

MCGRATH RENTCORP  
Form DEF 14A  
April 30, 2014

**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 11, 2014**

To the Shareholders of McGrath RentCorp:

**NOTICE IS HEREBY GIVEN** that the 2014 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 11, 2014, 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](http://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 2015 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, 2014;
3. To hold a non-binding, advisory vote to approve the compensation of the Company s named executive officers; and
4. 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 14, 2014 as the record date for determining the shareholders entitled to notice of and to vote at the Annual Meeting and any adjournment or postponement thereof.

**I M P O R T A N T**

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

**If you hold your shares in a brokerage account, your shares will not be voted in the election of directors or the non-binding, advisory vote on the compensation of the Company s named executive officers unless you provide explicit instructions to your broker as to how you wish to vote your shares. Under the 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 or the vote on compensation without voting instructions from the beneficial owner of such shares.**

By Order of the Board of Directors,

Randle F. Rose

*Senior Vice President,*

*Chief Administrative Officer and Secretary*

Livermore, California

April 30, 2014

**McGRATH RENTCORP**

**5700 Las Positas Road**

**Livermore, California 94551**

**PROXY STATEMENT**

**FOR 2014 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 2014 Annual Meeting of Shareholders of the Company (the Annual Meeting) to be held on Wednesday, June 11, 2014, at 2:00 p.m., local time, at the Company's principal executive offices located at 5700 Las Positas Road, Livermore, California 94551, and any adjournment or postponement thereof. The shares represented by the proxies received, properly marked, dated, executed and not revoked will be voted at the Annual Meeting.

The Company expects to mail this Proxy Statement and the enclosed form of proxy to shareholders on or about May 2, 2014.

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 11, 2014**

**Our Proxy Statement and 2013 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, 2014 (Proposal No. 2);

the approval, with a non-binding, advisory vote, of the compensation of the Company's named executive officers (Proposal No. 3); 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 and the approval on an advisory basis of the compensation of the Company's named executive officers are in the best interests of the Company and its shareholders and, accordingly, recommends a vote FOR the approval of each of these proposals.

**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 14, 2014 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 25,892,076 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.

**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, and FOR approval of the compensation of the Company's named executive officers. 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 or votes on the compensation of the Company's named executive officers, without such voting instructions.

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

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

*For Shares Registered in the Name of a Brokerage Firm or Bank:* Yes, but in order to do so you will first have to ask your bank, broker or other intermediary to furnish you with a legal proxy. You will need to bring the legal

proxy with you to the Annual Meeting and hand it in with a signed ballot that you can request at the Annual Meeting. You will not be able to vote your shares at the Annual Meeting without a legal proxy and a signed ballot.

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

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

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

**Who pays for this proxy solicitation?**

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

**What is the deadline for receipt of shareholder proposals?**

*Requirements for Shareholder Proposals to be Considered for Inclusion in the Company's Proxy Materials.* Shareholder proposals submitted pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the Exchange Act), and intended to be presented at the annual meeting of the Company's shareholders to be held in 2015 must be received by the Company no later than January 2, 2015 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 2015 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 18, 2015.

**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](http://www.mgrc.com) under the Investor Relations section or the SEC's website at [www.sec.gov](http://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, 2013 and filed with the SEC on February 28, 2014 (the 2013 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 eight (8). Each director serves a one-year term. The Board of Directors is currently composed of the following eight (8) directors whose terms will expire upon the election and qualification of directors at the Annual Meeting: William J. Dawson, Elizabeth A. Fetter, 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, Smith, Stradford and Zech and Ms. Fetter have each been nominated to serve a one-year term, until the annual meeting of shareholders to be held in 2015, 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, Smith, Stradford or Zech or Ms. Fetter will be unable or unwilling to serve as a nominee or as a director if elected.

Mr. McGrath is retiring and anticipates resigning from the Board of Directors and all committees thereof immediately prior to the start of the Annual Meeting. Accordingly, he is not standing for re-election. Immediately after accepting Mr. McGrath's board resignation, the Board of Directors anticipates voting to approve a proposal to amend the Company's bylaws to reduce the size of the board from eight (8) to seven (7) directors immediately prior to the start of the Annual Meeting.

**Nominees**

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

<b>Name of Nominee</b>	<b>Age</b>	<b>Principal Occupation</b>	<b>Director Since</b>
William J. Dawson	59	Former Chief Financial Officer of Catalyst Biosciences, Inc.	1998
Elizabeth A. Fetter	56	Former Chief Executive Officer of Symmetricom, Inc.	2014
Robert C. Hood	73	Former Executive Vice President and Chief Financial and Administrative Officer of Excite, Inc.	1999
Dennis C. Kakures	57	Chief Executive Officer and President of the Company	2003
M. Richard Smith	66	Former Senior Vice President of Bechtel Group, Inc.	2010
Dennis P. Stradford	67	Former Chairman, President and Chief Executive Officer of Nomis Solutions, Inc.	2002
Ronald H. Zech	70	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.

*Elizabeth A. Fetter* was elected a director of the Company in 2014. She served as a member of the board of directors of Symmetricom, Inc., a provider of timekeeping technologies, instruments, and solutions, beginning in 2000 and was appointed as president and chief executive officer of Symmetricom in April 2013. She served in these capacities until Symmetricom's acquisition by Microsemi Corporation in November 2013. She previously served as president and chief executive officer of NxGen Modular LLC, a provider of modular buildings and assemblies, in 2011 and 2012. In 2007, Ms. Fetter was the president, chief executive officer, and a director of Jacent Technologies, a privately held supplier of on-demand ordering solutions for the restaurant industry. Ms. Fetter served on the boards of Quantum Corporation, a data storage company, from 2005 until August 2013 and Ikanos Corporation, a provider of broadband solutions, from June 2008 to August 2009. She has held the position of chair of the board of trustees of Alliant International University, where she served as a trustee from 2004 to February 2013. With her 15 years of public and private company board service and past CEO experience at multiple firms, she is a valuable complement to the Board of Directors. Ms. Fetter holds a Bachelor of Arts in Communications from Penn State University, a Master of Science in Industrial Administration from Carnegie Mellon University (Tepper & Heinz Schools), and an Advanced Professional Director Certification from the American College of Corporate Directors, a public company director education and credentialing organization.

*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 30 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.

*M. Richard Smith* was elected a director of the Company in 2010. Mr. Smith also serves as a member of the Board of Directors of Aegion Corporation (NASDAQ:AEGN) (formerly Institutorm Technologies, Inc.), a leading provider of pipeline rehabilitation products and services, Sithe Global Power, LLC, an international

power development company, and USEC, Inc. (NYSE:USU), a provider of fuel to the nuclear power industry. Mr. Smith served as Senior Vice President of Bechtel Group, Inc. and President of its fossil power business unit, where he managed Bechtel's global fossil power engineering and construction activities, until 2007. This position culminated a 26 year career with Bechtel. During that tenure, he also served as Chief Executive Officer of InterGen, a joint venture between Shell and Bechtel, from 2004 to 2005. From 1992 to 2000, Mr. Smith was at a PG&E joint venture and at PG&E Corporation where he was responsible for all corporate development activities. With his extensive experience serving as a board member and in executive management roles for a number of public companies, Mr. Smith brings to the Board of Directors a valuable perspective on issues facing public companies as well as considerable guidance on corporate development, business operations and the energy industry. Mr. Smith received a B.S. in Aerospace Engineering from Auburn University, a M.S. in Mechanical Engineering from Northeastern University and a M.B.A. from Golden Gate University.

*Dennis P. Stradford* was elected a director of the Company in 2002. 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. Mr. Stradford serves as a member of the Board of Directors of Demandbase, Inc. a privately held business to business marketing company. 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, an NYSE listed company and leading provider of lease financing and related services to customers operating rail, marine, and other targeted assets. Mr. Zech was elected Chairman of GATX Corporation in April 1996, Chief Executive Officer in January 1996, and President in July 1994. Prior to that time he had served both as President and Chief Financial Officer of GATX Capital Corporation and as an officer with a major international bank. He also served on the board of The PMI Group, a former provider of mortgage insurance from 1998 to 2013. His experiences in these senior management and financial roles have included a wide range of activities associated with the management of a public company. Accordingly, he brings to the Board of Directors a valued perspective on many issues faced by the Company. He holds a B.S. in Electrical Engineering from Valparaiso University and an M.B.A. from the University of Wisconsin.

#### **Required Vote**

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

If a nominee for director is required to tender his or her resignation pursuant to our Corporate Governance Guidelines, then the Corporate Governance and Nominating Committee shall consider the tendered resignation and recommend to the Board of Directors whether to accept it. The Board of Directors will act on the Corporate Governance and Nominating Committee's recommendation within 90 days following certification of the

shareholder vote. The Board of Directors will promptly disclose its decision whether to accept or reject the director's resignation offer (and the reasons for rejecting the resignation offer, if applicable) in a current report on Form 8-K filed by the Company with the SEC.

