

MCGRATH RENTCORP
Form DEF 14A
April 24, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

McGrath RentCorp

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

N/A

(2) Aggregate number of securities to which transaction applies:

N/A

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

N/A

(4) Proposed maximum aggregate value of transaction:

N/A

(5) Total fee paid:

N/A

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

N/A

(2) Form, Schedule or Registration Statement No.:

N/A

(3) Filing Party:

N/A

(4) Date Filed:

N/A

McGRATH RENTCORP

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held June 6, 2012

To the Shareholders of McGrath RentCorp:

NOTICE IS HEREBY GIVEN that the 2012 Annual Meeting of Shareholders (the Annual Meeting) of McGrath RentCorp, a California corporation (the Company), will be held at the Company's principal executive offices located at 5700 Las Positas Road, Livermore, California 94551, on Wednesday, June 6, 2012 at 2:00 p.m., local time. Shareholders who are unable to attend may listen to a live webcast of the Annual Meeting on the Company's website at www.mgrc.com under the Investor Relations section. The Annual Meeting will be held for the following purposes:

1. To elect seven (7) directors of the Company to serve until the 2013 annual meeting of shareholders or until their successors are elected and qualified;
2. To ratify the appointment of Grant Thornton LLP as the independent auditors for the Company for the year ending December 31, 2012;
3. To hold a non-binding, advisory vote to approve the compensation of the Company's named executive officers;
4. To approve an amended and restated 2007 Stock Incentive Plan (the 2007 Plan) to: (i) increase the number of authorized shares of the Company's Common Stock issuable under the 2007 Plan by 1,500,000 shares; (ii) approve the Internal Revenue Code Section 162(m) performance criteria and award limits; (iii) permit the use of shares withheld to satisfy tax obligations for future issuance under the 2007 Plan; (iv) extend the plan term by ten years from the date of shareholder approval; and (v) make other non-substantive changes.
5. To transact such other business as may properly come before the Annual Meeting and any adjournment or postponement thereof.

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

The Board of Directors of the Company has fixed the close of business on April 16, 2012 as the record date for determining the shareholders entitled to notice of and to vote at the Annual Meeting and any adjournment or postponement thereof.

I M P O R T A N T

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

If you hold your shares in a brokerage account, your shares will not be voted in the election of directors, the non-binding, advisory vote on the compensation of the Company's named executive officers or the amendment and restatement of the Company's 2007 Plan unless you provide explicit instructions to your broker as to how you wish to vote your shares. Under the New York Stock Exchange rules governing discretionary voting of proxies by the exchange's members, your broker is not permitted to vote shares with respect to non-routine matters such as the election of directors, the vote on compensation or the amendment and restatement of the Company's 2007 Plan without voting instructions from the beneficial owner of such shares.

By Order of the Board of Directors,

Randle F. Rose

Senior Vice President,

Chief Administrative Officer and Secretary

Livermore, California

April 24, 2012

McGRATH RENTCORP

5700 Las Positas Road

Livermore, California 94551

PROXY STATEMENT

FOR 2012 ANNUAL MEETING OF SHAREHOLDERS

General Information

This proxy statement (this Proxy Statement) is made available to the shareholders of McGrath RentCorp, a California corporation (the Company, we, us, or our), in connection with the solicitation by the Board of Directors of the Company (the Board of Directors or the Board) of proxies for the accompanying form for use in voting at the 2012 Annual Meeting of Shareholders of the Company (the Annual Meeting) to be held on Wednesday, June 6, 2012, at 2:00 p.m., local time, at the Company's principal executive offices located at 5700 Las Positas Road, Livermore, California 94551, and any adjournment or postponement thereof. The shares represented by the proxies received, properly marked, dated, executed and not revoked will be voted at the Annual Meeting.

The Company expects to mail this Proxy Statement and the enclosed form of proxy to shareholders on or about April 30, 2012.

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

Important Notice Regarding the Availability of Proxy Materials

for the Shareholder Meeting to be held on Wednesday, June 6, 2012

Our Proxy Statement and 2011 Annual Report to Shareholders are available at

<https://materials.proxyvote.com/580589>

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

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

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

What matters will be considered at the Annual Meeting?

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

the election as directors of the seven (7) nominees named in this Proxy Statement (Proposal No. 1);

the ratification of the appointment of Grant Thornton LLP as the independent auditors for the Company for the year ending December 31, 2012 (Proposal No. 2);

the approval, with a non-binding, advisory vote, of the compensation of the Company's named executive officers (Proposal No. 3);

Edgar Filing: MCGRATH RENTCORP - Form DEF 14A

the amendment and restatement of the 2007 Stock Incentive Plan (the 2007 Plan) to: (i) increase the number of authorized shares of the Company s Common Stock issuable under the 2007 Plan by

1,500,000 shares; (ii) approve the Internal Revenue Code Section 162(m) performance criteria and award limits; (iii) permit the use of shares withheld to satisfy tax obligations for future issuance under the 2007 Plan; (iv) extend the plan term by ten years from the date of shareholder approval; and (v) make other non-substantive changes (Proposal No. 4); and

such other business that may properly come before the Annual Meeting and any adjournment or postponement thereof.

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

The Board of Directors believes that the election of the nominated directors, the ratification of the appointment of Grant Thornton LLP, the approval on an advisory basis of the compensation of the Company's named executive officers and the amendment and restatement of the 2007 Plan are in the best interests of the Company and its shareholders and, accordingly, recommends a vote **FOR** the approval of each of these proposals.

How are proxy materials being made available to shareholders?

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

the full set delivery option; or

the notice only option.

Full Set Delivery Option

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

Notice Only Option

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

information regarding the date, time and location of the annual meeting of shareholders as well as the items to be considered at the meeting;

information regarding the website where the proxy materials are posted; and

various means by which a shareholder may request paper or e-mail copies of the proxy materials.

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

Although the Company has elected to use the full set delivery option for the Annual Meeting, we may choose to use the notice only option in the future. By reducing the amount of materials that a company needs to print and mail, the notice only option provides an opportunity for cost savings as well as conservation of natural

resources. However, many companies that have used the notice only option have also experienced a lower participation rate meaning that fewer shareholders voted at these companies' annual meetings. The Company plans to continue to evaluate the possible cost savings and environmental impact as well as the potential impact on shareholder participation in its consideration of the notice only option in the future.

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

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

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

How do I vote?

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

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

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

Can I change my vote after I have voted?

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

Who is entitled to vote?

The close of business on April 16, 2012 has been fixed as the record date (the Record Date) for determining the holders of shares of common stock of the Company (Common Stock) entitled to notice of and to vote at the Annual Meeting.

What constitutes a quorum?

As of the close of business on the Record Date, there were 24,761,334 shares of Common Stock outstanding and entitled to vote at the Annual Meeting. The presence at the Annual Meeting of a majority of these shares of Common Stock, either in person or by proxy, will constitute a quorum for the transaction of business at the Annual Meeting.

How are votes counted and who will count the votes?

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

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

Is my vote confidential?

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

as necessary to meet applicable legal requirements;

to allow for the tabulation and certification of votes; and

to facilitate a successful proxy solicitation.

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

How are abstentions and broker non-votes treated?

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

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

With respect to Proposal No. 1 of this Proxy Statement, a plurality of the votes cast is required for the election of directors. This means that the director nominee with the most votes for a particular slot is elected for

that slot. You may vote FOR or WITHHELD with respect to the election of directors. Only votes FOR or WITHHELD are counted in determining whether a plurality has been cast in favor of a director. Abstentions and broker non-votes, if any, will have no effect on this proposal. Brokerage firms, banks, broker-dealers and other nominees holding shares for holders who have not given specific voting instructions are not permitted to vote in their discretion with respect to Proposal No. 1. If you do not instruct your broker how to vote, your broker may not vote with respect to this proposal and these votes will be counted as broker non-votes, as is described in *What happens if I do not give specific voting instructions?* below. Our Corporate Governance Guidelines, as amended and restated by the Board of Directors on December 9, 2010, set forth our procedures if a director-nominee is elected, but receives a majority of WITHHELD votes. In an uncontested election, any director nominee who receives a greater number of votes WITHHELD from his or her election than votes FOR such election is required to tender his or her resignation following certification of the shareholder vote. The Corporate Governance and Nominating Committee is required to make recommendations to the Board of Directors with respect to any such letter of resignation. The Board of Directors is required to take action with respect to this recommendation within 90 days following certification of the shareholder vote and to disclose its decision-making process.

