after giving written notice of its election to assume the defense of such Proceeding.

5.2.3 Any Expenses incurred by McGrath RentCorp in defense of the Proceeding under this Section 5.2 (except in a situation described in clause (i), (ii) or (iv) of Section 5.2.2) shall be considered Expenses advanced by McGrath RentCorp to Officer/Director under Section 3 above.

5.3 Limitation on McGrath RentCorp's Disposition of any Proceeding. McGrath RentCorp may consent to a settlement or other disposition of all or any part of any Proceeding which McGrath RentCorp is defending under Section 5.2 above without first obtaining the written consent of Officer/Director, provided (i) McGrath RentCorp shall not settle any Proceeding in any manner that would impose any penalty or limitation on Officer/Director not fully indemnified by McGrath RentCorp without Officer/Director's written consent and (ii) any settlement or other disposition does not cause Officer/Director to lose any material right to indemnification under this Agreement.

6. INDEMNIFICATION PROCESS AND APPEAL

6.1 Initial Request and Determination.

6.1.1 To obtain payment(s) of Expenses under this Agreement, Officer/Director shall submit to McGrath RentCorp a written request(s) therefor, including such documentation and information as is reasonably available to Officer/Director and is reasonably necessary to determine whether and to what extent Officer/Director is entitled to such payment(s). A determination as to whether and to what extent a requested payment is proper shall be made by the Reviewing Party as soon as practicable, and (if applicable) payment thereof shall be made by McGrath RentCorp as soon as practicable thereafter, but in each case no later than thirty (30) business days after receipt of the initial written request, except in the case of Expense Advances, the determination and payment of which (if applicable) shall be made no later than twenty (20) business days after written request by Officer/Director is presented to McGrath RentCorp.

6.1.2 McGrath RentCorp may initiate a determination from the Reviewing Party as to whether and to what extent Officer/Director is entitled to indemnification at any time after

final resolution of the Proceeding for which indemnity is claimed hereunder, subject to Officer/Director's rights to require such determination as set forth above.

6.1.3 Officer/Director shall cooperate with the Reviewing Party making the determination with respect to Officer/Director's entitlement to indemnification, including providing to such person(s) or body any documentation or information which is not privileged or otherwise protected from disclosure, and which is reasonably available to Officer/Director and reasonably necessary for such determination. All reasonable Expenses incurred by Officer/Director in so cooperating with the person(s) or body making such determination shall be borne by McGrath RentCorp, irrespective of the determination as to Officer/Director's entitlement to indemnification.

6.2 Suit to Enforce Rights. Regardless of any action or inaction by the Reviewing Party, if Officer/Director has not received payment of an Expense Advance after making a request therefor in accordance with Section 3.1 above or full indemnification of Expenses after making a demand therefor in accordance with Section 6.1 above within sixty (60) days of such request or demand, Officer/Director shall have the right to enforce his indemnification rights under this Agreement by commencing litigation in any court in the State of California having subject matter jurisdiction thereof and in which venue is proper seeking an initial determination by the court or challenging any determination by the Reviewing Party or any aspect thereof. Likewise, McGrath RentCorp may seek an initial determination by the court or challenge any determination by the Reviewing Party in the manner set forth above. McGrath RentCorp and Officer/Director each hereby consent to service of process and to appear in any such proceeding. Any determination by the Reviewing Party not challenged by Officer/Director or McGrath RentCorp through legal action within two years after final resolution of the Proceeding shall be binding on McGrath RentCorp and Officer/Director. The remedy provided for in this Section 6 shall be in addition to any other remedies available to Officer/Director or McGrath RentCorp in law or equity.

6.3 Defense to Indemnification, Burden of Proof, Presumptions and Equitable Relief.

6.3.1 It shall be a defense to any action brought by Officer/Director or McGrath RentCorp concerning enforceability of this Agreement that it is not permissible under applicable law for McGrath RentCorp to indemnify Officer/Director for the amount claimed.

6.3.2 In connection with any action or determination by any Reviewing Party or otherwise as to whether Officer/Director is entitled to be indemnified hereunder, the burden of proving such a defense or determination shall be on McGrath RentCorp.