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

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

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

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



---

**EXECUTIVE OFFICERS AND DIRECTORS**

The following table sets forth certain information with respect to the executive officers and directors of the Company as of March 31, 2014:

Name	Age	Position Held with the Company
Dennis C. Kakures	57	Chief Executive Officer, President and Director
Joseph F. Hanna	52	Senior Vice President and Chief Operating Officer
Keith E. Pratt	51	Senior Vice President and Chief Financial Officer
Randle F. Rose	56	Senior Vice President, Chief Administrative Officer and Secretary
David M. Whitney	49	Vice President, Principal Accounting Officer and Corporate Controller
Kay Dashner	55	Vice President, Human Resources
Philip B. Hawkins	38	Vice President, Mobile Modular
John P. Skenesky	47	Vice President, TRS-RenTelco
Kristina VanTrease	44	Vice President, Portable Storage
Steven H. Adler	55	President, Adler Tank Rentals
William J. Dawson(1)(2)	59	Director
Elizabeth A. Fetter(1)(2)	56	Director
Robert C. Hood(2)(3)	73	Director
Robert P. McGrath(2)(3)	80	Chairman Emeritus of the Board of Directors
M. Richard Smith(1)(3)	66	Director
Dennis P. Stradford(1)(3)	67	Director
Ronald H. Zech(2)(3)	70	Chairman of the Board of Directors

(1) Member of the Compensation Committee

(2) Member of the Audit Committee

(3) Member of the Corporate Governance and Nominating Committee

William J. Dawson, Elizabeth A. Fetter, Robert C. Hood, Dennis C. Kakures, 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*.

*Robert P. McGrath* is the founder of the Company and Chairman Emeritus of the Board of Directors. Mr. McGrath will be retiring from the Board of Directors upon the expiration of his term at the Annual Meeting. 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.

*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 seven non-employee directors on the Board of Directors, consisting of Messrs. Dawson, Hood, McGrath, Smith, Stradford, and Zech and Ms. Fetter, are independent as defined in the listing standards of the NASDAQ Stock Market, regulations of the SEC and any other laws applicable to the Company. Mr. 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 seven non-employee directors are independent of the Company and, therefore, a majority of the members of our Board of Directors is independent, under the applicable listing standards of the NASDAQ Stock Market.

### **Leadership Structure of the Board of Directors**

Our Board of Directors is currently comprised of seven independent directors and one management director. Our Corporate Governance Guidelines state that the Board of Directors should remain free to decide whether the Chairman and CEO positions should be held by the same person. This allows the Board of Directors to determine the best arrangement for the Company and its shareholders, given changing circumstances of the Company and the composition of the Board of Directors. Currently the positions are separated. Mr. Zech, our non-executive chairman, has extensive knowledge and experience in a similarly complex industry from his 27 years with GATX, has a significant understanding of the Company based on his 25 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 31 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 2013, the Board of Directors met six times. No director attended fewer than 75% of either (i) the total number of meetings of the Board of Directors held in 2013, or (ii) the total number of meetings of the committees of the Board of Directors held in 2013 on which he or she served. All seven directors then in office attended the 2013 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 two meetings in 2013. The Compensation Committee currently consists of Messrs. Dawson, Smith and Stradford and Ms. Fetter; Mr. Dawson serves as its Chairman. The Board of Directors has determined that all current members of the Compensation Committee are independent as defined in the listing standards of the NASDAQ Stock Market, SEC regulations and any other laws applicable to the Company. In addition, the Board of Directors has determined that all current members of the Compensation

Committee qualify as non-employee directors within the meaning of SEC Rule 16b-3 as promulgated under the Exchange Act, and as outside directors within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code).

The Board of Directors adopted and approved a charter for the Compensation Committee, which was most recently amended and restated on July 1, 2013. A copy of this charter is posted on our website at [www.mgrc.com](http://www.mgrc.com) under the Investor Relations section. The functions of the Compensation Committee, which are discussed in detail in its charter, are to (a) evaluate executive officer and director compensation policies, goals, plans and programs; (b) determine the cash and non-cash compensation of the executive officers of the Company; (c) review and oversee the Company's equity-based and other incentive compensation plans for employees; (d) evaluate the performance of the Company's executive officers; and (e) direct and review the production of any reports required by the applicable rules and regulations of the SEC.

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

#### *Audit Committee*

The Audit Committee held five meetings in 2013. The Audit Committee currently consists of Messrs. Dawson, Hood, McGrath and Zech and Ms. Fetter; Mr. Hood serves as its Chairman. Mr. McGrath is retiring and anticipates resigning from the board and the Audit Committee immediately prior to the start of the Annual Meeting. After considering transactions and relationships between each member of the Audit Committee or his or her immediate family and the Company and its subsidiaries and reviewing the qualifications of the members of the Audit Committee, the Board of Directors has determined that all current members of the Audit Committee are independent, as defined in the listing standards of the NASDAQ Stock Market, SEC regulations and any other laws applicable to the Company. The Board of Directors has also determined that all current members of the Audit Committee are financially literate and have the requisite financial sophistication as required by the listing standards of the NASDAQ Stock Market. Furthermore, the Board of Directors has determined that Messrs. Dawson, Hood, McGrath, Zech and Ms. Fetter each qualify as an Audit Committee financial expert, as defined by the applicable SEC rules, pursuant to the fact that, among other things, Mr. Hood was Chief Financial Officer at several public and private companies and was most recently the former Executive Vice President and Chief Financial Officer of Excite, Inc., Mr. Dawson was Chief Financial Officer at several public and private companies and was most recently the former Chief Financial Officer of Catalyst Biosciences, Inc., Mr. McGrath was former Chairman and Chief Executive Officer of the Company, Mr. Zech is the former Chief Executive Officer of GATX Corporation, Ms. Fetter was Chief Executive Officer at several public and private companies and was most recently the former President and Chief Executive Officer of Symmetricom, 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 11, 2012. A copy of this charter is posted on our website at [www.mgrc.com](http://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 44. 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 2013. The Corporate Governance and Nominating Committee consists of Messrs. Stradford, Hood, McGrath, Smith and Zech; Mr. Zech serves as its Chairman. Mr. McGrath is retiring and anticipates resigning from the board and the Corporate Governance and Nominating Committee immediately prior to the start of the Annual Meeting. 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](http://www.mgrc.com) under the Investor Relations section. The functions of the Corporate Governance and Nominating Committee, which are discussed in detail in its charter, are to assist the Board of Directors in all matters relating to (a) the establishment, implementation and monitoring of policies and processes regarding the recruitment and nomination of candidates to the Board of Directors and committees of the Board of Directors; (b) the review and making of recommendations to the Board of Directors regarding the composition and structure of the Board of Directors and committees of the Board of Directors; (c) the development, evaluation and monitoring of the Company's corporate governance processes and principles; (d) the development and implementation of, and monitoring of compliance with, the Company's Code of Business Conduct and Ethics and making recommendations to the Board of Directors of revisions to the Code of Business Conduct and Ethics from time to time as appropriate; and (e) the administration of the Board of Directors' annual self-evaluation process and the sharing of the results thereof with the Board of Directors for discussion and deliberation.

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

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

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

*Compensation Committee.* Under its charter, the Compensation Committee reviews with its independent compensation consultant and management, as appropriate, the Company's compensation and succession plans, policies and practices. The Compensation Committee also sets performance goals under the Company's annual

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

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

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

### **Qualifications of Directors**

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 2012, the Compensation Committee engaged Compensia, Inc., an independent compensation consulting firm (Compensia), to conduct a review of its total compensation program for its non-employee directors for both 2013 and 2014. 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 50<sup>th</sup> percentile) of compensation paid to non-employee directors of these similarly situated peer group companies. The 2013 and 2014 compensation described below was approved by the Board of Directors based on Compensia's analysis and recommendations of the Compensation Committee.

For fiscal year 2013, each non-employee director of the Company was compensated for his services as a director with an annual retainer of \$42,000. In addition to the annual retainers, the Chairs of the Board of Directors, Audit Committee, Compensation Committee, and Corporate Governance and Nominating Committee received additional annual retainers of \$20,000, \$20,000, \$12,000 and \$9,000, respectively. Each other member of the Audit Committee, Compensation Committee, and Corporate Governance and Nominating Committee received annual retainers of \$8,000, \$5,000 and \$4,000 respectively. Members of the Board of Directors do not receive additional compensation for attending Board or committee meetings. Messrs. Dawson, Hood, McGrath, Smith, Stradford and Zech received \$62,000, \$67,000, \$54,000, \$51,000, \$51,000 and \$79,000 respectively, for each of their services as a director of the Company during 2013. 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.

Since director compensation is reviewed every two years, each non-employee director of the Company will receive the same cash compensation as described in the paragraph above for their service on the Company's Board and its committees in the 2014 fiscal year. Any non-employee director not serving on the Board of Directors for the full calendar year will receive prorated compensation based on that portion of the year in which he or she served.

In addition to cash compensation, each of the non-employee directors of the Company has historically received an annual Restricted Stock Unit (RSU) equity grant. Based on Compensia's analysis in October 2012 and upon the recommendation of the Compensation Committee consistent with our equity granting policy, our Board of Directors approved an increase in the value of the annual RSUs to be granted to our non-employee directors in 2013 from approximately \$65,000 to \$90,000. On February 25, 2013, the Board of Directors granted each non-employee director RSUs under the 2007 Plan for 3,100 shares of the Company's Common Stock with a vesting date of April 1, 2014. Each of these grants represented an equivalent total equity compensation of \$89,590 based on the NASDAQ Stock Market close price of \$28.90 on February 25, 2013. The total equity compensation values can fluctuate slightly each year due to rounding. These 2013 RSU grants are included in the 2013 Director Compensation Table below.

Again based on Compensia's analysis in October 2012 and upon the recommendation of the Compensation Committee consistent with our equity granting policy, on March 3, 2014, the Board of Directors granted each non-employee director RSUs under the 2007 Plan for 2,800 shares of the Company's Common Stock with a vesting date of April 1, 2015, except for Mr. McGrath and Ms. Fetter, who received pro-rated grants in the amount of 1,200 shares and 2,300 shares, respectively, which amounts reflect the anticipated length of each of Ms. Fetter's and Mr. McGrath's service on the Board of Directors in 2014. Each of these grants represented an equivalent total equity compensation of \$91,392, except for the prorated grants to Mr. McGrath and Ms. Fetter, which represented equivalent total equity compensation of \$39,168 and \$75,072, respectively, in each case based on the NASDAQ Stock Market close price of \$32.64 on March 3, 2014. The total equity compensation values can fluctuate slightly each year due to rounding. These 2014 RSU grants will be included in the 2014 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, 2013.