With respect to Proposal No. 2 of this Proxy Statement, the affirmative vote of a majority of the shares of Common Stock represented and voting at the Annual Meeting is required for ratification of the independent auditors. Abstentions will have the same effect as voting against this proposal. Broker non-votes, if any, will have no effect on this proposal. Although certain brokerage firms, banks, broker-dealers and other nominees holding shares for holders who have not given specific voting instructions are permitted to vote in their discretion with respect to Proposal No. 2, those institutions which are not governed by New York Stock Exchange (NYSE) Rule 452, are not permitted to vote in their discretion with respect to such proposal. If you do not instruct your broker how to vote, and your broker is not governed by NYSE Rule 452, your broker may not vote with respect to this proposal and these votes will be counted as broker non-votes, as is described in *What happens if I do not give specific voting instructions?* below.

With respect to Proposal No. 3 of this Proxy Statement, the affirmative vote of a majority of the shares of Common Stock represented and voting at the Annual Meeting is required for approval, on an advisory basis, of the compensation of the Company's named executive officers. You may vote FOR or AGAINST with respect to approval of the compensation of the Company's named executive officers. Abstentions will have the same effect as voting against this proposal. Broker non-votes, if any, will have no effect on this proposal. Brokerage firms, banks, broker-dealers and other nominees holding shares for holders who have not been given specific voting instructions are not permitted to vote in their discretion with respect to Proposal No. 3. If you do not instruct your broker how to vote, your broker may not vote with respect to this proposal and these votes will be counted as broker non-votes, as is described in *What happens if I do not give specific voting instructions?* below.

With respect to Proposal No. 4 of this Proxy Statement, the affirmative vote of a majority of the shares of Common Stock represented and voting at the Annual Meeting is required for approval of the amendment and restatement of the 2007 Plan. You may vote FOR or AGAINST with respect to the amendment and restatement of the 2007 Plan. Abstentions will have the same effect as voting against this proposal. Broker non-votes, if any, will have no effect on this proposal. Brokerage firms, banks, broker-dealers and other nominees holding shares for holders who have not given specific voting instructions are not permitted to vote in their discretion with respect to Proposal No. 4. If you do not instruct your broker how to vote, your broker may not vote with respect to this proposal and these votes will be counted as broker non-votes, as is described in *What happens if I do not give specific voting instructions?* below.

What happens if I do not give specific voting instructions?

For Shares Directly Registered in the Name of the Shareholder: If you return your signed proxy but do not indicate your voting preferences, the Company will vote on your behalf FOR the election of the nominated

directors, FOR the ratification of the appointment of Grant Thornton LLP, FOR approval of the compensation of the Company's named executive officers, and FOR the amendment and restatement of the Company's 2007 Plan. If any other matter properly comes before the shareholders for a vote at the Annual Meeting, the proxy holders will vote your shares in accordance with their best judgment.

For Shares Registered in the Name of a Brokerage Firm, Bank, Broker-Dealer or Other Similar Organization: If your shares are held in street name, your brokerage firm, bank, broker-dealer or nominee will ask you how you want your shares to be voted. If you provide voting instructions, your shares must be voted as you direct. If you do not furnish voting instructions with respect to shares registered in the name of organizations that are not governed by NYSE Rule 452, those shares will not be voted at the meeting because such organizations do not have discretionary voting power. If you do not furnish voting instructions to brokerage firms that are governed by NYSE Rule 452, one of two things can happen, depending upon whether a proposal is routine. Under NYSE Rule 452, brokerage firms, banks, broker-dealers and other similar organizations have discretion to cast votes on routine matters, such as the ratification of the appointment of an independent auditor, without voting instructions from their clients. Brokerage firms, banks, broker-dealers and other similar organizations are not permitted, however, to cast votes on non-routine matters, such as the election of directors, votes on the compensation of the Company's named executive officers or votes on the amendment and restatement of the Company's 2007 Plan, without such voting instructions.

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

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

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

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

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

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

Who pays for this proxy solicitation?

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

What is the deadline for receipt of shareholder proposals?

Requirements for Shareholder Proposals to be Considered for Inclusion in the Company's Proxy Materials. Shareholder proposals submitted pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the Exchange Act), and intended to be presented at the annual meeting of the Company's shareholders to be held in 2013 must be received by the Company no later than January 1, 2013 in order to be considered for inclusion in the Company's proxy materials for that meeting.

Discretionary Authority. The proxies to be solicited by the Board of Directors for the 2013 annual meeting of the Company's shareholders will confer discretionary authority on the proxyholders to vote on any shareholder proposal presented at such annual meeting if the Company fails to receive notice of such proposal by March 15, 2013.

Householding of Annual Meeting Materials

Some brokerage firms, banks, broker-dealers, or other nominees who are record holders may participate in the practice of householding proxy statements and their accompanying documents. This means that only one copy of the proxy materials will be sent to your household regardless of the number of shareholders who reside there. We will promptly deliver a separate copy of these documents without charge to you upon written request to McGrath RentCorp, 5700 Las Positas Road, Livermore, California 94551, Attn: Investor Relations. If you want to receive separate copies of our proxy materials in the future, or if you are receiving multiple copies and would like to receive only one copy per household, you should contact your brokerage firm, bank, broker-dealer or other nominee who is a record holder, or you may contact us at the address and phone number listed above.

Financial and Other Information

We are required to file annual, quarterly and current reports, proxy statements and other reports with the SEC. Copies of these filings are available through our Internet website at www.mgrc.com under the Investor Relations section or the SEC's website at www.sec.gov. We will furnish copies of our SEC filings (without exhibits), including our annual report on Form 10-K for the fiscal year ended December 31, 2011 and filed with the SEC on February 29, 2012 (the 2011 Annual Report), without charge to any shareholder upon written request to McGrath RentCorp, 5700 Las Positas Road, Livermore, California 94551, Attn: Investor Relations.

PROPOSAL NO. 1**ELECTION OF DIRECTORS**

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

At the Annual Meeting, the shareholders will elect seven (7) directors. Messrs. Dawson, Hood, Kakures, McGrath, Smith, Stradford and Zech have each been nominated to serve a one-year term, until the annual meeting of shareholders to be held in 2013, until their successors are elected or appointed and qualified, or until their earlier death, resignation or removal. The Board of Directors has no reason to believe that any of Messrs. Dawson, Hood, Kakures, McGrath, Smith, Stradford or Zech will be unable or unwilling to serve as a nominee or as a director if elected.

Nominees

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

Name of Nominee	Age	Principal Occupation	Director Since
William J. Dawson	57	Former Chief Financial Officer of Catalyst Biosciences, Inc.	1998
Robert C. Hood	71	Former Executive Vice President and Chief Financial and Administrative Officer of Excite, Inc.	1999
Dennis C. Kakures	55	Chief Executive Officer and President of the Company	2003
Robert P. McGrath	78	Chairman Emeritus of the Board of Directors of the Company	1979
M. Richard Smith	64	Former Senior Vice President of Bechtel Group, Inc.	2010
Dennis P. Stradford	65	Former Chairman, President and Chief Executive Officer of Nomis Solutions, Inc.	2002
Ronald H. Zech	68	Chairman of the Board of Directors of the Company	1989

William J. Dawson was elected a director of the Company in 1998. Mr. Dawson served as Chief Financial Officer at Catalyst Biosciences, Inc., a privately-held biotechnology company for two years from 2010 to 2012. He was Vice President, Finance and Chief Financial Officer with Cerus Corporation, a publicly held biopharmaceutical company from August 2004 to April 2009. At Cerus, Mr. Dawson completed two rounds of equity financing, helped spin-off a non-strategic asset to a syndicate of venture capital firms, and guided financial aspects of the company's commercial expansion in Europe, while building an international finance and accounting organization and leading an upgrade of the corporate accounting system, SEC reporting, and compliance with the Sarbanes-Oxley Act. Prior to joining Cerus, he spent a total of 26 years in senior financial positions at companies in biotechnology, healthcare services and information technology, investment banking, energy and transportation, where he was responsible for strategic, business and financial planning, SEC reporting, investor relations, and numerous equity, debt and structured financings, mergers and acquisitions, and advisory assignments. As an investment banker, Mr. Dawson assisted in three public equity offerings for McGrath RentCorp, beginning with its initial public offering in 1984. He also serves on the board of directors of Wellington Trust Company, a subsidiary of Wellington Management Company, LLP, a private institutional investment management company. With his wealth of experience in financial and strategic transactions, Mr. Dawson provides significant value to the Board of Directors. Mr. Dawson received an A.B. in Mechanical Engineering from Stanford University and an M.B.A. from Harvard Business School.