6.3.3 Neither the failure of the Reviewing Party or McGrath RentCorp (including its Board, Independent Counsel or stockholders) to have made a determination prior to the commencement of such action by Officer/Director that indemnification of the claimant is proper under the circumstances because he has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party or McGrath RentCorp (including its Board, Independent Counsel or stockholders) that Officer/Director has not met such

applicable standard of conduct or did not have such belief, shall be a defense to the action or create a presumption Officer/Director has not met the applicable standard of conduct.

6.3.4 For purposes of this Agreement, the termination of any claim, action, suit or proceeding by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of *nolo contendere* or its equivalent shall not create a presumption Officer/Director did not meet any particular standard of conduct or have any particular belief or that a court has determined indemnification is not permitted by applicable law.

6.3.5 McGrath RentCorp agrees that its failure to make indemnification payments or Expense Advances to Officer/Director shall cause irreparable damage to Officer/Director, the exact amount of which is impossible to ascertain, and for this reason agrees that Officer/Director shall be entitled to such injunctive or other equitable relief as shall be necessary to adequately provide for such reasonably anticipated payments, said right to be in addition to all other rights or remedies available to Officer/Director hereunder.

6.4 Indemnification for Expenses Incurred in Enforcing Rights. McGrath RentCorp shall indemnify Officer/Director against any and all Expenses and, if requested by Officer/Director, shall (within twenty (20) business days of such request) advance such Expenses to Officer/Director that are incurred by Officer/Director in connection with any claim asserted against or action brought by Officer/Director against McGrath RentCorp for:

6.4.1 indemnification of Expenses or payment of Expense Advances by McGrath RentCorp under this Agreement or any other agreement or under applicable law or McGrath RentCorp's Articles of Incorporation or Bylaws now or hereafter in effect relating to indemnification for Indemnifiable Events; or

6.4.2 recovery under directors' and officers' liability insurance policies maintained by McGrath RentCorp;

provided, however, McGrath RentCorp shall be obligated to so indemnify Officer/Director only if Officer/Director's claim or action results in the payment of all or part of the indemnification of Expenses, payment of Expense Advances or recovery under insurance policies sought by Officer/Director.

7. INSURANCE; SUBROGATION

7.1 Liability Insurance. To the extent McGrath RentCorp maintains an insurance policy or policies providing general and/or directors' and officers' liability insurance, Officer/Director shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any director, officer, employee or agent of McGrath RentCorp and to the extent Officer/Director occupies any such positions with McGrath RentCorp or any other entity at the request of McGrath RentCorp.

7.2 No Duplication of Payments. McGrath RentCorp shall not be liable under this Agreement to make any payment in connection with any claim made against Officer/Director to

the extent Officer/Director has otherwise received payment (under any insurance policy, the Bylaws of McGrath RentCorp or otherwise) of the amounts otherwise indemnifiable hereunder.

7.3**Subrogation.** In the event of payment under this Agreement, McGrath RentCorp shall be subrogated to the extent of such payment to all of the rights of recovery of Officer/Director, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable McGrath RentCorp effectively to bring suit to enforce such rights.

8. STANDARD PROVISIONS

8.1**Continuing Coverage.** The indemnification and the payment of Expense Advances provided under this Agreement shall continue as to Officer/Director for any action taken or not taken while serving in an indemnified capacity pertaining to an Indemnifiable Event even though Officer/Director may have ceased to serve in such capacity at the time of any Proceeding.

8.2**Entire Agreement; Remedies Cumulative.** This Agreement constitutes the entire agreement between the parties pertaining to the subject matter contained herein and supersedes all prior and contemporaneous agreements, representations and understandings of the parties, including in particular, that certain Indemnification Agreement by and between the parties hereto dated June 6, 1988. The rights and remedies provided in this Agreement and by law shall be cumulative and the exercise of any particular right or remedy shall not preclude the exercise of any other right or remedy in addition to, or as an alternative of, such right or remedy.

8.3**Notices.** All notices, requests, demands and other communications required or permitted under this Agreement shall be made in writing and shall be deemed to have been duly given (i) on the date of service if served personally, (ii) on the date of transmission if sent by facsimile transmission with printed proof of electronic receipt, (iii) on the date of delivery if delivered by a courier service with proof of delivery, or (iv) on the third business day after mailing if mailed by first class mail, certified–return receipt requested, postage prepaid, to the following addresses:

If to McGrath RentCorp, then to: McGrath RentCorp
VP Human Resources
5700 Las Positas Road
Livermore, CA 94550

ADVANCE \d6 Fax: 1–925–453–3333

If to Officer/Director, then to: [Officer/Director]ADVANCE \d6

Any party hereto may change its address set forth above for notices by giving notice to the other party hereto in accordance with the terms of this Section.