**2013 DIRECTOR COMPENSATION TABLE**

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Stock Awards \$(1)</b>	<b>All Other Compensation \$(2)</b>	<b>Total (\$)</b>
William J. Dawson	\$ 62,000	\$ 89,590	\$ 0	\$ 151,590
Elizabeth A. Fetter				(3)
Robert C. Hood	\$ 67,000	\$ 89,590	\$ 0	\$ 156,590
Dennis C. Kakures				(4)
Robert P. McGrath	\$ 54,000	\$ 89,590	\$ 9,044	\$ 152,634
M. Richard Smith	\$ 51,000	\$ 89,590	\$ 0	\$ 140,590
Dennis P. Stradford	\$ 51,000	\$ 89,590	\$ 0	\$ 140,590
Ronald H. Zech	\$ 79,000	\$ 89,590	\$ 0	\$ 168,590

- (1) On February 25, 2013, Messrs. Dawson, Hood, McGrath, Smith, Stradford, and Zech each received RSUs for 3,100 shares of the Company's Common Stock with a vesting date of April 1, 2014; 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 \$28.90 on February 25, 2013.
- (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 2013 annual cost was \$9,044 for Mr. McGrath and \$8,972 for Mrs. McGrath.
- (3) Ms. Fetter was appointed to the Board of Directors on February 25, 2014, and therefore did not receive compensation in 2013.
- (4) 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 option exercise price) of all vested unexercised stock options is considered. As of April 14, 2014, all directors were in compliance with the stock ownership requirements, except Ms. Fetter who joined the Board in 2014 and has five years to accumulate 5,000 shares. Based on the value of the shares of Common Stock determined by the closing price as of April 14, 2014, the ownership level of each of our non-employee directors, except Ms. Fetter, exceeded approximately three times their standard annual retainer of \$42,000.

---

## EXECUTIVE COMPENSATION AND OTHER INFORMATION

### Compensation Discussion and Analysis

#### *Overview*

During the Great Recession we carefully managed expenses (including salary freezes, reduced cash bonuses and equity grants, and officer and director compensation), and we prudently invested in compelling initiatives to provide greater diversification in rental products and geographies, while continuing to maintain a strong balance sheet. Our growth estimates were difficult to accurately predict and we didn't achieve all of our targets; however, the core fundamentals remain strong in each of our divisions. We continue to believe the Company is well-positioned to execute on our long-term strategic objectives in the future.

In October 2012, the Compensation Committee engaged its compensation consultant, Compensia to perform a full peer group and compensation review for 2013. As a result of this review, the Compensation Committee modified the Company's peer group to better reflect companies in similar industries or geographies, and with similar financial metrics, such as revenue, market capitalization, and net income. The Compensation Committee also approved executive officer compensation for 2013 consistent with Compensia's recommendations, all based on alignment with the revised peer group companies.

Similar to director compensation, a comprehensive review of executive compensation is prepared every two years. Therefore, the Compensation Committee did not engage Compensia to perform a full peer group and compensation review for 2014; however, the Compensation Committee approved executive officer base salary increases for 2014 consistent with Compensia's guidance on relevant market data. Executive officer equity grants were consistent with 2013, except with respect to Mr. Kakures, who requested a one-time 33% reduction of his proposed equity compensation in 2014 to allow for additional equity compensation for certain key employees.

In early 2013, based on Compensia's recommendation, the Compensation Committee adopted a Change in Control Severance Plan for those executives who have the most influence in addressing potential change in control opportunities. The Compensation Committee also established severance guidelines for potential involuntary termination events impacting all executive officers. The Compensation Committee believes that the adoption of these policies helps ensure executive behavior is in better alignment with interests of shareholders in the event of a potential change in control or other similar events. These policies were created solely as corporate best practices and are not related to any pending change in control opportunities, or otherwise.

#### *Compensation Philosophy and Objectives*

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

As part of designing and implementing the compensation programs for all employees, the Company considers the risks that may be created by compensation incentives and whether any such risks may have an adverse impact on the Company or its performance, 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*

At the 2013 Annual Meeting, more than 98.6% 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 2013 proxy statement. The Board of Directors and Compensation Committee reviewed these final vote results and determined that given the significant level of support, our executive compensation policies and decisions discussed in the Compensation Discussion and Analysis were appropriate to achieve our objectives.

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

We believe the modifications described in this section have enhanced our corporate governance and executive compensation policies to the benefit of our shareholders and that the 2014 executive compensation plans even better align our senior management team with the interests of our shareholders.

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, 2013, 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. Double trigger change in control severance 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. After consideration of several factors relating to the independence of Compensia, including those guidelines set forth in the NASDAQ listing standards, the Committee determined that Compensia is independent.

In November 2012, 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 primarily used this peer group in 2013 and 2014 for purposes of assessing our total compensation program. Accordingly, we refer to this peer group as the 2013-2014 Compensation Peer Group. We believe that the 2013-2014 Compensation Peer Group consisted of companies against which we competed for recruiting and retaining qualified line and staff executives and independent non-employee directors. In selecting the Compensation Peer Group, the Committee also sought to comply with best practice parameters by including companies in a similar industry or geography and with similar financial metrics, such as revenue, market capitalization and net income. These selected companies consisted of a combination of primarily technology companies of comparable size based in the San Francisco Bay Area, business services companies, and national rental, leasing and equipment finance companies. Based on the competitive landscape for attracting and retaining qualified executive officers and board members, particularly in the San Francisco Bay Area where the Company's corporate offices and Northern California operational center are located, the Committee gave appropriate consideration and weighting to the subset of San Francisco Bay Area-based technology companies within the 2013-2014 Compensation Peer Group. 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.

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

- 1) Divisional size (revenues or earnings) contribution to Company-wide results relative to other divisions.
- 2) Divisional business complexity relative to other divisions of the Company.
- 3) Stature / experience of executive officer in role.
- 4) Geographic location of executive officer and relative market comparisons.
- 5) Definition and extent of responsibilities of executive officer role by the Company versus peer group sources.
- 6) Divisional leadership transition or new business initiatives.
- 7) Appropriate weighting or relativeness of different peer group sources.
- 8) Other factors the Committee may deem appropriate.

The companies comprising the 2013-2014 Compensation Peer Group include:

Advent Software	Aircastle LTD.	CAI International
California Water Service Company	Coherent, Inc.	Dril-Quip, Inc.
Electro Rent Corp.	Electronics for Imaging	Exponent, Inc.
Integrated Device Technologies	Micrel, Inc.	Mobile Mini Inc.
Monolithic Power Systems, Inc.	Peet s Coffee & Tea, Inc.	Power Integrations, Inc.
SeaCube Container Leasing	San Jose Water Company	Synaptics, Inc.
TAL International Group, Inc.	Willis Lease Finance Corp.	Ultratech

*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 exercises its discretion in modifying any recommended adjustments or awards. The Committee then approves, as presented or modified, all compensation for these executive officers.
5. Shortly after the end of the fiscal 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.

### **2013 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.

#### *2013 and 2014 Annual Base Salary*

The table below sets forth the annual base salary of each of our named executive officers in 2013. Based on the performance results of 2013, the outlook for the Company in 2014 and Compensia's analysis, the Committee considered and approved the increased base salaries for the named executive officers in 2014 also shown in the table below.

<b>Name</b>	<b>2013 Base Salary</b>	<b>2014 Base Salary</b>
Dennis C. Kakures	\$ 500,000	\$ 500,000
Joseph F. Hanna	\$ 335,000	\$ 345,000
Keith E. Pratt	\$ 337,000	\$ 347,000
Philip B. Hawkins	\$ 221,000	\$ 230,000
Randle F. Rose	\$ 260,000	\$ 267,000

#### *Non-Equity Performance-Based Incentive Compensation*

In fiscal year 2013, 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. The weighting of these two components varies depending on the individual executive officer's ability to influence profitability; however, generally the profitability component is approximately two-thirds of the total so as to better align compensation with total shareholder return.

#### *Component 1 Profitability:*

Most of our executive officers are eligible to earn a cash bonus tied to the Company's success at meeting certain annual profitability goals. The profitability goal of the Company for most of its executive officers (including four of its named executive officers) has three components: approximately 70% is based on the Company's pre-tax income (PTI), 15% is based on the Company's rental return on rental equipment (RRRE), and 15% is based on total Company sales, general and administrative expenses (TSGA) in relation to overall Company revenue.

The profitability goal for a Vice President & Division Manager will vary by division; however, in most cases (including one of its named executive officers, Mr. Hawkins, who holds a divisional officer position), it is based 60% on his or her respective divisional EBIT profitability, 20% on divisional RRRE, and 20% on divisional sales, general and administrative expenses (DSGA) in relation to divisional revenue.

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

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

% of Profitability Goal	% of Total Profitability Goal
Achieved	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, 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 2013 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. The Committee annually uses its discretion to allocate specific percentages of profitability and personal annual priorities for each executive officer.

*Bonus Plan Percentages:*

Percentages of calendar year 2013 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). Based on each named executive officer's performance results of 2013, the outlook for the Company in 2014, and Compensia's analysis, the Committee considered and approved the same bonus plan percentages in 2014 for the named executive officers as shown in the table below.