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

Dennis C. Kakures was elected a director of the Company in 2003 and became the Chief Executive Officer of the Company in 2003. Mr. Kakures has been the President of the Company since 1995. Prior to becoming Chief Executive Officer, he served as Chief Operating Officer from 1989 to 2003 and Executive Vice President from 1993 to 1995. Having started his career with McGrath RentCorp in sales in 1982, and having held roles of increasing managerial responsibility over his 29 years with the Company, Mr. Kakures provides unique insight and perspective on the Company's business on a day-to-day basis. Mr. Kakures has been instrumental in developing and driving the strategic product and geographic expansion of the Company's varied rental businesses since he became Chief Executive Officer in 2003. He is uniquely qualified to serve as Chief Executive Officer and as a member of the Board of Directors. Mr. Kakures received a B.S. in Marketing from California State University at Hayward.

Robert P. McGrath is the founder of the Company and Chairman Emeritus of the Board of Directors. He has been a director since the Company's formation in 1979 and served as Chairman of the Board of Directors from 1988 until he elected to step down from that role in June 2009. From March 2003 to July 2004, Mr. McGrath served as Executive Chairman. From 1979 to March 2003, he also served as the Company's Chief Executive Officer. He served as President from 1979 to 1994 and Chief Financial Officer from 1979 to 1993. Mr. McGrath provided the leadership to the Company that drove it from a start-up to a diversified business-to-business rental company. This includes his work on a stock underwriting and secondary offerings plus several successful acquisitions. He is intimately familiar with the business, structure, history and culture of the Company and offers insights that only this experience can provide. Mr. McGrath holds a B.S. in Electrical Engineering from the University of Notre Dame.

M. Richard Smith was elected a director of the Company in 2010. Mr. Smith served as Senior Vice President of Bechtel Group, Inc. and President of its fossil power business unit, where he managed Bechtel's global fossil power engineering and construction activities, until 2007. His service in this position culminated a 26-year career with Bechtel. During that tenure, he also served as Chief Executive Officer of Intergen, a joint venture between Shell and Bechtel. From 1992 to 2000, Mr. Smith served at a Bechtel/P&G&E joint venture and at P&G&E Corporation where he was responsible for all corporate development activities. Mr. Smith also serves as a member of the Board of Directors of Aegion Corporation (NASDAQ:AEGN), a leading provider of pipeline rehabilitation products and services, USEC Inc. (NYSE:USU), a major supplier of enriched uranium fuel for commercial nuclear power plants, and Sithe Global Power, LLC, an international power development company. With his extensive experience serving as a board member and in executive management roles for a number of public companies, Mr. Smith brings to the Board of Directors a valuable perspective on issues facing public companies as well as considerable guidance on corporate development, business operations and the energy industry. Mr. Smith received a B.S. in Aerospace Engineering from Auburn University, a M.S. in Mechanical Engineering from Northeastern University and a M.B.A. from Golden Gate University.

Dennis P. Stradford was elected a director of the Company in 2002. Mr. Stradford joined Nomis Solutions, Inc., a provider of price optimization solutions to the financial services industry, as its Chairman, President and Chief Executive Officer in January 2004. He served as Chief Executive Officer until July 2009 and Chairman until February 2010. Mr. Stradford was the Chief Executive Officer of CascadeWorks, Inc., a provider of e-procurement

software to Fortune 1000 companies, from 2000 to 2003. From 1998 to 2000, he was Chief Executive Officer of SupplyBase, Inc. a provider of web-based supply-chain management software and services. From 1985 to 1997, Mr. Stradford was with Flextronics International, Ltd., a publicly traded company, and served as its Senior Vice President, Sales and Marketing. He previously held executive and sales positions with Zehntel, Inc. and International Business Machines Corp. With his wealth of experience in senior management, Mr. Stradford brings to the Board of Directors considerable expertise on strategic, operational, and sales and marketing issues. Mr. Stradford holds a B.A. from San Jose State University and an M.A., M. Div. from St. Patrick's University.

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

Required Vote

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

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

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

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

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

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

EXECUTIVE OFFICERS AND DIRECTORS

The following table sets forth certain information with respect to the executive officers and directors of the Company as of March 31, 2012:

Name	Age	Position Held with the Company
Dennis C. Kakures	55	Chief Executive Officer, President and Director
Joseph F. Hanna	49	Senior Vice President and Chief Operating Officer
Keith E. Pratt	49	Senior Vice President and Chief Financial Officer
Randle F. Rose	54	Senior Vice President, Chief Administrative Officer and Secretary
David M. Whitney	47	Vice President, Principal Accounting Officer and Corporate Controller
Kay Dashner	53	Vice President, Human Resources
Philip B. Hawkins	36	Vice President, Mobile Modular
John P. Skenesky	45	Vice President, TRS-RenTelco
Kristina VanTrease	42	Vice President, Portable Storage
Steven H. Adler	53	President, Adler Tank Rentals
William J. Dawson(1)(2)	57	Director
Robert C. Hood(1)(2)	71	Director
Robert P. McGrath(2)(3)	78	Chairman Emeritus of the Board of Directors
M. Richard Smith(1)(3)	64	Director
Dennis P. Stradford(1)(3)	65	Director
Ronald H. Zech(2)(3)	68	Chairman of the Board of Directors

(1) Member of the Compensation Committee

(2) Member of the Audit Committee

(3) Member of the Corporate Governance and Nominating Committee

Robert P. McGrath, Dennis C. Kakures, William J. Dawson, Robert C. Hood, M. Richard Smith, Dennis P. Stradford and Ronald H. Zech are nominees to the Board of Directors and their descriptions appear under *Proposal No. 1: Election of Directors Nominees*.

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

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

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

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

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

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

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

Steven H. Adler was appointed President of Adler Tank Rentals, LLC in December 2008. In 1998, Mr. Adler founded Adler Tank Rentals, LLC which assets were acquired by the Company in December 2008. He also founded Adler Industrial Services, a roof vacuum services business, in 1993, and Sabre Manufacturing, which manufactures liquid and solid containment products, in 2005. Mr. Adler received a B.S. in Business Administration from Alfred University in New York, and an M.B.A. in International Business from Thunderbird School of Global Management in Arizona.

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

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

Director Independence

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

At last year's annual meeting, approximately 22 percent of shareholders voted WITHHOLD for Mr. McGrath (which percentage did not represent a Majority Withheld Vote). The Company believes that these votes were likely cast as a result of, and in accordance with, a report by Institutional Shareholder Services (ISS), which included a recommendation of a WITHHOLD vote for Mr. McGrath. This recommendation was based on ISS determination that Mr. McGrath was an affiliated outside director because he is the founder of the Company and formerly served as the Company's Chief Executive Officer until March 2003. It is ISS policy that affiliated outsiders should not serve on the Company's independent board committees. However, the Board of Directors has determined that Mr. McGrath is independent as defined in the listing standards of the NASDAQ Stock Market and the regulations of the SEC and the Company believes that he continues to contribute significant value as a member of the Audit and Corporate Governance and Nominating Committees.