8.4 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of McGrath RentCorp), assigns, spouses, heirs and personal and legal representatives. McGrath RentCorp shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, or substantially all, of the business and/or assets of McGrath RentCorp expressly to assume and agree to perform this Agreement in the same manner and to the same extent that McGrath RentCorp would be required to perform if no such succession had taken place. This Agreement may not be assigned without the prior written consent of the other parties hereto, which consent shall not be unreasonably withheld.

8.5 Modification; Waiver; Supersedure. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of any other provision hereof, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver of any of the provisions of this Agreement shall be binding unless in the form of a writing signed by the party against whom enforcement of the waiver is sought. Except as specifically provided herein, neither the failure to exercise nor any delay in exercising any right or remedy hereunder shall constitute a waiver thereof.

8.6 Construction.

8.6.1 The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

8.6.2 A reference herein to any section shall be deemed to include a reference to every section the number of which begins with the number of the section specifically referred to (e.g., a reference to Section 1.2 includes a reference to Sections 1.2, 1.2.1, 1.2.2, 1.2.3 and 1.2.4).

8.6.3 Any reference in this Agreement to the indemnity provisions of the Bylaws of McGrath RentCorp, to the California Corporations Code or to any applicable law shall refer to such provisions as they shall be amended from time to time or to any successor provision(s).

8.6.4 Any ambiguous terms in this Agreement will not be construed against McGrath RentCorp for drafting this Agreement.

8.7 Applicable Law. This Agreement, and all rights, remedies, liabilities, powers and duties of the parties to this Agreement, is to be construed in accordance with and governed by the internal laws of the State of California without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of California to the rights and duties of the parties.

8.8 Severability. If any provision (or portion thereof) of this Agreement shall be held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, the remaining provisions shall remain enforceable to the fullest extent permitted by law. Furthermore, to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of this Agreement containing any provision held to be invalid, void or otherwise

unenforceable, that is not itself invalid, void or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, void or unenforceable.

8.9 Legal Advice. OFFICER/DIRECTOR IS AWARE THAT THIS AGREEMENT WAS PREPARED BY COUNSEL FOR McGRATH RENTCORP. BY SIGNING BELOW, OFFICER/DIRECTOR ACKNOWLEDGES THAT HE HAS BEEN ADVISED TO SEEK INDEPENDENT COUNSEL TO REVIEW THIS AGREEMENT ON HIS BEHALF PRIOR TO THE EXECUTION OF THIS AGREEMENT AND HAS HAD ADEQUATE TIME TO DO SO.

8.10 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but both of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

McGrath RentCorp

[Officer/Director]

by
Joseph Hanna, Chief Executive Officer

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Appendix A**CALIFORNIA CORPORATIONS CODE**

§204(a)(10). Provisions eliminating or limiting the personal liability of a director for monetary damages in an action brought by or in the right of the corporation for breach of a director's duties to the corporation and its shareholders, as set forth in Section 309, provided, however, that (A) such a provision may not eliminate or limit the liability of directors (i) for acts or omissions that involve intentional misconduct or a knowing and culpable violation of law, (ii) for acts or omissions that a director believes to be contrary to the best interests of the corporation or its shareholders or that involve the absence of good faith on the part of the director, (iii) for any transaction from which a director derived an improper personal benefit, (iv) for acts or omissions that show a reckless disregard for the director's duty to the corporation or its shareholders in circumstances in which the director was aware, or should have been aware, in the ordinary course of performing a director's duties, of a risk of serious injury to the corporation or its shareholders, (v) for acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of the director's duty to the corporation or its shareholders, (vi) under Section 310, or (vii) under Section 316, (B) no such provision shall eliminate or limit the liability of a director for any act or omission occurring prior to the date when the provision becomes effective, and (C) no such provision shall eliminate or limit the liability of an officer for any act or omission as an officer, notwithstanding that the officer is also a director or that his or her actions, if negligent or improper, have been ratified by the directors.