Name	Profitability (at 100% of Achievement)	Maximum Profitability (at maximum coverage 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	55.00%	110.00%	25.00%	31.25%	80.00%	141.25%
Joseph F. Hanna	45.00%	90.00%	20.00%	25.00%	65.00%	115.00%
Keith E. Pratt	40.00%	80.00%	20.00%	25.00%	60.00%	105.00%
Philip B. Hawkins	40.00%	80.00%	20.00%	25.00%	60.00%	105.00%
Randle F. Rose	20.00%	40.00%	30.00%	37.50%	50.00%	77.50%

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.

*2013 Goals and Results:*

The Company's 2013 annual PTI profitability goal was \$79,459,000. The actual 2013 annual PTI achieved was \$71,371,000, or 89.8% of the goal. This shortfall was primarily due to lower than projected rental revenue for our tank and box division, and a substantial increase in expenses to prepare and modify our modular buildings in response to an increase in rental demand. Therefore, based on the terms of the 2013 Bonus Plan, the

percentage of PTI profitability goal bonus monies available for each named executive officer was 50%. Consequently, each of Messrs. Kakures, Hanna, Pratt, Hawkins and Rose received \$148,529, \$82,189, \$73,548, \$66,471 and \$29,209, respectively for their specific profitability goals.

Mr. Kakures achieved 79% of his 2013 personal annual priorities goals, consisting of managing strategic growth initiatives, modular, tank and portable storage divisional plan execution, and other strategic and tactical initiatives. Mr. Hanna achieved 88% of his 2013 personal annual priorities goals, consisting of tank division hiring and leadership development and portable storage expansion. Mr. Pratt achieved 48% of his 2013 personal annual priorities goals, consisting of improvement of tank division credit and collection performance, support of electronics division expansion into India, and IT system implementation for tank division. Mr. Hawkins achieved 85% of his 2013 personal annual priorities goals, consisting of execution of the modular division growth plans particularly in Texas and California, improved close ratios, and enhanced focus of divisional safety initiatives and results. Mr. Rose achieved 80% of his 2013 personal annual priorities goals, consisting of facility growth initiatives, recruiting and talent management, IT system implementation for tank division, and enhanced focus of Company environmental, health and safety initiatives and results. Consequently, each of Messrs. Kakures, Hanna, Pratt, Hawkins and Rose received \$98,625, \$58,886, \$31,986, \$49,400 and \$62,388, respectively, based on the achievement of 2013 personal annual priorities goals.

The Annual Bonus amounts under the Bonus Plan paid to each of the named executive officers are listed in column (g) in the *Summary Compensation Table* on page 32 of this Proxy Statement.

#### *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 investigating the use of stock options, stock appreciation rights (SARs) and restricted stock units (RSUs). Criteria considered included the direct correlation between the financial performance of the Company, the employee's influence over profit and loss and the grant level earned, the dilutive impact of various forms of equity 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 discontinue its practice of granting stock options in favor of a mix of SARs and RSUs split equally between personal merit/service-based equity awards and 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 equity grants, and increase the likelihood of employees holding more shares over time.

For designated employees, including executive officers, the approach approved by the Committee in 2010 was to grant 50% of the equity value to be granted as SARs vesting over five (5) years. In effect, the SARs are merit/service-based equity remuneration. The other 50% of the equity value to be granted was in the form of 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, this change allows for that officer to be measured with diminished 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 2013, designated employees, including executive officers, received equity grants, the amounts of which that were granted to our named executive officers are listed in the *2013 Grant of Plan-Based Awards* table on page 33 of this Proxy Statement.

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

#### *Executive Officer Stock Ownership Guidelines*

The Board of Directors believes that, in order to better align the interests of management and shareholders, executive officers should have a significant financial (equity) stake in the Company. Each executive officer has a target level of Company Common Stock value to achieve within seven (7) years of the later of his or her date of hire or March 1, 2007. The target level of Common Stock value to be achieved is a multiple of each executive officer's base salary. The multiples of executive officer base salary are four (4) times for the Chief Executive Officer and two (2) times for all other executive officer positions. In evaluating whether the Common Stock value ownership guideline has been met, all shares of Common Stock owned, Employee Stock Ownership Plan (ESOP) shares and 50% of the value (market price less strike price) of all vested unexercised stock options are considered. The Board of Directors evaluates whether exceptions should be made for any executive officer on whom this requirement would impose a financial hardship. Each executive officer has a 10% holdback provision for RSU equity grant settlements to facilitate earlier achievement of stock ownership under the Company's stock ownership guidelines.

#### *Equity Granting Policy*

In 2007, the Board of Directors adopted an equity granting methodology (part of the 2007 Plan) whereby there is one annual equity grant date, which is the date when the blackout window opens after the year-end earnings are released. All designated non-employee directors, executive officers and key employees are eligible to receive an equity grant on the annual equity grant date with an exercise price (for stock options or SARs), or grant price (for RSUs), equal to the NASDAQ Stock Market close price on that day. The Board of Directors convenes a meeting on this date after the NASDAQ Stock Market closes to determine the number of shares to be granted. The Board of Directors may 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 11, 2012, executives of the Company are prohibited from engaging in short-term or speculative securities transactions with respect to the Company's Common Stock, such as short sales, puts, calls and other exchange-traded derivatives, without prior consent of the Company's compliance officer. These prohibited transactions can have the effect of reducing or cancelling the risk of an investment in the Common Stock, particularly in the short-term. Therefore, these prohibited transactions may create the appearance that the executives are trading on inside information. Additionally, certain forms of hedging or monetization transactions allow a shareholder to lock in much of the value of his or her stock holdings, often in exchange for all or part of the potential for upside appreciation in the stock. These transactions allow the holder to continue to own the covered securities, but without full risks and rewards of ownership. Therefore, executives are also prohibited from hedging transactions without prior consent of the Company's compliance officer. The Company's Insider Trading Policy further provides that Company personnel who purchase or sell Company securities in the open market may not correspondingly sell or purchase any Company securities of the same class during the six months following the purchase. Company personnel must also advise and discuss with the compliance officer of the Company the purchase of the Company's securities on margin or holding the Company's securities in a margin account or the pledging of Company securities prior to engaging in such transactions. No executive has been approved for any transaction described in this paragraph, and we currently do not have any executive officers or directors with pledged Company shares.

### **Perquisites and Other Personal Benefits**

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

### **Change in Control Arrangements**

In 2013, the Compensation Committee adopted a Change in Control Severance Plan. This action was taken by the Committee to help ensure appropriate behavior by individuals in key management roles in evaluating, presenting, and acting upon change in control opportunities involving the Company that may arise. The Committee believes that adopting this Plan is in the best interests of shareholders in helping to ensure a) the individuals in those management roles most likely to influence a change in control opportunity are appropriately incentivized to act in the best interests of shareholders, b) continuity of management before and during an

impending transaction, or the need for continuity in management after a change in control, and c) the Company's continuing ability to attract talented senior management members, as well as to avoid executives departing due to limited or no remuneration protections in the event of a change in control transaction. Further, the Committee believes that stable corporate leadership exhibiting the desired management behaviors is imperative in order for shareholders to be in a position to realize a favorable premium in a potential sale of the Company.

Key provisions of the adopted Plan, which has an initial two-year term with no automatic renewal, include:

- 1) Initial executive roles covered by the Plan include the CEO, CFO and COO.
- 2) No single trigger payouts; all Plan payouts are contingent upon a change of control (as defined in the Plan) coupled with an involuntary termination of a covered executive, including for good reason, within 12 months of a change in control.
- 3) No payouts for cause based terminations.
- 4) Plan benefits: (a) one times annual base salary, (b) amount equal to target bonus for year of termination, (c) medical benefits under COBRA for up to twelve (12) months, and (d) reasonable outplacement assistance.
- 5) No tax gross up provisions on payouts.
- 6) Participants must execute a general release to receive Plan benefits.

Existing equity compensation plans provide for full acceleration of equity awards upon a qualifying termination after a change in control for all employees of the Company. The 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 35 of this Proxy Statement.

#### **Involuntary Termination Severance Policy**

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

Key provisions of the adopted Policy include:

- 1) A severance payment of up to the equivalent of twelve (12) months of base salary.
- 2) Medical benefits under COBRA for up to twelve (12) months.
- 3) Reasonable outplacement assistance.

Edgar Filing: MCGRATH RENTCORP - Form DEF 14A

- 4) No acceleration of vesting of outstanding equity awards, except in the event of a change in control, as provided for in existing equity agreements.
- 5) No payouts for cause based terminations.
- 6) No tax gross up provisions on payouts.
- 7) Participants must execute a general release to receive Policy benefits.