Leadership Structure of the Board of Directors

Our Board of Directors is currently comprised of six independent directors and one management director. Our Corporate Governance Guidelines state that the Board of Directors should remain free to decide whether the Chairman and CEO positions should be held by the same person. This allows the Board of Directors to determine the best arrangement for the Company and its shareholders, given changing circumstances of the Company and the composition of the Board of Directors. Currently the positions are separated. Mr. Zech, our non-executive chairman, has extensive knowledge and experience in a similarly complex industry from his 29 years with GATX, has a significant understanding of the Company based on his 23 years on the Board of Directors, and has a solid relationship with the other directors and management. Mr. Kakures, our Chief Executive Officer, is a seasoned leader with over 29 years of management and operational experience in the Company, clearly understands and drives its strategic growth, and interacts well with Mr. Zech and the other directors. We believe our current leadership structure is optimal at this time.

Meetings and Committees of the Board of Directors

During 2011, the Board of Directors met nine times. No director attended fewer than 75% of either (i) the total number of meetings of the Board of Directors held in 2011, or (ii) the total number of meetings of the committees of the Board of Directors held in 2011 on which he served. All seven directors attended the 2011 annual meeting of shareholders. All directors are expected to attend the Annual Meeting. The standing committees of the Board of Directors currently consist of the Compensation Committee, the Audit Committee and the Corporate Governance and Nominating Committee.

Compensation Committee

The Compensation Committee held three meetings in 2011. The Compensation Committee currently consists of Messrs. Dawson, Hood, Smith and Stradford; Mr. Dawson serves as its Chairman. The Board of

Directors has determined that all current members of the Compensation Committee are independent as defined in the listing standards of the NASDAQ Stock Market, SEC regulations and any other laws applicable to the Company. In addition, the Board of Directors has determined that all current members of the Compensation Committee qualify as non-employee directors within the meaning of SEC Rule 16b-3 as promulgated under the Exchange Act, and as outside directors within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code).

The Board of Directors adopted and approved a charter for the Compensation Committee, which was most recently amended and restated on December 9, 2010. A copy of this charter is posted on our website at www.mgrc.com under the Investor Relations section. The functions of the Compensation Committee, which are discussed in detail in its charter, are to (a) evaluate executive officer and director compensation policies, goals, plans and programs; (b) determine the cash and non-cash compensation of the executive officers of the Company; (c) review and administer the Company's equity-based and other incentive compensation plans for employees; (d) evaluate the performance of the Company's executive officers; and (e) produce any reports required by the applicable rules and regulations of the SEC.

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

Audit Committee

The Audit Committee held five meetings in 2011. The Audit Committee currently consists of Messrs. Dawson, Hood, McGrath and Zech; Mr. Hood serves as its Chairman. After considering transactions and relationships between each member of the Audit Committee or his immediate family and the Company and its subsidiaries and reviewing the qualifications of the members of the Audit Committee, the Board of Directors has determined that all current members of the Audit Committee are independent, as defined in the listing standards of the NASDAQ Stock Market, SEC regulations and any other laws applicable to the Company. The Board of Directors has also determined that all current members of the Audit Committee are financially literate and have the requisite financial sophistication as required by the listing standards of the NASDAQ Stock Market. Furthermore, the Board of Directors has determined that Messrs. Dawson, Hood, McGrath and Zech each qualify as an Audit Committee financial expert, as defined by the applicable SEC rules, pursuant to the fact that, among other things, Mr. Hood is the former Executive Vice President and Chief Financial Officer of Excite, Inc., Mr. Dawson is the Chief Financial Officer of Catalyst Biosciences, Inc., Mr. McGrath was former Chairman and Chief Executive Officer of the Company, and Mr. Zech is the former Chief Executive Officer of GATX Corporation, and in those respective capacities each has acquired the relevant experience and expertise and has the attributes set forth in the applicable rules as being required for an Audit Committee financial expert.

The Board of Directors adopted and approved a charter for the Audit Committee, which was most recently amended and restated on December 9, 2010. A copy of this charter is posted on our website at www.mgrc.com under the Investor Relations section. The functions of the Audit Committee, which are discussed in detail in its charter, are to (a) oversee the engagement, replacement, compensation, qualification, independence and performance of the Company's independent auditors; (b) oversee the conduct of the Company's accounting and financial reporting processes and the integrity of the Company's audited financial statements and other financial reports; (c) oversee the performance of the Company's internal accounting, financial and disclosure controls function; and (d) oversee the Company's compliance with its policies and other legal requirements as such compliance relates to the integrity of the Company's financial reporting. The Audit Committee has also established procedures for (a) the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters, and (b) the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters. The Audit Committee also

oversees the preparation of a report for inclusion in our annual proxy statements and is charged with the other duties and responsibilities listed in its charter. The Audit Committee's report is included in this Proxy Statement on page 45. The Audit Committee is a separately designated standing audit committee as defined in Section 3(a)(58)(A) of the Exchange Act.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee held two meetings in 2011. The Corporate Governance and Nominating Committee consists of Messrs. Stradford, McGrath, Smith and Zech; Mr. Zech serves as its Chairman. Our Board of Directors has determined that all current members of the Corporate Governance and Nominating Committee are independent, as defined in the listing standards of the NASDAQ Stock Market, SEC regulations and any other laws applicable to the Company.

The Board of Directors adopted and approved a charter for the Corporate Governance and Nominating Committee, which was most recently amended and restated on December 6, 2011. A copy of this charter is posted on our website at www.mgrc.com under the Investor Relations section. The functions of the Corporate Governance and Nominating Committee, which are discussed in detail in its charter, are to assist the Board of Directors in all matters relating to (a) the establishment, implementation and monitoring of policies and processes regarding the recruitment and nomination of candidates to the Board of Directors and committees of the Board of Directors; (b) the review and making of recommendations to the Board of Directors regarding the composition and structure of the Board of Directors and committees of the Board of Directors; (c) the development, evaluation and monitoring of the Company's corporate governance processes and principles; (d) the development and implementation of, and monitoring of compliance with, the Company's Code of Business Conduct and Ethics and making recommendations to the Board of Directors of revisions to the Code of Business Conduct and Ethics from time to time as appropriate; and (e) the administration of the Board of Directors' annual self-evaluation process and the sharing of the results thereof with the Board of Directors for discussion and deliberation.

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

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

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

Compensation Committee. Under its charter, the Compensation Committee reviews with its independent compensation consultant and management, as appropriate, the Company's compensation plans, policies and practices. The Compensation Committee also sets performance goals under the Company's annual bonus and long-term incentive plans. In setting the performance targets and overseeing the Company's compensation plans, policies and practices, the Compensation Committee considers the risks that may be created and whether any

such risks are reasonably likely to have a material adverse impact on the Company. The Compensation Committee considers the overall mix of compensation for all employees as well as the various risk control and mitigation features of its compensation plans, including appropriate performance measures and targets and incentive plan payout maximums. The Compensation Committee provides regular reports to the full Board of Directors on the Company's compensation plans, policies and practices and the Compensation Committee's oversight of compensation-related risks.

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

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

Qualifications of Directors

The Corporate Governance and Nominating Committee will consider for nomination all bona fide candidates proposed by management or shareholders and will nominate directors that it believes will serve the best interests of the Company and its shareholders. Candidates must have the education, business or organizational experience and skills that will enable them to excel in carrying out their responsibilities on the Board of Directors. Candidates must possess and have demonstrated in professional endeavors the highest personal and professional ethics, integrity and values, and be committed to representing the long-term best interests of shareholders. Further, candidates must have an inquisitive and objective perspective, practical wisdom and mature judgment, and be willing and able to challenge management in a constructive manner. Candidates will also be judged on their ability to work in a collegial manner with a sense of common purpose, energy, industry knowledge, business sense and trust with other members of the Board of Directors and management, as one group acting in unison to solve difficult problems as they may arise. The candidate's specific knowledge of the Company, its markets, and its strategy will also be considered. When evaluating candidates, the Corporate Governance and Nominating Committee considers the diversity of the backgrounds, experience and skills of the current directors on the Board of Directors, including their gender, age, ethnic and cultural backgrounds, the long-term needs of the Company based on its strategic direction and responsible succession planning for all Board positions, and selects the candidates who will provide the most value to the Board of Directors, management and shareholders. The Corporate Governance and Nominating Committee monitors its assessment of diversity as part of the annual self-evaluation process.