§204(a)(11). A provision authorizing, whether by bylaw, agreement, or otherwise, the indemnification of agents (as defined in Section 317) in excess of that expressly permitted by Section 317 for those agents of the corporation for breach of duty to the corporation and its stockholders, provided, however, that the provision may not provide for indemnification of any agent for any acts or omissions or transactions from which a director may not be relieved of liability as set forth in the exception to paragraph (10) or as to circumstances in which indemnity is expressly prohibited by Section 317.

§317

(a) For the purposes of this section, "agent" means any person who is or was a director, officer, employee or other agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise, or was a director, officer, employee or agent of a foreign or domestic corporation which was a predecessor corporation of the corporation or of another enterprise at the request of the predecessor corporation; "proceeding" means any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative; and "expenses" includes without limitation attorneys' fees and any expenses of establishing a right to indemnification under subdivision (d) or paragraph (4) of subdivision (e).

(b) A corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any proceeding (other than an action by or in the right of the

corporation to procure a judgment in its favor) by reason of the fact that the person is or was an agent of the corporation, against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with the proceeding if that person acted in good faith and in a manner the person reasonably believed to be in the best interests of the corporation and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of the person was unlawful. The termination of any proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in the best interests of the corporation or that the person had reasonable cause to believe that the person's conduct was unlawful.

(c) A corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was an agent of the corporation, against expenses actually and reasonably incurred by that person in connection with the defense or settlement of the action if the person acted in good faith, in a manner the person believed to be in the best interests of the corporation and its shareholders.

No indemnification shall be made under this subdivision for any of the following:

(1) In respect of any claim, issue or matter as to which the person shall have been adjudged to be liable to the corporation in the performance of that person's duty to the corporation and its shareholders, unless and only to the extent that the court in which the proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for expenses and then only to the extent that the court shall determine.

(2) Of amounts paid in settling or otherwise disposing of a pending action without court approval.

(3) Of expenses incurred in defending a pending action which is settled or otherwise disposed of without court approval.

(d) To the extent that an agent of a corporation has been successful on the merits in defense of any proceeding referred to in subdivision (b) or (c) or in defense of any claim, issue, or matter therein, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection therewith.

(e) Except as provided in subdivision (d), any indemnification under this section shall be made by the corporation only if authorized in the specific case, upon a determination that indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in subdivision (b) or (c), by any of the following:

(1) A majority vote of a quorum consisting of directors who are not parties to such proceeding.

(2) If such a quorum of directors is not obtainable, by independent legal counsel in a written opinion.

(3) Approval of the shareholders (Section 153), with the shares owned by the person to be indemnified not being entitled to vote thereon.

(4) The court in which the proceeding is or was pending upon application made by the corporation or the agent or the attorney or other person rendering services in connection with the defense, whether or not the application by the agent, attorney or other person is opposed by the corporation.

(f) Expenses incurred in defending any proceeding may be advanced by the corporation prior to the final disposition of the proceeding upon receipt of an undertaking by or on behalf of the agent to repay that amount if it shall be determined ultimately that the agent is not entitled to be indemnified as authorized in this section. The provisions of subdivision (a) of Section 315 do not apply to advances made pursuant to this subdivision.

(g) The indemnification authorized by this section shall not be deemed exclusive of any additional rights to indemnification for breach of duty to the corporation and its shareholders while acting in the capacity of a director or officer of the corporation to the extent the additional rights to indemnification are authorized in an article provision adopted pursuant to paragraph (11) of subdivision (a) of Section 204. The indemnification provided by this section for acts, omissions, or transactions while acting in the capacity of, or while serving as, a director or officer of the corporation but not involving breach of duty to the corporation and its shareholders shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of shareholders or disinterested directors, or otherwise, to the extent the additional rights to indemnification are authorized in the articles of the corporation. An article provision authorizing indemnification "in excess of that otherwise permitted by Section 317" or "to the fullest extent permissible under California law" or the substantial equivalent thereof shall be construed to be both a provision for additional indemnification for breach of duty to the corporation and its shareholders as referred to in, and with the limitations required by, paragraph (11) of subdivision (a) of Section 204 and a provision for additional indemnification as referred to in the second sentence of this subdivision. The rights to indemnity hereunder shall continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of the person. Nothing contained in this section shall affect any right to indemnification to which persons other than the directors and officers may be entitled by contract or otherwise.