## **Tax and Accounting Implications**

### *Deductibility of Executive Compensation*

Section 162(m) of the Code limits the corporate deduction for compensation paid to executive officers to \$1 million unless such compensation qualifies as performance-based compensation. Among other things, Section 162(m) requires approval of the performance-based compensation by our shareholders. The Compensation Committee intends to maximize our ability to deduct executive compensation for tax purposes to the extent structuring our executive compensation for tax purposes is in alignment with our compensation philosophy. The Compensation Committee nonetheless reserves the right to use its judgment to authorize compensation payments that do not comply with the exemptions in Section 162(m) of the Code when the committee believes that such payments are appropriate and in the best interests of our shareholders, after taking into account changing business conditions or the executive officer's performance. In addition, the Compensation Committee cannot provide any assurances that compensation intended to qualify for deductibility under Section 162(m) will in fact be deductible because: (1) a number of requirements must be satisfied in order for the compensation to qualify; and (2) uncertainties as to the application and interpretation surrounding this section currently exist. With respect to the compensation paid to our named executive officers in 2013, the compensation was below the \$1 million limit for all of our named executive officers, except Mr. Kakures with compensation of \$654,232 and Mr. Hanna with compensation of \$90,715 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 equity award granted, and is recognized ratably over the requisite service period. 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

Elizabeth A. Fetter

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, 2013, December 31, 2012 and December 31, 2011 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)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards \$(1)	Option Awards \$(1)	Non-Equity Incentive Plan Compensation \$(2)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation \$(3)	Total (\$)
Dennis C. Kakures	2013	\$ 500,000		\$ 450,840	\$ 450,260	\$ 247,154		\$ 10,200	\$ 1,658,454
President and Chief Executive Officer	2012	\$ 485,000		\$ 369,930	\$	\$ 135,941		\$ 10,000	\$ 1,000,871
	2011	\$ 470,000		\$ 369,468	\$ 361,276	\$ 554,907		\$ 7,350	\$ 1,763,001
Joseph F. Hanna	2013	\$ 335,000		\$ 213,860	\$ 212,676	\$ 141,075		\$ 10,200	\$ 912,811
Senior Vice President and Chief Operating Officer	2012	\$ 325,000		\$ 191,235	\$ 192,270	\$ 92,299		\$ 9,100	\$ 809,904
	2011	\$ 310,000		\$ 176,337	\$ 170,658	\$ 336,038		\$ 7,350	\$ 1,000,383
Keith E. Pratt	2013	\$ 337,000		\$ 176,290	\$ 175,314	\$ 105,534		\$ 10,200	\$ 804,338
Senior Vice President and Chief Financial Officer	2012	\$ 330,000		\$ 175,560	\$ 174,590	\$ 70,867		\$ 10,000	\$ 761,017
	2011	\$ 320,000		\$ 176,337	\$ 170,568	\$ 316,420		\$ 7,350	\$ 990,765
Philip B. Hawkins	2013	\$ 221,000		\$ 101,150	\$ 99,632	\$ 115,871		\$ 10,200	\$ 547,853
Vice President and Division Manager, Mobile Modular	2012	\$ 210,000		\$ 100,320	\$ 99,450	\$ 108,570		\$ 10,000	\$ 528,340
	2011	\$ 196,250		\$ 83,970	\$ 82,834	\$ 191,404		\$ 7,350	\$ 561,808
Randle F. Rose	2013	\$ 260,000		\$ 83,810	\$ 85,262	\$ 91,597		\$ 10,200	\$ 530,869
Senior Vice President, Chief Administrative, Officer and Secretary	2012	\$ 255,000		\$ 84,645	\$ 85,085	\$ 71,620		\$ 10,000	\$ 506,350
	2011	\$ 240,000		\$ 83,970	\$ 82,834	\$ 154,543		\$ 7,350	\$ 568,697

(1) The amounts in columns (e) and (f) reflect the aggregate grant date fair value amounts, in accordance with the Financial Accounting Standards Board's Accounting Standards Codification Topic 718, of awards granted pursuant to the 2007 Plan and the 1998 Plan. Assumptions used in the calculation of these amounts are included in Note 5 to the Company's audited financial statements for the fiscal year ended December 31, 2013 included in the 2013 Annual Report. These amounts reflect the Company's accounting expense and do not correspond to the actual value that may be realized by the named executive



## Edgar Filing: MCGRATH RENTCORP - Form DEF 14A

officers.

- (2) The amounts in column (g) reflect amounts earned by the named executive officers during the fiscal year ended December 31, 2013 and paid in 2014 pursuant to the Bonus Plan, which is discussed in further detail on page 24 under the heading *Non-Equity Performance-Based Incentive Plan Components*.
- (3) The amounts in column (i) reflect the cash contributions allocated to each named executive officer pursuant to the provisions of the Company's Employee Stock Ownership and 401(k) Plan.

## 2013 GRANTS OF PLAN-BASED AWARDS

Name	Grant Date	Threshold (\$)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)		Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)(3)	Exercise Price of Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards
			Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Dennis C. Kakures	3/2/12 2/25/13	\$ 13,750	\$ 400,000	\$ 706,250	1,560	15,600	31,200		47,000	\$ 28.90	\$ 450,260
Joseph F. Hanna	3/2/12 2/25/13	\$ 7,538	\$ 217,750	\$ 385,250	740	7,400	14,800		22,200	\$ 28.90	\$ 212,676
Keith E. Pratt	3/2/12 2/25/13	\$ 6,740	\$ 202,200	\$ 353,850	610	6,100	12,200		18,300	\$ 28.90	\$ 175,314
Philip B. Hawkins	3/2/12 2/25/13	\$ 4,420	\$ 132,600	\$ 232,050	350	3,500	7,000		10,400	\$ 28.90	\$ 99,632
Randle F. Rose	3/2/12 2/25/13	\$ 2,600	\$ 130,000	\$ 201,500	290	2,900	5,800		8,900	\$ 28.90	\$ 85,262

- (1) The amounts listed in these columns reflect the threshold, target, and maximum amounts payable to the named executive officers pursuant to the Bonus Plan, which is discussed in further detail on page 24 under the heading *Non-Equity Performance-Based Incentive Plan Components*. The threshold assumptions assume achieving 80% of the profitability target and no achievement of the personal annual priorities.
- (2) On February 25, 2013, each named executive officer received a grant of RSUs, which are earned based on achievement of a target based on a cumulative three-year EPS goal. The minimum number of shares that could be earned is 10% of the target; the maximum is 200%. The RSUs are earned at the end of three years; with 60% of the earned shares to be issued at the end of year 3, 20% to be issued at the end of year 4, and 20% to be issued at the end of year 5, all contingent on continued employment by the Company.
- (3) On February 25, 2013, each named executive officer received a grant of SARs; the exercise price was based on the NASDAQ Stock Market close price of \$28.90 on that date. The SAR grants have a seven-year term and vest 20% at the end of year one, and 5% per quarter thereafter.

## 2013 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	Option Awards(1)					Stock Awards		Equity Incentive Plan Awards:
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (\$)
Dennis C. Kakures	110,000	0		\$22.18	01/14/2015			
	90,000			\$29.56	01/20/2016			
	45,500			\$20.71	02/25/2015			
	21,900	0		\$15.62	02/27/2016			
	27,000			\$23.92	02/26/2017		10,400	
	19,910	0		\$27.99	02/25/2018		13,200	\$413,920
	0	7,300		\$28.90	02/25/2020		11,618	
		9,000					11,800	
		16,290					15,600	\$525,360
		47,000						\$462,396
								\$469,640
								\$620,880
Joseph F. Hanna	40,000	0		\$22.18	01/14/2015			
	35,000			\$29.56	01/20/2016			
	90,000			\$20.71	02/25/2015			
	66,500	0		\$15.62	02/27/2016			
	14,250			\$23.92	02/26/2017			
	9,405	0		\$27.99	02/25/2018			
	6,090	3,500		\$31.35	03/02/2019		5,600	
		4,750		\$28.90	02/25/2020		6,300	\$222,880
		7,695					5,545	
	0	11,310					6,100	\$250,740
		22,200					7,400	
								\$220,691
								\$242,780
								\$294,520
Keith E. Pratt	80,000	0		\$29.56	01/20/2016			
	18,000	3,500		\$15.62	02/27/2016		5,600	
	14,250	4,750		\$23.92	02/26/2017		6,300	
	9,405	7,695		\$27.99	02/25/2018		5,545	\$222,880
	5,530	10,270		\$31.35	03/02/2019		5,600	
		18,300		\$28.90	02/25/2020		6,100	\$250,740
								\$220,691
								\$222,880
								\$242,780

Edgar Filing: MCGRATH RENTCORP - Form DEF 14A

Philip B. Hawkins	13,000	0	\$29.56	01/20/2016		
	1,800	1,800	\$15.62	02/27/2016	2,400	
	7,500	2,500	\$23.92	02/26/2017	3,000	
	4,565	3,735	\$27.99	02/25/2018	3,000	\$ 95,920
	3,150	5,850	\$31.35	03/02/2019	3,200	
		10,400	\$28.90	02/25/2020	3,500	\$119,400
	0					\$119,400
						\$127,360
						\$139,300
Randle F. Rose	20,000	0	\$29.56	01/20/2016		
	2,800	1,400	\$15.62	02/27/2016	2,400	
	6,000	2,000	\$23.92	02/26/2017	3,000	
	4,565	3,735	\$27.99	02/25/2018	2,640	\$ 95,520
	2,695	5,005	\$31.35	03/02/2019	2,700	
		8,900	\$28.90	02/25/2020	2,900	\$119,400
	0					\$105,072
						\$107,460
						\$115,420

- (1) All option grants are seven year options, except for the option grants with expiration dates of January 15, 2013, March 8, 2014, January 14, 2015, and January 20, 2016, which are ten year options; all options vest 20% at the end of year one, and 5% per quarter thereafter.