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

Director Nomination Process

Continuing Directors

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

New Directors

Generally, once a need to add a new member to the Board of Directors is identified, the Corporate Governance and Nominating Committee will initiate a search by working with staff support, seeking input from members of the Board of Directors and senior management and hiring a consultant or search firm, if necessary. After a slate of possible candidates is identified, certain members of the Corporate Governance and Nominating Committee, other members of the Board of Directors and senior management have the opportunity to interview the prospective candidate(s). The remaining members of the Board of Directors who do not interview the prospective candidate(s) are kept informed. After completing its selection process, the Corporate Governance and Nominating Committee ultimately determines and recommends the best candidate(s) for approval by the full Board of Directors.

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

Director Compensation

The Compensation Committee reviews director compensation every two years. In October 2010, the Compensation Committee engaged Compensia, Inc., an independent compensation consulting firm (Compensia), to conduct a review of its 2011-2012 total compensation program for its non-employee directors. Compensia provided an analysis with relevant market data and alternatives to consider when making compensation decisions for the non-employee directors. The analysis compared each element of total compensation against a peer group of publicly-traded companies against which we compete in recruiting qualified managers and directors, and for shareholder investment. These companies consisted of a combination of primarily technology companies of comparable size based in the San Francisco Bay Area, and national rental, leasing and equipment finance companies, which are listed in *Compensation Consultant and Peer Group Selection* on page 22 of this Proxy Statement. The Compensation Committee generally sets the total compensation for non-employee directors at or slightly above the median (the 50th percentile) of compensation paid to non-employee directors of similarly situated peer group companies. The 2011 and 2012 compensation described below was approved by the Board of Directors based on Compensia's analysis and recommendations of the Compensation Committee.

For the year ended December 31, 2011, each non-employee director of the Company was compensated for his services as a director with an annual retainer of \$34,000. In addition to the annual retainers, the Chairs of the Board of Directors, Audit Committee, Compensation Committee, and Corporate Governance and Nominating Committee received an additional annual retainer of \$20,000, \$18,000, \$9,500 and \$7,500 respectively. Each other member of the Audit Committee, Compensation Committee, and Corporate Governance and Nominating Committee received an annual retainer of \$8,000, \$5,000 and \$4,000 respectively. Messrs. Dawson, Hood, McGrath, Smith, Stradford and Zech received \$51,500, \$57,000, \$46,000, \$43,000, \$43,000 and \$69,500 respectively, for each of their services as a director of the Company during 2011. All directors, including those who are executive officers or employees of the Company, were reimbursed for expenses incurred in connection with attending Board of Directors or committee meetings.

For fiscal year 2012, each director who is not also an executive officer or employee of the Company, other than the Chairman of the Board of Directors, will receive an annual retainer of \$34,000. In addition to the annual retainers, the Chairs of the Board of Directors, Audit Committee, Compensation Committee, and Corporate Governance and Nominating Committee will receive an additional annual retainer of \$20,000, \$18,000, \$9,500 and \$7,500 respectively. Each other member of the Audit Committee, Compensation Committee, and Corporate Governance and Nominating Committee who is not an employee of the Company will receive an annual retainer of \$8,000, \$5,000 and \$4,000 respectively. These annual retainers will be included in the 2012 Director Compensation Table in next year's proxy statement.

In addition to cash compensation, each of the non-employee directors of the Company has historically received an annual equity grant. On February 2, 2007, the Board of Directors adopted an equity granting methodology (part of the 2007 Plan) whereby there is one annual equity grant date, which is the date when the blackout window opens after the year-end earnings are released. All designated non-employee directors, executive officers and employees are eligible to receive an equity grant on the annual equity grant date with an exercise price (for stock options or stock appreciation rights (SARs)), or grant price (for restricted stock units (RSUs)), equal to the NASDAQ Stock Market close price on that day.

As reflected in the table below, for 2011, based on Compensia's analysis, the recommendation of the Compensation Committee, and consistent with our equity granting policy, on February 25, 2011, the Board of Directors granted each of Messrs. Dawson, Hood, McGrath, Smith, Stradford and Zech RSUs under the 2007 Plan for 2,300 shares of the Company's Common Stock with a vesting date of April 1, 2012. Each of these grants represented an equivalent total equity compensation of \$64,377 based on the NASDAQ Stock Market close price of \$27.99 on February 25, 2011 (the total equity compensation values can fluctuate slightly each year due to rounding). The Board of Directors believes equity grants of RSUs best align the interests of non-employee directors and shareholders.

Based on Compensia's analysis, the recommendation of the Compensation Committee, and consistent with our equity granting policy, on March 2, 2012, the Board of Directors granted each non-employee director RSUs under the 2007 Plan for 2,100 shares of the Company's Common Stock with a vesting date of April 1, 2013. Each of these grants represented an equivalent total equity compensation of \$65,835 based on the NASDAQ Stock Market close price of \$31.35 on March 2, 2012 (the total equity compensation values can fluctuate slightly each year due to rounding). These 2012 RSU grants will be included in the 2012 Director Compensation Table in next year's proxy statement.

The table below summarizes the compensation paid by the Company to its directors for the fiscal year ended December 31, 2011.

2011 DIRECTOR COMPENSATION TABLE

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)	All Other Compensation (\$)(2)	Total (\$)
William J. Dawson	\$ 51,500	\$ 64,377	\$ 0	\$ 115,877
Robert C. Hood	\$ 57,000	\$ 64,377	\$ 0	\$ 121,377
Dennis C. Kakures				(3)
Robert P. McGrath	\$ 46,000	\$ 64,377	\$ 5,619	\$ 115,996
M. Richard Smith	\$ 43,000	\$ 64,377	\$ 0	\$ 107,377
Dennis P. Stradford	\$ 43,000	\$ 64,377	\$ 0	\$ 107,377
Ronald H. Zech	\$ 69,500	\$ 64,377	\$ 0	\$ 133,877

- (1) On February 25, 2011, Messrs. Dawson, Hood, McGrath, Smith, Stradford, and Zech each received RSUs for 2,300 shares of the Company's Common Stock with a vesting date of April 1, 2012; each such amount listed represents the RSU fair value of each grant at the grant date based on the NASDAQ Stock Market close price of \$27.99 on February 25, 2011.
- (2) In 2004, in recognition for founding the Company, the Board of Directors resolved to provide paid health insurance to Mr. and Mrs. McGrath for the remainder of their lives. The 2011 annual cost was \$5,619 for each of Mr. and Mrs. McGrath.
- (3) Mr. Kakures' compensation is described in the Executive Compensation section of this Proxy Statement. Our employee directors do not receive additional compensation for their services as directors.

Director Stock Ownership

The Board of Directors believes that, in order to align the interests of directors and shareholders, directors should have a significant financial (equity) stake in the Company. Each director has a target ownership level of 5,000 shares of Common Stock to be achieved by each director within five years of joining the Board of Directors or as soon thereafter as practicable. In evaluating whether the Common Stock value ownership guideline has been met, all Common Stock owned and 50% of the value (market price less stock price) of all vested unexercised stock options is considered. As of March 31, 2012, all directors were in compliance with the stock ownership requirements, with the exception of Mr. Smith, who joined the Board in 2010 and has five years after that date to accumulate 5,000 shares of Common Stock.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

Compensation Discussion and Analysis

Overview

The volatility in the global economic environment over the past few years has presented many challenges for McGrath RentCorp. Despite these headwinds, we continued to execute on our product and geographic diversification plans through new rental product investment and entering new markets, while maintaining a strong balance sheet. We believe the Company is well-positioned to execute on our long-term strategic objectives in the future.