(h) No indemnification or advance shall be made under this section, except as provided in subdivision (d) or paragraph (4) of subdivision (e), in any circumstance where it appears:

(1) That it would be inconsistent with a provision of the articles, bylaws, a resolution of the shareholders, or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification.

(2) That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

(i) A corporation shall have power to purchase and maintain insurance on behalf of any agent of the corporation against any liability asserted against or incurred by the agent in that capacity or arising out of the agent's status as such whether or not the corporation would have the power to indemnify the agent against that liability under this section. The fact that a corporation owns all or a portion of the shares of the company issuing a policy of insurance shall not render this subdivision inapplicable if either of the following conditions are satisfied: (1) if the articles authorize indemnification in excess of that authorized in this section and the insurance provided by this subdivision is limited as indemnification is required to be limited by paragraph (11) of subdivision (a) of Section 204; or (2) (A) the company issuing the insurance policy is organized, licensed, and operated in a manner that complies with the insurance laws and regulations applicable to its jurisdiction of organization, (B) the company issuing the policy provides procedures for processing claims that do not permit that company to be subject to the direct control of the corporation that purchased that policy, and (C) the policy issued provides for some manner of risk sharing between the issuer and purchaser of the policy, on one hand, and some unaffiliated person or persons, on the other, such as by providing for more than one unaffiliated owner of the company issuing the policy or by providing that a portion of the coverage furnished will be obtained from some unaffiliated insurer or reinsurer.

(j) This section does not apply to any proceeding against any trustee, investment manager, or other fiduciary of an employee benefit plan in that person's capacity as such, even though the person may also be an agent as defined in subdivision (a) of the employer corporation. A corporation shall have power to indemnify such a trustee, investment manager, or other fiduciary to the extent permitted by subdivision (f) of Section 207.

LIST OF SUBSIDIARIES

(as of December 31, 2023)

Mobile Modular Management Corporation

Enviroplex, Inc.

TRS-RenTelco Inc.

McGrath 180, LLC

McGrath RentCorp Asia PTE. LTD.

TRS-RenTelco India Private Limited

Vesta Housing Solutions Holdings, LLC

Vesta Housing Solutions Group, LLC

Modular Holdings, LLC

Vesta Housing Solutions, LLC

Innovative Modular Solutions, LLC

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated February 21, 2024, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of McGrath RentCorp on Form 10-K for the year ended December 31, 2023. We consent to the incorporation by reference of said reports in the Registration Statements of McGrath RentCorp on Forms S-8 (File Nos. 333-74089, 333-151815, 333-161128, and 333-183231).

/s/ GRANT THORNTON LLP

San Francisco, California
February 21, 2024

McGRATH RENTCORP
SECTION 302 CERTIFICATION

I, Joseph F Hanna, certify that:

1. I have reviewed this annual report on Form 10-K of McGrath RentCorp;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: February 21, 2024

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

McGRATH RENTCORP
SECTION 302 CERTIFICATION

I, Keith E. Pratt, certify that:

1. I have reviewed this annual report on Form 10-K of McGrath RentCorp;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: February 21, 2024

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

McGRATH RENTCORP

SECTION 906 CERTIFICATION

In connection with the periodic report of McGrath RentCorp (the "Company") on Form 10-K for the period ended December 31, 2023 as filed with the Securities and Exchange Commission (the "Report"), I, Joseph F. Hanna, Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

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

Date: February 21, 2024

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

McGRATH RENTCORP

SECTION 906 CERTIFICATION

In connection with the periodic report of McGrath RentCorp (the "Company") on Form 10-K for the period ended December 31, 2023 as filed with the Securities and Exchange Commission (the "Report"), I, Keith E. Pratt, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

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

Date: February 21, 2024

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

**MCGRATH RENTCORP
COMPENSATION RECOUPMENT POLICY**

Effective Date: December 1, 2023

In the event of any required accounting restatement of the financial statements of McGrath RentCorp (the “Company”) due to the material noncompliance of the Company with any financial reporting requirement under the applicable U.S. federal securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a “Restatement”), the Board of Directors of the Company (or any committee to which the Board of Directors may delegate its authority) (the “Board”) shall recover reasonably promptly from any person, who is or was an executive officer, as such term is defined in Rule 10D-1 adopted under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), of the Company (each, a “Covered Person”) the amount of any “Erroneously Awarded Incentive-Based Compensation” (as defined below).