## 2013 OPTION EXERCISES AND STOCK VESTED

Name	Option Awards		Stock Awards	
	Number of Shares	Value Realized	Number of Shares	Value Realized
	Acquired on Exercise (#)	on Exercise (\$)(1)	Acquired on Vesting (#)	on Vesting (\$)
Dennis C. Kakures	300,000	\$ 3,344,813	15,600	\$ 456,768
Joseph F. Hanna	69,000	\$ 663,813	8,400	\$ 245,952
Keith E. Pratt	122,000	\$ 841,886	8,400	\$ 245,952
Philip B. Hawkins	32,850	\$ 328,586	3,600	\$ 105,408
Randle F. Rose	34,200	\$ 296,440	3,600	\$ 105,408

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

**Securities Authorized for Issuance under Equity Compensation Plans**

The following table provides information regarding our equity compensation plans as of December 31, 2013:

**Equity Compensation Plan Information**

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,772,062	\$ 24.68	1,021,164
Equity compensation plans not approved by security holders		\$	
Total	1,772,062	\$ 24.68	1,021,164

Our 2007 Stock Incentive Plan and 1998 Stock Option Plan were both approved by shareholders and have been filed as exhibits to our Annual Report on Form 10-K.

**Potential Payments upon Termination or Change-in-Control**

Under the terms of our Bonus Plan, 1998 Plan, 2007 Plan, and Employee Stock Ownership and 401(k) Plan ( KSOP ), payments may be made to each of our named executive officers upon his or her termination of employment or a change in control (as defined in each plan) of the Company. See *Compensation Discussion and Analysis* and *Equity Compensation Plan Information* for a description of, and an explanation of the specific circumstances that would trigger payments under, each plan. The following table sets forth the estimated payments that would be made to each of our named executive officers upon voluntary termination, involuntary termination not for cause, for cause, or as a qualifying termination in connection with a change in control (as defined in each plan) and death or permanent disability. The payments would be made pursuant to the plans identified in this paragraph. The information set forth in the table below assumes the termination event occurred on December 31, 2013.

Edgar Filing: MCGRATH RENTCORP - Form DEF 14A

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

Name	Voluntary Termination	Involuntary Termination			Death or Permanent Disability
		Not For Cause	For Cause	Change in Control	
<b>Dennis C. Kakures</b>					
Non-Equity Incentive Plan(1)	\$ 247,154	\$ 247,154	\$ 247,154	\$ 247,154	\$ 247,154
Unvested and Accelerated Awards Under Equity Incentive Plans(2)	4,922,384	4,922,384	4,922,384	8,438,699	4,922,384
Employee Stock Ownership and 401(k) Plan	1,698,454	1,698,454	1,698,454	1,698,454	1,698,454
Base Salary Change In Control	0	0	0	500,000	0
Accumulated Vacation Pay(3)	72,114	72,114	72,114	72,114	72,114
<b>Total</b>	<b>\$ 6,940,106</b>	<b>\$ 6,940,106</b>	<b>\$ 6,940,106</b>	<b>\$ 10,956,422</b>	<b>\$ 6,940,106</b>
<b>Joseph F. Hanna</b>					
Non-Equity Incentive Plan(1)	\$ 141,075	\$ 141,075	\$ 141,075	\$ 141,075	\$ 141,075
Unvested and Accelerated Awards Under Equity Incentive Plans(2)	4,778,294	4,778,294	4,778,294	6,598,392	4,778,294
Employee Stock Ownership and 401(k) Plan	81,392	81,392	81,392	81,392	81,392
Base Salary Change In Control	0	0	0	335,000	0
Accumulated Vacation Pay(3)	44,781	44,781	44,781	44,781	44,781
<b>Total</b>	<b>\$ 5,045,542</b>	<b>\$ 5,045,542</b>	<b>\$ 5,045,542</b>	<b>\$ 7,200,640</b>	<b>\$ 5,045,542</b>
<b>Keith E. Pratt</b>					
Non-Equity Incentive Plan(1)	\$ 105,534	\$ 105,534	\$ 105,534	\$ 105,534	\$ 105,534
Unvested and Accelerated Awards Under Equity Incentive Plans(2)	1,638,532	1,638,532	1,638,532	3,335,692	1,638,532
Employee Stock Ownership and 401(k) Plan	33,109	33,109	33,109	33,109	33,109
Base Salary Change In Control	0	0	0	337,000	0
Accumulated Vacation Pay(3)	18,551	18,551	18,551	18,551	18,551
<b>Total</b>	<b>\$ 1,795,726</b>	<b>\$ 1,795,726</b>	<b>\$ 1,795,726</b>	<b>\$ 3,829,887</b>	<b>\$ 1,795,726</b>
<b>Philip B. Hawkins</b>					
Non-Equity Incentive Plan(1)	\$ 115,871	\$ 115,871	\$ 115,871	\$ 115,871	\$ 115,871
Unvested and Accelerated Awards Under Equity Incentive Plans(2)	376,274	376,274	376,274	1,267,381	376,274
Employee Stock Ownership and 401(k) Plan	64,277	64,277	64,277	64,277	64,277
Base Salary Change In Control	0	0	0	221,000	0
Accumulated Vacation Pay(3)	3,345	3,345	3,345	3,345	3,345
<b>Total</b>	<b>\$ 559,767</b>	<b>\$ 559,767</b>	<b>\$ 559,767</b>	<b>\$ 1,671,873</b>	<b>\$ 559,767</b>
<b>Randle F. Rose</b>					
Non-Equity Incentive Plan(1)	\$ 91,597	\$ 91,597	\$ 91,597	\$ 91,597	\$ 91,597
Unvested and Accelerated Awards Under Equity Incentive Plans(2)	444,469	444,469	444,469	1,236,366	444,469
Employee Stock Ownership and 401(k) Plan	191,877	191,877	191,877	191,877	191,877
Base Salary Change In Control	0	0	0	260,000	0
Accumulated Vacation Pay(3)	37,500	37,500	37,500	37,500	37,500
<b>Total</b>	<b>\$ 765,444</b>	<b>\$ 765,444</b>	<b>\$ 765,444</b>	<b>\$ 1,817,340</b>	<b>\$ 765,444</b>

- (1) In the event of termination with the Company, voluntary or involuntary, with or without cause, that occurs prior to the end of the fiscal year, payments under the Bonus Plan are pro-rated accordingly.
- (2) Includes our 1998 Plan and 2007 Plan. Assumes termination event on December 31, 2013 with a closing NASDAQ Stock Market price of \$39.80 per share.
- (3) Represents accrued standard paid vacation amounts as of December 31, 2013.

*Treatment of Certain Compensation Elements Upon Termination*

*Executive Severance Policy.* We do not have employment agreements, but in 2013, the Compensation Committee established guidelines to address involuntary termination severance eligibility and payments for executive officer level positions. For details, see *Involuntary Termination Severance Policy* on page 30 of this Proxy Statement.

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

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

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

**Relationships Among Directors or Executive Officers**

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

**Compensation Committee Interlocks and Insider Participation**

The Compensation Committee of the Company during 2013 consisted of Messrs. Dawson, Hood, Smith and Stradford and Ms. Fetter. No member of the Compensation Committee is a present or former executive officer or employee of the Company or any of its subsidiaries. No executive officer of the Company has served on the board of directors or compensation committee of any entity which has one or more executive officers serving as a member of the Company's Board of Directors or Compensation Committee. See *Certain Relationships and Related Transactions* below for discussions about related transactions regarding the Compensation Committee members.

---

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

### Indemnification Agreements

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

### Adler Tank Rentals

In connection with the completion of the acquisition of substantially all of the assets of the liquid and solid tanks and boxes rental business of Adler Tank Rentals, LLC on December 11, 2008, we hired Steven Adler, who, prior to the closing, owned 75% of Adler Tank Rentals, LLC ( Former Adler Tanks ). Mr. Adler currently holds the position of President of our wholly-owned subsidiary, Adler Tank Rentals, LLC ( Adler Tanks ), which owns and operates the Adler Tanks business. Mr. Adler has three relationships with entities that conduct business with Adler Tanks, which are described below.

*Sabre Manufacturing, LLC* Mr. Adler was the 100% owner and the President of Sabre Manufacturing, LLC, a company that manufactures, sells and services containment frac tanks and other equipment until August 16, 2013, when Sabre Manufacturing, LLC was sold to an unrelated party. Prior to the acquisition of Adler Tanks, Sabre Manufacturing, LLC sold tanks to Former Adler Tanks from time to time. Since the acquisition of Adler Tanks, Adler Tanks has purchased tanks from Sabre Manufacturing, LLC, but has no obligation to do so in the future. Sabre Manufacturing, LLC continues to sell tanks to end users of Adler Tanks, and also to gas and oilfield service companies.

*Tire Solutions, LLC* Mr. Adler is a 50% owner of Tire Solutions, LLC, a company that supplies and services tires. Prior to the acquisition of Adler Tanks, Tire Solutions, LLC sold tires to Former Adler Tanks from time to time. Since the acquisition of Adler Tanks, Adler Tank Rentals has not purchased tires from Tire Solutions, LLC and has no obligation to do so in the future.

*Adler Industrial Services, Inc.* Mr. Adler is the 100% owner of Adler Industrial Services, Inc., a supplier of roof cleaning and vacuuming services. Adler Industrial Services, Inc. currently leases tanks from the Adler Tanks business but has no obligation to do so in the future.

Prior to the closing of the acquisition of substantially all of the assets of Former Adler Tanks, the Audit Committee and the Board of Directors reviewed and granted waivers under the Company's Code of Business Conduct and Ethics with respect to the conflicts of interest and related party transactions and relationships described above under *Adler Tank Rentals*.

### Policies and Procedures Regarding Related Party Transactions

Pursuant to the Audit Committee charter, the Audit Committee is responsible for reviewing and discussing with management and the Company's independent auditors any transactions or courses of dealing with related parties. The Audit Committee considers the following factors in determining whether to approve or disapprove (with referral to the Board of Directors) any such related party transaction or course of action:

(i) the financial accounting accorded the transaction or course of action; (ii) whether the terms or other aspects differ from those that would likely be negotiated with independent parties; and (iii) whether the proposed disclosure of the transaction or course of dealing, if any, is in accordance with generally accepted accounting principles and SEC regulations.