In late 2010, the Board of Directors approved a 2011 Business Plan that reflected the expectations for the Company's financial performance in 2011. The 2011 pre-tax income goal was set at \$63,739,000. The actual pre-tax income achieved in 2011 was \$81,058,000, which was 127% of the goal. This success was due primarily to returns on continued investment in, and expansion of, Adler Tank Rentals, as well as the strength of TRS-RenTelco's industry leadership position and healthy test equipment market conditions.

In 2009 and 2010, base salaries for executive officers were frozen at 2008 levels and cash bonuses and equity compensation opportunity levels were each reduced by 25%. These reductions in remuneration were among a number of austerity measures implemented by the Company in 2009 and 2010 to address the impact of the Great Recession. Based on a more promising 2011 outlook, the Compensation Committee engaged its compensation consultant Compensia to update the Company's compensation peer group and to review the 2011 compensation program for its executive officers. As a result of this review, the Compensation Committee approved modest base salary increases for 2011, restored full cash bonus opportunity levels and tied a greater portion of the potential cash bonus to be earned by each executive officer to the financial performance of the Company, and fully restored equity grant opportunity levels, all based on alignment with peer group companies. For 2012, the Compensation Committee did not engage Compensia to perform a full compensation peer group and compensation review; however, the Compensation Committee approved executive officer base salary increases for 2012 consistent with Compensia's guidance on relevant market data.

In 2011, a new cost control metric was added to our compensation program, which measures sales, general and administrative expenses as a percentage of rental revenue. Also, division executive officers' three-year equity target was shifted from a three-year cumulative earnings per share (EPS) target to a three-year cumulative earnings before interest and taxes (EBIT) target, in each case tied to the performance of their respective divisions. This divisional target allows divisional leaders to be measured in areas over which they have more direct control and responsibility.

Also in 2011, the Company adopted a 10% holdback provision to executive officers' RSU equity grant settlements to facilitate earlier achievement of stock ownership under the Company's stock ownership guidelines. The Company also adopted a clawback policy requiring current and former executive officers to reimburse any excess value received if the Company is required to restate its financial statements.

We believe these modifications to our compensation practices have enhanced our corporate governance and executive compensation policies to the benefit of our shareholders. We also would like to acknowledge the hard work by the Company's executive team and all employees during a particularly difficult three years. We have stronger organizational bench strength than ever before and a more robust succession plan in place for key leaders throughout the Company.

Compensation Philosophy and Objectives

The purpose of the Company's executive compensation program is to attract and retain exceptional talent and reward performance by establishing measurable objectives to drive future performance, thus aligning our executive officers' interests with those of our shareholders. We believe the most effective compensation program is one that is designed to reward the achievement of specific annual, long-term and strategic goals of the Company. Our primary objective is to align our executive officers' interests with the interests of our shareholders.

by rewarding achievement of established goals that contribute to increased long-term shareholder value. To that end, part of our executive officers' compensation is directly tied to identifiable, objective goals by which performance can be measured. In addition, in structuring our executive compensation program, we set the compensation of our executive officers to be competitive relative to the compensation paid to similarly situated executives of our peer group companies and the broader general market.

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

Advisory Vote on Executive Compensation

We conducted our first advisory vote on executive compensation last year at our 2011 annual meeting of shareholders (the 2011 Annual Meeting). This vote was non-binding on the Company, its Board of Directors or Compensation Committee; however, we believe that it is important for our shareholders to have an opportunity to vote on executive compensation on an annual basis. The advisory vote provides shareholders with the opportunity to express their views regarding our executive compensation philosophy, policies, programs, and decisions, as disclosed in our proxy statement for the applicable year. Our Board of Directors and Compensation Committee value the opinions of our shareholders, and to the extent there is any significant vote against our compensation practices for executive officers, we will consider our shareholders' concerns and assess whether any actions will be taken. In addition to our annual advisory votes on executive compensation, we are committed to ongoing engagement with our shareholders on executive compensation and corporate governance issues. These dialogue opportunities take place throughout the year through meetings, telephone calls and correspondence involving our senior management, directors and representatives of our shareholders.

At the 2011 Annual Meeting, more than 98% of the shares of Common Stock represented and voting on the advisory vote on executive compensation proposal (Proposal 3) were in favor of our named executive officer compensation as disclosed in our 2011 proxy statement. The Board of Directors and Compensation Committee reviewed these final vote results and determined that given the significant level of support, the changes to our executive compensation policies and decisions discussed in this Compensation Discussion and Analysis were appropriate to achieve our objectives.

We have determined that our shareholders should vote on a say-on-pay proposal each year, consistent with the preference expressed by our shareholders at the 2011 Annual Meeting. Accordingly, our Board of Directors recommends that you vote FOR Proposal 3 at the Annual Meeting. For more information, see *Proposal 3 Non-Binding Advisory Vote To Approve the Compensation of the Company's Named Executive Officers* in this Proxy Statement.

Executive Compensation Program Design

The Compensation Committee (for purposes of this analysis, the Committee) of the Board of Directors has the responsibility for establishing, implementing and continually monitoring the compensation of the Company's executive officers. The Committee oversees and approves the design of the executive compensation program to ensure that the total compensation paid to our executive officers is fair, reasonable, competitive, and is aligned with the goals and objectives of the Company. For the fiscal year ended December 31, 2011, the principal components of compensation for executive officers were:

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

3. Long-term equity incentive compensation; and

4. Change in control benefits.

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

Compensation Consultant and Peer Group Selection

To ensure that our executive compensation is competitive, the Committee directly engaged Compensia to provide information to assist in determining the total compensation program for its executive officers.

In November 2010, Compensia provided an analysis with relevant market data and alternatives to consider when making compensation decisions for our non-employee directors and executive officers. The analysis compared each element of total compensation against a peer group of publicly-traded companies. The Committee used this peer group in 2011 for purposes of assessing our total compensation program. Accordingly, we refer to this peer group as the 2011 Compensation Peer Group. We believe that the 2011 Compensation Peer Group consisted of companies against which we competed for recruiting qualified managers and directors and for shareholder investment. These companies consisted of a combination of primarily technology companies of comparable size based in the San Francisco Bay Area, business services companies, and national rental, leasing and equipment finance companies.

The companies comprising the 2011 Compensation Peer Group were:

Aircastle LTD.	Allis-Chalmers Energy, Inc.	Applied Signal Technology, Inc.
Blue Coat Systems, Inc.	California Water Service Company	Coherent, Inc.
Dril-Quip, Inc.	Electro Rent Corp.	Exponent, Inc.
Financial Federal Corp.	IGATE Corp.	Micrel, Inc.
Mobile Mini Inc.	Monolithic Power Systems, Inc.	Peet's Coffee & Tea, Inc.
Power Integrations, Inc.	Synaptics, Inc.	TAL International Group, Inc.
Tessera Technologies	San Jose Water Company	SonicWALL, Inc.
Willis Lease Finance Corp.		

Because the Company is headquartered in the San Francisco Bay Area, the Bay Area companies were pooled with the business services companies and the national industry comparables to better approximate the competitive recruiting and retention environment influencing compensation levels for each executive officer. In addition to the 2011 Compensation Peer Group, other compensation data sources that were consulted included the 2010 Radford Executive Survey, 2010 Mercer Executive Benchmark Survey, and the 2010/2011 Towers Watson Survey.

The Committee generally targets the total compensation for executive officers at or slightly above the median (the 50th percentile) of compensation paid to similarly situated executives of the companies in the applicable year's compensation peer group. If an executive officer was located in an area outside of the San Francisco Bay Area, a geographic adjustment was made. Actual compensation for our executive officers may vary from the target amounts based on the experience level of the individual, market factors, differences in make-up of responsibilities and workload relative to comparative compensation peer group titled positions, and other considerations the Committee may deem appropriate.