The amount of incentive-based compensation that must be recovered from a Covered Person pursuant to the immediately preceding paragraph in the event that the Company is required to prepare a Restatement is the amount of incentive-based compensation received by a Covered Person that exceeds the amount of incentive-based compensation that otherwise would have been received had it been determined based on the restated amounts and must be computed without regard to any taxes paid (referred to as the “Erroneously Awarded Incentive-Based Compensation”). For incentive-based compensation based on stock price or total shareholder return, where the amount is not subject to mathematical recalculation directly from the information in a Restatement, the amount must be based on a reasonable estimate of the effect of the Restatement on the stock price or total shareholder return, as applicable, upon which the incentive-based compensation was received, and the Company must maintain documentation of that reasonable estimate and provide such documentation to the Nasdaq Stock Market LLC (“Nasdaq”). For the purposes of this policy, incentive-based compensation will be deemed to be received in the fiscal period during which the financial reporting measure specified in the applicable incentive-based compensation award is attained, even if the payment or grant occurs after the end of that period.

In determining the amount of Erroneously Awarded Incentive-Based Compensation to be recovered from a Covered Person, this policy shall apply to all incentive-based compensation received by a Covered Person: (i) after beginning service as an executive officer; (ii) who served as an executive officer at any time during the performance period for the incentive-based compensation; (iii) while the Company has a class of securities listed on a national securities exchange or a national securities association; and (iv) during the three completed fiscal years immediately preceding the date that the Company is required to prepare a Restatement, including any applicable transition period that results from a change in the Company’s fiscal year within or

immediately following those three completed fiscal years. For this purpose, the Company is deemed to be required to prepare a Restatement on the earlier of: (i) the date the Board, or the Company's officers authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare a Restatement; or (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare a Restatement. The Company's obligation to recover Erroneously Awarded Incentive-Based Compensation is not dependent on if or when the restated financial statements are filed with the Securities and Exchange Commission.

The Company shall recover the Erroneously Awarded Incentive-Based Compensation from Covered Persons unless the Board determines that recovery is impracticable because: (i) the direct expense to a third party to assist in enforcing this policy would exceed the amount of Erroneously Awarded Incentive-Based Compensation; provided that the Company must make a reasonable attempt to recover the Erroneously Awarded Incentive-Based Compensation before concluding that recovery is impracticable, document such reasonable attempt to recover the Erroneously Awarded Incentive-Based Compensation and provide such documentation to Nasdaq; or (ii) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the applicable requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

For purposes of this policy, "incentive-based compensation" refers to any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a "financial reporting measure," which refers to measures that are determined and presented in accordance with Generally Accepted Accounting Principles which are used in preparing the Company's financial statements, and any measures that are derived wholly or in part from such measures. Stock price and total shareholder return are also financial reporting measures for this purpose. For avoidance of doubt, a financial reporting measure need not be presented within the Company's financial statements or included in a filing with the Securities and Exchange Commission.

In no event will the Company indemnify any Covered Person for any amounts that are recovered under this policy. This policy is in addition to (and not in lieu of) any right of repayment, forfeiture or right of offset against any employees that is required pursuant to any statutory repayment requirement (regardless of whether implemented at any time prior to or following the adoption or amendment of this policy), including Section 304 of the Sarbanes-Oxley Act of 2002. Any amounts paid to the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 shall be considered in determining any amounts recovered under this policy.

The application and enforcement of this policy does not preclude the Company from taking any other action to enforce a Covered Person's obligations to the Company, including termination of employment or institution of legal proceedings. The terms of this policy shall be binding and enforceable against all persons subject to this policy and their beneficiaries, heirs, executors, administrators or other legal representatives.

This policy shall be interpreted in a manner that is consistent with Rule 10D-1 under the Exchange Act, Rule 5608 of the Nasdaq listing rules and any related rules or regulations adopted by the Securities and Exchange Commission or Nasdaq (the “Applicable Rules”) as well as any other applicable law. To the extent the Applicable Rules require recovery of incentive-based compensation in additional circumstances besides those specified above, nothing in this policy shall be deemed to limit or restrict the right or obligation of the Company to recover incentive-based compensation to the fullest extent required by the Applicable Rules.