---

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information known to the Company with respect to beneficial ownership of our Common Stock as of April 14, 2014, by (i) each shareholder known to the Company to own beneficially more than 5% of our Common Stock; (ii) each of our directors; (iii) each executive officer named in the Summary Compensation Table above; and (iv) all directors and executive officers of the Company as a group:

Beneficial Owner(1)(2)	Shares Beneficially Owned(3)	Percentage of Class of Shares Beneficially Owned
T. Rowe Price Associates, Inc.(4) 100 E. Pratt Street Baltimore, MD 21202	3,105,940	12.0%
Columbia Wanger Asset Management, LLC(5) 227 West Monroe Street, Suite 3000 Chicago, IL 60606	3,031,600	11.8%
The Vanguard Group(6) 100 Vanguard Blvd. Malvern, PA 19355	1,545,911	6.0%
Franklin Advisory Services, LLC(7) One Parker Plaza, Ninth Floor Fort Lee, NJ 07024	1,415,329	5.5%
BlackRock, Inc.(8) 40 East 52nd Street New York, NY 10022	1,406,475	5.5%
Robert P. McGrath(9)(10)	1,318,449	5.1%
Dennis C. Kakures(10)(11)	534,720	2.1%
Joseph Hanna(10)(11)	291,309	1.1%
Keith E. Pratt(10)(11)	152,146	*
Randle F. Rose(10)(11)	54,011	*
Ronald H. Zech(10)	52,355	*
Dennis P. Stradford(10)	46,100	*
William J. Dawson(10)	51,000	*
Robert C. Hood(10)	36,333	*
Philip B. Hawkins(10)(11)	44,387	*
M. Richard Smith(10)	12,020	*
Elizabeth A. Fetter(10)	0	*
All executive officers and directors as a group (17 persons)(12)	2,802,353	10.8%

\* The percentage of shares beneficially owned by this director or executive officer constitutes less than 1% of our Common Stock as of April 14, 2014.

- (1) Except as otherwise indicated, the address of each of the executive officers and directors is c/o McGrath RentCorp, 5700 Las Positas Road, Livermore, California 94551.
- (2) To the Company's knowledge, except as set forth in the footnotes to this table, and subject to applicable community property laws, each shareholder named in this table has sole voting and investment power with respect to the shares set forth opposite such shareholder's name.
- (3) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to the securities. Shares of the Company's Common Stock subject to options currently exercisable or that will become exercisable within 60 days of April 14, 2014 are deemed outstanding for computing the percentage of the person holding such options, but are not deemed

outstanding for computing the percentage of any other person. Percentages are based on 25,892,076 shares of the Company's Common Stock outstanding as of April 14, 2014.

- (4) T. Rowe Price Associates, Inc. (Price Associates) filed Amendment No. 12 to Schedule 13G with the SEC on February 10, 2014 and reported beneficial ownership of 3,105,940 shares. These securities are owned by various individual and institutional investors, including T. Rowe Price Small-Cap Value Fund, Inc. (which owns 1,836,000 shares, representing 7.1% of the outstanding Common Stock), for which Price Associates serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Exchange Act, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.
- (5) Columbia Wanger Asset Management, LLC filed Amendment No. 8 to Schedule 13G with the SEC on February 6, 2014 and reported beneficial ownership of 3,031,600 shares, sole voting power with respect to 2,685,600 shares and sole dispositive power with respect to 3,031,600 shares of Common Stock. The shares reported in the Schedule 13G include 2,150,000 shares held by Columbia Acorn Fund, a Massachusetts business trust that is advised by Columbia Wanger Asset Management, L.P.
- (6) The Vanguard Group filed Amendment No. 1 to Schedule 13G with the SEC on February 11, 2014 and reported beneficial ownership of 1,545,911 shares, sole voting power with respect to 39,226 shares, sole dispositive power with respect to 1,509,185 shares of Common Stock and shared dispositive power with respect to 36,726 shares of Common Stock.
- (7) Franklin Resources, Inc. filed Schedule 13G with the SEC on February 11, 2014 and reported beneficial ownership of 1,415,329 shares, sole voting power with respect to 1,319,729 shares and sole dispositive power with respect to 1,415,329 shares of Common Stock. Franklin Advisory Services is an investment management subsidiary of Franklin Resources Inc., which has delegated investment discretion and voting power over these securities to Franklin Advisory Services.
- (8) BlackRock, Inc. filed Amendment No. 4 to Schedule 13G with the SEC on January 30, 2014 and reported beneficial ownership of 1,406,475 shares, sole voting power with respect to 1,309,822 shares and sole dispositive power with respect to 1,406,475 shares of Common Stock.
- (9) Robert P. McGrath and his spouse, Joan M. McGrath, share beneficial ownership of 1,318,449 shares. Mr. McGrath shares voting and dispositive power with respect to 1,318,449 of these shares with his spouse.
- (10) Includes portions of outstanding stock options or RSUs held by executive officers and directors that will be exercisable within 60 days of April 14, 2014 as follows: 38,000 shares for Mr. Dawson, 275,645 shares for Mr. Hanna, 33,545 shares for Mr. Hawkins, 16,000 shares for Mr. Hood, 155,880 shares for Mr. Kakures, 109,200 shares for Mr. McGrath, 130,450 shares for Mr. Pratt, 42,085 shares for Mr. Rose, 38,000 shares for Mr. Stradford, 11,000 shares for Mr. Zech, and 968,500 shares for all executive officers and directors as a group.
- (11) Includes the shares held by the KSOP for the benefit of the named individual. The number of shares included is 2,268 shares for Mr. Hanna, 1,791 shares for Mr. Hawkins, 47,310 shares for Mr. Kakures, 923 shares for Mr. Pratt, 5,345 shares for Mr. Rose, and 81,849 shares for all executive officers and directors as a group. These shares are included because beneficiaries under the KSOP hold sole voting power over the shares (whether or not rights to the shares have vested).
- (12) See footnotes (9), (10) and (11).

**Communications with the Board of Directors**

Our Board of Directors believes that full and open communication between shareholders and members of our Board of Directors is in the best interests of our shareholders. Shareholders may contact any director or committee of the Board of Directors by writing to the Compliance Officer, c/o McGrath RentCorp, 5700 Las Positas Road, Livermore, California 94551. The compliance officer will review all such communications for relevance to activities of the Board of Directors and will promptly forward all relevant written communications to the Board of Directors. Comments or complaints relating to our accounting, internal accounting controls, auditing matters, corporate fraud or violations of federal or state laws may be referred directly to our Audit Committee by writing to the Chairman of the Audit Committee, c/o Compliance Officer, McGrath RentCorp,

5700 Las Positas Road, Livermore, California 94551. Further details can be found in *Reporting Questionable Account and Auditing Practices and Policy Prohibiting Retaliation Against Reporting Employees* and *Corporate Governance Guidelines* found on our website at [www.mgrc.com](http://www.mgrc.com) under the Investor Relations section.

#### **Shareholder Recommendations for Membership on our Board of Directors**

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

The Corporate Governance and Nominating Committee will not evaluate candidates differently based on who has made the recommendation. The Corporate Governance and Nominating Committee will consider candidates from any reasonable source, in addition to shareholder recommendations. The Corporate Governance and Nominating Committee has the authority under its charter to hire and pay a fee to consultants or search firms to assist in the process of identifying and evaluating candidates. No such consultants or search firms were used for the slate of director nominees up for election at the Annual Meeting since all directors nominated are for re-election, and, accordingly, no fees have been paid to consultants or search firms in the 2012 fiscal year.

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

#### **Section 16(a) Beneficial Ownership Reporting Compliance**

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

We believe, based solely on our review of the copies of such reports received or written representations from certain *Reporting Persons*, that during the fiscal year ended December 31, 2013, all *Reporting Persons* complied with all applicable filing requirements in a timely manner, other than one Form 4 with respect to acquisitions of SARs and RSUs by Kristina VanTrease on February 25, 2013; this Form 4 missed the SEC filing deadline on the second business day after the transaction, but was accepted by the SEC and viewable on the SEC website at the opening of the third business day.

**Code of Business Conduct and Ethics**

Our Board of Directors adopted a Code of Business Conduct and Ethics, which was most recently amended and restated on December 9, 2010. This code applies to all of our employees and our non-employee directors and is posted on our website at [www.mgrc.com](http://www.mgrc.com) under the Investor Relations section. The code satisfies the Code of Ethics requirements under the Sarbanes-Oxley Act of 2002 as well as the Code of Conduct requirements under the Market Place Rules of the NASDAQ Stock Market. The code, among other things, addresses issues relating to conflicts of interests, including internal reporting violations and disclosures, and compliance with applicable laws, rules and regulations. The purpose of the code is to promote, among other things, honest and ethical conduct, full, fair, accurate, timely and understandable public disclosures, compliance with applicable laws or regulations and to ensure to the greatest possible extent that our business is conducted in a legal and ethical manner. Any waivers or approvals granted under this code with respect to our executive officers and directors may be granted only by the Board of Directors. In addition, any waivers or approvals relating to the principal executive officer, the principal financial officer, the principal accounting officer or controller, or any person performing similar functions, must also be obtained from the Audit Committee. Any waivers or approvals to the code with respect to the remainder of the employees may be granted by our compliance officer, who is currently Randle F. Rose. Any amendments to the code will be promptly disclosed to our shareholders. Our Audit Committee has also established procedures for (a) the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters, and (b) the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters.