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

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

1. Annually, the Committee reviews an independent compensation consultant's analysis to evaluate for each executive officer (1) a target total compensation amount, (2) the appropriate allocation of base salary, Annual Bonus and long-term equity incentive compensation, (3) risk of any compensation element that could have an adverse impact on the Company, and (4) if there should be any change to the forms of compensation to better align our executive officers' interests with those of our shareholders.
2. For the Chief Executive Officer, the allocation of base salary, Annual Bonus and long term equity incentive compensation and the applicable performance target levels are determined by the Committee, in consultation with the Chairman of the Board of Directors and separately with all of the independent directors. The Chief Executive Officer has no role in setting his compensation.
3. For the other executive officers, the Chief Executive Officer recommends the allocation of base salaries, Annual Bonuses and long-term equity incentive compensation, and the applicable performance target levels for each of the other executive officers. These recommendations are presented to the Committee for the Committee's consideration and, if appropriate, approval.
4. Shortly after the end of the year, the Chief Executive Officer reviews the performance of each executive officer (other than himself) against his or her established personal objectives for the year and general management responsibilities. The conclusions reached and recommendations based on these reviews are presented by the Chief Executive Officer to the Committee for consideration. The Committee can exercise its discretion in modifying any recommended adjustments or awards. The Committee then approves, as presented or modified, all earned compensation for these executive officers.
5. Shortly after the end of the year, the Committee reviews the Chief Executive Officer's performance. The Committee then determines, based on the market data and the Chief Executive Officer's performance, and after consultation with the Chairman of the Board of Directors and separately with all independent directors, the compensation of the Chief Executive Officer.

2011 Executive Compensation Elements

Annual Base Salary

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

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

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

2011 and 2012 Annual Base Salary

The table below sets forth the annual base salary of each of our named executive officers in 2011. Based on the performance results of 2011, the outlook for the Company in 2012, and Compensation's analysis, the Committee considered and approved the increased base salaries for the named executive officers in 2012 shown in the table below.

Name	2011 Base Salary	2012 Base Salary
Dennis C. Kakures	\$ 470,000	\$ 485,000
Joseph F. Hanna	\$ 310,000	\$ 325,000
Keith E. Pratt	\$ 320,000	\$ 330,000
Randle F. Rose	\$ 240,000	\$ 255,000
Philip B. Hawkins	\$ 196,250	\$ 210,000

Non-Equity Performance-Based Incentive Compensation

In fiscal year 2011, each executive officer had non-equity performance-based incentive awards as described below:

Non-Equity Performance-Based Incentive Plan Components:

The Bonus Plan is comprised of two components. The first component compensates the executive for his or her efforts leading to the Company's success at meeting its annual profitability goals. The second component measures the executive officer's success at accomplishing his or her personal annual priorities. These two components are used to assure an emphasis on annual profitability and to define each executive officer's specific role with measurable goals to achieve annual and long-term increases in shareholder value.

Component 1 Profitability:

Most of our executive officers receive a cash bonus based upon the Company's success at meeting certain annual profitability goals. The profitability goal of the Company for most of its executive officers (including four of its named executive officers) has two components: 80% is based on the Company's pre-tax income (PTI) and 20% is based on the Company's rental return on rental equipment (RRRE). The profitability goal for any Vice President & Division Manager (including one of its named executive officers, Mr. Hawkins, who holds a divisional officer position) is based 60% on their respective divisional profitability, defined as gross profit (DGP) less direct selling, general and administrative expenses (DSG&A), 20% on the Company's PTI and 20% on divisional RRRE.

PTI is calculated from results reported on the Company's income statement. DGP is calculated at a divisional (or business segment) level. The calculation adds gross profit from rental operations, sales and other revenues and then subtracts DSG&A costs that are incurred by the division (or business segment), but excludes corporate overhead costs incurred that are allocated to the division (or business segment). RRRE is calculated by taking gross profit and subtracting DSG&A, then dividing the result by the monthly average original acquisition cost of equipment (including held-for-resale equipment and accessories).

In addition, the Committee added a new metric to the profitability component for 2011, which measures sales, general and administrative expenses as a percentage of rental revenue (SGAR). For corporate executive officers, the measure will be based on total Company sales, general and administrative expenses as a percentage of total Company rental revenue (TSGAR). For divisional executive officers, the measure will be based on divisional sales, general and administrative expenses as a percentage of divisional rental revenue (DSGAR).

The Company believes these are the most appropriate metrics to support the long-term financial health of the Company. We use a collaborative process between our Chief Executive Officer, Chief Financial Officer and various other executive officers to determine the annual profitability goal for each of the executive officers of the

Company, which goals are then recommended to the Committee. The Committee then reviews each executive officer's compensation history and performance before determining final levels for such profitability goals.

The annual profitability goals for each division and the Company are established based upon a "realistic stretch" philosophy. The Company's management determines the potential annual financial performance for each division and the Company based upon its outlook for the opportunity levels in the markets in which it operates, strategic and tactical initiatives and other key factors and special circumstances, applying a "realistic stretch" view to what potentially can be accomplished. It is expected that although it would take a significant amount of effort on the part of each individual, 100% of the target annual profitability level can be achieved for the year. It is assumed any amount in excess of the target annual profitability goal would be difficult to achieve unless extraordinary efforts or events occur. Each executive officer has a designated percentage of base salary for the calendar year that can be earned for achieving 100% of his or her respective annual profitability goal. For levels achieved between 80% and 99% of the profitability goal, a rapidly reducing scale is utilized to determine bonus percentage amounts of base salary as shown in the table below:

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

No amount is paid for levels below 80% of the profitability goal. For each 1% increase achieved above 100% of the profitability goals for PTI and DGP, an additional 2% of base salary is awarded. For each 1% achieved above 100% of the profitability goal for RRRE, up to a maximum increase of 15% above the 100% target level, an additional 2% of base salary is awarded, multiplied by the profitability goal percentage bonus amount. The maximum overage percentage of base salary that can be earned by an executive officer cumulatively for all profitability goals is the individual executive officer's maximum profitability percentage at 100% of achievement of the goal, as listed below for the named executive officers under *Bonus Plan Percentages*, so that the maximum he or she can earn is two times the target bonus percentage for profitability.

Component 2 Personal Annual Priorities:

The second component for the Bonus Plan measures each executive officer's success at accomplishing his or her personal annual priorities. Final determination of the personal annual priorities for each executive officer rests with the Chief Executive Officer (other than the personal annual priorities of the Chief Executive Officer, which are determined by the Committee, after consultation with the Chairman of the Board of Directors and separately with all independent directors). These personal annual priorities are measured periodically throughout the year and paid annually, using a collaborative process between the Chief Executive Officer or a Senior Vice

President and each executive officer. The personal annual priorities for each executive officer generally are comprised of a maximum of four items deemed to be the most critical priorities that require action to be taken for the current evaluation period. Each priority is weighted according to (1) the critical nature of the priority relative to other priorities, and (2) the amount of time and effort involved in accomplishing the priority relative to other priorities.

Listed below under *Bonus Plan Percentages* is a schedule identifying each named executive officer and the percentage amounts of base salary for the calendar year 2011 that could have been earned under this component for achieving a 100% rating for all personal priorities. In the event of truly outstanding achievement under an individual personal annual priority, an executive officer may receive up to a maximum score of 125%. Although infrequent, it is possible for an executive officer to achieve 125% in each of his or her personal annual priorities. Each personal annual priority goal represents a challenge and complete success is not always solely in the control of the executive officer. There are factors that may affect the outcome, including changes in market conditions and unanticipated variables. Each personal annual priority is measured and the overall weighted average of achievement for all personal annual priorities is multiplied by the total percentage of base salary allotted to personal annual priorities available to each executive officer. Annually, the Committee uses its discretion to allocate specific percentages of profitability and personal annual priorities for each executive officer.

Bonus Plan Percentages:

Percentages of calendar year 2011 base salary amounts for the profitability goal and the personal annual priorities components for each named executive officer are listed in the table below (which includes percentages applicable if the target is met for each goal, as well as the maximum percentages applicable if the target is exceeded for each goal).

Name	Profitability (at 100% of Achievement)	Maximum Profitability (at maximum average percentage)	Personal Annual Priorities (at 100% of Achievement)	Maximum Personal Annual Priorities (at 125% of Achievement)	Total Annual Bonus (at 100% of Achievement)	Maximum Annual Bonus
Dennis C. Kakures	50.00%	100.00%	25.00%	31.25%	75.00%	131.25%
Joseph F. Hanna	45.00%	90.00%	20.00%	25.00%	65.00%	115.00%
Keith E. Pratt	40.00%	80.00%	20.00%	25.00%	60.00%	105.00%
Randle F. Rose	20.00%	40.00%	30.00%	37.50%	50.00%	77.50%
Philip B. Hawkins	40.00%	80.00%	20.00%	25.00%	60.00%	105.00%

2011 Goals and Results:

The Company's 2011 annual PTI profitability goal was \$63,739,000. The actual 2011 annual PTI achieved was \$81,058,000, or 127% of the goal.

Mr. Kakures achieved 93% of his 2011 personal annual priorities goals, consisting of managing strategic growth initiatives, SG&A expense control, continued expansion of Adler Tank Rentals' activities, and other strategic and tactical initiatives. Mr. Hanna achieved 94% of his 2011 personal annual priorities goals, consisting of the success of new initiatives, go-to-market strategies, and other leadership and sales development activities. Mr. Pratt achieved 95% of his 2011 personal annual priorities goals, consisting of strengthening long-term capital structure, implementing a new enterprise financial system, continued investor relations activities, SG&A expense control, and other strategic initiatives. Mr. Rose achieved 82% of his 2011 personal annual priorities goals, consisting of success of real estate and facility development, enterprise risk management, information technology and safety initiatives, and corporate succession planning. Mr. Hawkins achieved 91% of his 2011 personal annual priorities goals, consisting of sales and asset management initiatives, environmental sector growth, and strategic initiatives.

The Annual Bonus amounts under the Bonus Plan paid to each of the named executive officers are listed in column (g) in the *Summary Compensation Table* on page 31 of this Proxy Statement.

2012 Non-Equity Performance-Based Incentive Compensation

The percentages of calendar year 2012 base salary amounts for the profitability goal and the personal annual priorities components for each named executive officer are the same as the percentages listed above under *Bonus Plan Percentages* .

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

Long-Term Incentive Compensation

Historically, we had a practice of granting annual stock options to executive officers with a five-year vesting period (20% per year), based on our philosophy of rewarding our executive officers when our shareholders realized long-term growth in the appreciation of our stock.

In the second half of 2009, the Committee directed management and Compensia to evaluate a variety of equity grant alternatives allowed under the 2007 Plan, including stock options, SARs and RSUs. Criteria considered included the direct correlation between the financial performance of the Company, the employee's profit and loss domain and the grant level earned, the dilutive impact of stock option grants to earnings per share (EPS), and the employee's ability to increase his or her personal holdings of the Company's shares. Based on this evaluation, the Committee concluded it would be in the best interest of the Company and its shareholders to modify its equity granting approach beginning in 2010 to 50% personal merit/service-based equity awards and 50% EPS performance-based awards. The goal was to increase the employee's focus on long-term EPS financial performance, decrease the share dilution impact of stock option grants, and increase the likelihood of employees holding more shares over time.

For designated employees, including executive officers, the new approach approved by the Committee is to grant 50% of the established Black-Scholes value as SARs vesting over five (5) years. In effect, the SARs are merit/service-based equity remuneration. The other 50% of the Black-Scholes value are granted as RSUs and earned based upon achievement of a three-year cumulative EPS goal with 60% vesting upon meeting the EPS target at the end of year three and subsequent vesting of 20% per year over next two years.

In 2010, the Committee approved a change for divisional officer positions, including Mr. Hawkins, for the 50% RSU equity grant to be earned based upon a three-year cumulative EBIT performance of their respective division rather than a three-year cumulative Company EPS target. By having each divisional officer's performance tied directly to his or her respective division's performance, it allows for that officer to be measured without the influence, positive or negative, of any other division's performance.

In addition, the Committee approved a change to the settlement requirements of the RSUs granted in 2011 and later, such that for all RSU grants settled in net shares (after the Company withholds shares in connection with the individual employee's tax liability), a minimum of 10% of those net shares must be retained by the executive officer until they have met the stock ownership levels described in *Executive Officer Stock Ownership Guidelines* below.

Consistent with the Company's Equity Granting Policy, as described under that heading below, in February 2011, designated employees, including executive officers, received equity grants, the amounts of which that were granted to our named executive officers are listed in the *2011 Grant of Plan-Based Awards* table on page 32 of this Proxy Statement.

When making equity grants, we first establish a dollar value of the total equity compensation to be awarded to each executive officer based on Compensia's analysis. On the date of the grant, we divide that total equity fair value dollar amount by the per share fair value, calculated using the Black-Scholes option pricing model, and generally round to the nearest 100 shares to determine the number of shares underlying options to be awarded. Although we use what we consider to be a reasoned approach in determining the number of underlying shares to award our executive officers with a formula that is based on a widely accepted option-pricing model, the ultimate value of the equity issued only becomes clear when underlying shares vest and are sold. The SARs may not realize any value, or they may be worth much more than the fair value initially estimated. As a result, we do not consider realizable gains from prior stock option or other types of equity grants or existing levels of share ownership when setting new grant amounts.

Executive Officer Stock Ownership Guidelines

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

Equity Granting Policy

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

Compensation Recoupment Policy

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

Risk-Hedging Policies

Pursuant to the Company's Insider Trading Policy, which was most recently amended and restated on December 9, 2010, executives of the Company are prohibited from engaging in certain transactions with respect

to the Company's Common Stock, such as puts, calls and other exchange-traded derivatives, without prior consent of the Company's compliance officer. These transactions reduce or cancel the risk of an investment in the Common Stock, particularly in the short-term. Therefore, they may create the appearance that the executives are trading on inside information. Additionally, certain forms of hedging or monetization transactions allow a shareholder to lock in much of the value of his or her stock holdings, often in exchange for all or part of the potential for upside appreciation in the stock. These transactions allow the holder to continue to own the covered securities, but without full risks and rewards of ownership. Therefore, executives are also prohibited from hedging transactions without prior consent of the Company's compliance officer. No executive has been approved for any transaction described in this paragraph.

Perquisites and Other Personal Benefits

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

Change in Control Arrangements

We do not have special severance or change in control arrangements with our executive team; however, our equity compensation plans provide for full acceleration of equity awards upon a qualifying termination after a change in control for all employees of the Company. The Committee believes that providing this vesting acceleration assists us in attracting and retaining key employees, including our executives, and promotes stability and continuity of our key employees, which we believe is in the best interests of our shareholders. For details, see *Potential Payments upon Termination or Change-in-Control* on page 36 of this Proxy Statement.

Tax and Accounting Implications

Deductibility of Executive Compensation

Section 162(m) of the Code limits the corporate deduction for compensation paid to executive officers to \$1 million unless such compensation qualifies as performance-based compensation. Among other things, Section 162(m) requires approval of the performance-based compensation by our shareholders. The Compensation Committee intends to maximize our ability to deduct executive compensation for tax purposes to the extent structuring our executive compensation for tax purposes is in alignment with our compensation philosophy. With respect to the compensation paid to our named executive officers in 2011, the compensation was below the \$1 million limit for all of our named executive officers, except Mr. Kakures with compensation of \$414,154 above the Section 162(m) limit.

Accounting for Stock-Based Compensation

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

Compensation Committee Report

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

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

Submitted by the Compensation Committee:

William J. Dawson, Chair

Robert C. Hood

M. Richard Smith

Dennis P. Stradford

Summary Compensation Table

The following table provides summary information concerning the compensation earned during the fiscal years ended December 31, 2011, December 31, 2010 and December 31, 2009 by our Chief Executive Officer, our Chief Financial Officer and each of our three most highly compensated executive officers during our last completed fiscal year whose total salary, bonus and other compensation exceeded \$100,000. The executive officers listed below are referred to in this Proxy Statement as the named executive officers.

Summary Compensation Table

(a) Name and Principal Position	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
---------------------------------------	-----	-----	-----	-----	-----	-----	-----	-----	-----