**PROPOSAL NO. 2****RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS**

Grant Thornton LLP has been selected by the Audit Committee to be the Company's independent auditors for the Company's fiscal year ending December 31, 2014. Under the Sarbanes-Oxley Act of 2002 and the rules of the SEC promulgated thereunder, the Audit Committee is solely responsible for the appointment, compensation and oversight of the work of our independent auditors and shareholders are not required to ratify the selection of Grant Thornton LLP. However, we are submitting the selection of Grant Thornton LLP as our independent auditors to our shareholders for ratification as a matter of good corporate practice. In the event that ratification of this selection of independent auditors is not approved by a majority of the shares of Common Stock voting at the Annual Meeting in person or by proxy, the Audit Committee will review our future selection of independent auditors. Even if the appointment of Grant Thornton LLP is ratified by our shareholders, the Audit Committee, in its discretion, may direct the appointment of a different independent auditor at any time during the year if the Audit Committee determines that such a change is in the best interests of the Company and our shareholders.

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

**PRINCIPAL ACCOUNTANT FEES AND SERVICES****Audit Fees**

Grant Thornton LLP performed services for the Company in fiscal years 2012 and 2013 related to financial statement audit work, quarterly reviews, quarterly earnings release reviews and tax services. Fees related to services rendered by Grant Thornton LLP for fiscal years 2012 and 2013 were as follows:

	2012	2013
Audit Fees(1)	\$ 1,188,414	\$ 1,454,824
Audit-Related Fees	\$ 44,430	\$ 48,327
Tax Fees	\$ 0	\$ 0
All Other Fees	\$ 0	\$ 0
<b>Total</b>	<b>\$ 1,232,844</b>	<b>\$ 1,503,151</b>

- (1) Audit fees represent fees for the audit of the Company's consolidated financial statements and internal controls over financial reporting included in our 2013 Annual Report and the review of the Company's consolidated financial statements included in our quarterly reports on Form 10-Q. Audit-Related Fees include fees associated with obtaining consents in connection with regulatory filings and audit of the Company's Employee Stock Ownership and 401(k) Plans.

**Audit and Non-Audit Services Pre-Approval Policy**

Under the Sarbanes-Oxley Act of 2002, all audit and non-audit services performed by Grant Thornton LLP, the Company's independent registered public accounting firm, must be approved in advance by the Audit Committee to assure that such services do not impair the auditors independence from the Company. In April 2004, the Audit Committee adopted an Audit and Non-Audit Services Pre-Approval Policy which sets forth the procedures and conditions pursuant to which audit and non-audit services to be performed by the independent auditors are to be pre-approved. Pursuant to the policy, certain services or categories of services described in detail in the policy may be pre-approved generally on an annual basis together with pre-approved maximum fee levels for such services. The services eligible for annual pre-approval consist of audit services, audit-related services, tax services and other services. If not pre-approved on an annual basis, proposed services must otherwise be separately approved prior to being performed by the independent auditors. The Audit Committee

may also pre-approve particular services on a case-by-case basis. In addition, any services that receive annual pre-approval but exceed the pre-approved maximum fee level also will require separate approval by the Audit Committee. The Audit Committee may delegate authority to pre-approve audit and non-audit services to any member of the Audit Committee, but may not delegate such authority to management. The Company's independent auditors and Chief Financial Officer are required to periodically report to the Audit Committee regarding the extent of services provided by the independent auditors in accordance with the pre-approval policy and the fees for the services performed to date. The Audit Committee pre-approved all of the audit, audit-related, tax and all other services described as Audit Fees in the table above.

#### **Report of the Audit Committee of the Board of Directors**

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

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

The Audit Committee hereby reports as follows:

1. The Audit Committee has reviewed and discussed the audited consolidated financial statements for the year ended December 31, 2013 and audit of internal controls over financial reporting as of December 31, 2013 with management.
2. The Audit Committee has discussed with Grant Thornton LLP, the Company's independent registered public accounting firm, the matters required to be discussed by the standards of the PCAOB.
3. The Audit Committee has received an independence letter from Grant Thornton LLP as required by the standards of the PCAOB, and has discussed with Grant Thornton LLP its independence.
4. Based on the reviews and discussions referred to in paragraphs (1) through (3) above, the Audit Committee recommended to the Board of Directors, and the Board of Directors has approved, that the Company's audited consolidated financial statements be included in the 2013 Annual Report that was filed with the SEC on February 28, 2014.

Submitted by the Audit Committee:

Robert C. Hood, Chair

Elizabeth A. Fetter

William J. Dawson

Robert P. McGrath

Ronald H. Zech



**Required Vote**

The affirmative vote of the holders of a majority of the shares of the Company's Common Stock present or represented at the Annual Meeting is required to approve the ratification of the selection of Grant Thornton LLP as our independent auditors for the year 2014. Abstentions will have the same effect as a vote against this proposal and broker non-votes, if any, will have no effect on this proposal.

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



---

**PROPOSAL NO. 3**

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

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act) added Section 14A to the Exchange Act, which requires that we provide our shareholders with the opportunity to vote to approve, on an advisory, non-binding basis, the compensation of our named executive officers as disclosed in this Proxy Statement in accordance with the SEC's compensation disclosure rules. At the Company's 2011 annual meeting, the Company's stockholders voted to recommend, on an advisory basis, that advisory votes on executive compensation be held every year. Based on these voting results and consistent with the Company's recommendation, the Board of Directors is holding an advisory vote on the compensation of the Company's named executive officers at the 2014 Annual Meeting.

As described in detail under the heading *Executive Compensation and Other Information Compensation Discussion and Analysis*, our executive compensation program is designed to attract and retain exceptional talent, reward past performance and establish and reward measurable objectives for future performance. Our primary objective is to align our executive officers' interests with the interests of our shareholders by rewarding achievement of established goals that contribute to increased long-term shareholder value. Please read the *Compensation Discussion and Analysis* beginning on page 20 of this Proxy Statement for additional details about our executive compensation programs, including information about the fiscal year 2013 compensation of our named executive officers.

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

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

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

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

RESOLVED, that the Company's shareholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company's Proxy Statement for the 2014 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosure.

The say-on-pay vote is advisory, and therefore not binding on the Company, the Compensation Committee or the Board of Directors. The Board of Directors and our Compensation Committee value the opinions of our

shareholders and to the extent there is any significant vote against the named executive officer compensation as disclosed in this Proxy Statement, we will consider our shareholders' concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns.

**Required Vote**

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

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

**OTHER MATTERS**

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

By Order of the Board of Directors,

Randle F. Rose

*Senior Vice President,*

*Chief Administrative Officer and Secretary*

April 30, 2014

Livermore, California

**McGrath RentCorp**

Using a black ink pen,  
mark your votes with  
an X as shown in            x

this example. Please do  
not write outside the  
designated areas.

**Annual Meeting Proxy Card**

q PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE  
ENCLOSED ENVELOPE q.

**A** **Proposals** The Board of Directors recommends a vote **FOR** all the nominees listed and **FOR**  
**Proposals No. 2 and No. 3.**

1. Election of Directors*:	<b>For</b>	<b>Withhold</b>	<b>For</b>	<b>Withhold</b>	<b>For</b>	<b>Withhold</b>		
01 - William J. Dawson	..	..	02 - Elizabeth A. Fetter	..	..	03 - Robert C. Hood	..	..
04 - Dennis C. Kakures	..	..	05 - M. Richard Smith	..	..	06 - Dennis P. Stradford	..	..
07 - Ronald H. Zech	..	..	* Each to be elected and to serve until the 2015 annual meeting of shareholders or until their successors are elected and qualified.					

**For    Against    Abstain**

2. To ratify the appointment of Grant Thornton LLP as the independent auditors for the Company for the year ending December 31, 2014.	..	..	..
---	----	----	----

**For    Against    Abstain**

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

**B Non-Voting Items**

**C Authorized Signatures** This section must be completed for your vote to be counted. **Date and Sign  
Below**

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

Date (mm/dd/yyyy) Please print Signature 1 Please keep signature Signature 2 Please keep signature  
date below. within the box. within the box.  
/ /

¢

+

q PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE q.

**Proxy McGrath RentCorp**

**The Board of Directors solicits this Proxy for the Annual Meeting of Shareholders to be held on Wednesday, June 11, 2014, at 2:00 p.m. (PDT) at McGrath RentCorp s principal executive offices at 5700 Las Positas Road, Livermore, CA 94551.**

The undersigned hereby constitutes and appoints Randle F. Rose and Keith E. Pratt, or each of them, with full power of substitution and revocation, attorneys and proxies of the undersigned at the Annual Meeting of Shareholders of McGrath RentCorp or any adjournments thereof, and to vote, including the right to cumulate votes (if cumulative voting is required), the shares of Common Stock of McGrath RentCorp registered in the name of the undersigned on the Record Date for the Annual Meeting.

The Board of Directors recommends a vote FOR the nominees named on the reverse side and FOR Proposals No. 2 and No. 3. The shares represented by this Proxy will be voted as directed on the reverse side; **if no specification is made, the shares will be voted FOR said nominees and proposals.** The proxies are authorized to vote in their discretion upon such other business as may properly come before the Annual Meeting to the extent authorized by Rule 14a-4(c) promulgated by the Securities and Exchange Commission.

The undersigned hereby acknowledges receipt of the Notice of Annual Meeting of Shareholders, the Proxy Statement and the 2013 Annual Report to Shareholders furnished with this Proxy.

**PLEASE RETURN THIS SIGNED AND DATED PROXY**

**IN THE ACCOMPANYING ADDRESSED ENVELOPE**