ESSEX RENTAL CORP.

FORM 10-K
(Annual Report)

Filed 03/13/14 for the Period Ending 12/31/13

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Industry	Rental & Leasing
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2013

☐ ***Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act f 1934***

For the transition period from __________ to ___________

Commission File Number: 000-52459

Essex Rental Corp.
(Exact Name of Registrant as specified in its Charter)

Delaware	**20-5415048**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1110 Lake Cook Road, Suite 220, Buffalo Grove, Illinois	**60089**
(Address of Principal Executive Offices)	(Zip code)

(**847) 215-6500**
(Registrant's telephone number, including area code)

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

Common Shares, $.0001 par value per share	**The NASDAQ Capital Market**
(Title of each class)	(Name of exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: **None**

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

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☑ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☑ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act): Large Accelerated Filer ☐ Accelerated Filer ☑ Non-Accelerated Filer ☐ Smaller Reporting Company ☐

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

The aggregate market value of the voting and non-voting common equity of the Registrant held by non-affiliates as of June 30, 2013 was $82,803,479.

The number of shares of outstanding common stock of the Registrant as of March 1, 2014 was 24,792,387.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s Definitive Proxy Statement with respect to the 2014 Annual Meeting of Stockholders to be held on June 5, 2014, which is anticipated to be filed with the Securities and Exchange Commission within 120 days after the end of the registrant’s fiscal year covered by this Annual Report on Form 10-K, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements in this Annual Report on Form 10-K are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include statements regarding the intent and belief or current expectations of Essex Rental Corp. (“Essex”) and its management team and may be identified by the use of words like "anticipate", "believe", "estimate", "expect", "intend", "may", "plan", "will", "should", "seek", the negative of these terms or other comparable terminology. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements. Important factors that could cause actual results to differ materially from Essex’s expectations include, without limitation, the continued ability of Essex to successfully execute its business plan, the possibility of a change in demand for the products and services that Essex provides (through its operating subsidiaries, Essex Crane Rental Corp., Coast Crane Company and Coast Crane Ltd.), intense competition which may require us to lower prices or offer more favorable terms of sale, our reliance on third party suppliers, our indebtedness which could limit our operational and financial flexibility, global economic factors including interest rates, general economic conditions, geopolitical events and regulatory changes, our dependence on our management team and key personnel, as well as other relevant risks. The factors listed here are not exhaustive. Many of these uncertainties and risks are difficult to predict and beyond management’s control. Forward-looking statements are not guarantees of future performance, results or events. Certain of such risks and uncertainties are discussed below under Item 1A – Risk Factors. Essex assumes no obligation to update or supplement forward-looking information in this Annual Report whether to reflect changed assumptions, the occurrence of unanticipated events or changes in future operating results or financial conditions, or otherwise.

PART I

As used in this Annual Report, references to “the Company” or “Essex” or to “we,” “us” or “our” refer to Essex Rental Corp., together with its consolidated subsidiaries, Essex Holdings, LLC, Essex Crane Rental Corp., Essex Finance Corp., CC Acquisition Holding Corp., Coast Crane Company and Coast Crane Ltd., unless the context otherwise requires.

Item 1. Business

Background

Essex Rental Corp. (formerly Hyde Park Acquisition Corp.) was incorporated in Delaware on August 21, 2006 as a blank check company whose objective was to effect a merger, capital stock exchange, asset acquisition or other similar business combination with an operating business. Our activities from our inception through October 31, 2008 were limited to completing our initial public offering and completing a business combination.

On October 31, 2008, we acquired Essex Crane Rental Corp., which we refer to as Essex Crane, through the acquisition of substantially all of the ownership interests of Essex Crane’s parent company, Essex Holdings, LLC, which we refer to as Holdings.

Essex Crane is a leading provider of lattice-boom crawler crane and attachment rental services and possesses one of the largest fleets of such equipment in the United States ("U.S."). For more information regarding the acquisition of Holdings and Essex Crane, see “Business Combinations – Acquisition of Holdings and Its Subsidiary Essex Crane” below. From October 31, 2008 until November 24, 2010, we conducted substantially all of our operations through Essex Crane.

On November 24, 2010 we acquired substantially all of the assets, and assumed certain liabilities (the “Coast Acquisition”) of Coast Crane Company (“Coast Liquidating Co.”), a leading provider of specialty lifting solutions and crane rental services on the West Coast of the United States. The assets acquired included all of the outstanding shares of capital stock of Coast Crane Ltd., a British Columbia corporation, through which Coast Liquidating Co. conducted its operations in Canada. References to “Coast Crane” in this Annual Report mean Coast Crane Company, a Delaware corporation, formerly known as CC Bidding Corp. (“CCBC”), through which we operate the business and assets acquired in the Coast Acquisition. For more information regarding the Coast Acquisition, see “Business Combinations – Acquisition of the Assets of Coast Crane Company and Subsidiary” below.

We conduct substantially all of our operations through Essex Crane and Coast Crane.

Business Combinations

Acquisition of Holdings and Its Subsidiary Essex Crane

On October 31, 2008, we acquired Essex Crane through the acquisition of substantially all of the ownership of Holdings. The purchase agreement provided for a gross purchase price of $210.0 million, less the amount of Essex Crane’s indebtedness outstanding as of the closing (which was refinanced as of the closing date with a credit facility made available to Essex Crane as of the closing date), the $5.0 million stated value of the membership interests in Holdings not acquired in the acquisition and the amount of certain other liabilities of Essex Crane as of the closing of the acquisition. The purchase price was subject to adjustment at and after the closing based on Essex Crane’s working capital as of the closing date and crane purchases and sales by Essex Crane prior to the closing date. The adjusted purchase price of the Holdings acquisition was $215.5 million (including the amount of Essex’s indebtedness outstanding under Essex Crane’s credit facility immediately prior to the closing).

The ownership interests in Holdings that were not acquired by the Company in the acquisition were retained by the management members of Holdings, including Ronald Schad, our Chief Executive Officer, and Martin Kroll, our former Chief Financial Officer, in the form of 632,911 Class A Units of Holdings and are referred to throughout this annual report on Form 10-K as the “Retained Interests”.

The Retained Interests are exchangeable at the option of the holder on a one-for-one basis for shares of our common stock. As of December 31, 2013, 139,241 of the Retained Interests had been exchanged for a like number of shares of our common stock and 493,670 of the Retained Interest remained outstanding. The outstanding Retained Interests do not carry any voting rights and are entitled to distributions from Holdings only if the Company pays a dividend to its stockholders, in which case a distribution on account of the outstanding Retained Interests will be made on an “as exchanged” basis. We granted certain registration rights to the holders of the Retained Interests with respect to the shares of our common stock issuable upon exchange of the Retained Interests and, in February 2011, a registration statement covering the resale of such shares was declared effective.

Acquisition of the Assets of Coast Crane Company and Subsidiary

On November 24, 2010, through CCBC, we acquired substantially all of the assets and assumed certain liabilities of Coast Liquidating Co., which consisted of all of the assets used in the operation of its specialty lifting solutions and crane rental services business including all of the outstanding shares of capital stock of Coast Crane Ltd., a wholly-owned British Columbia corporation, through which Coast Liquidating Co. conducted its operations in Canada.

The purchase agreement provided for a gross purchase price of $103.2 million which included net cash payments of $82.5 million and the assumption of certain liabilities of Coast Crane and its subsidiary as of the closing of the acquisition.

The Coast Acquisition was financed with $14.2 million of proceeds from the issuance of 3.3 million shares of common stock, cash of $20.3 million, primarily funded by Essex Crane’s revolving credit facility, proceeds of $49.6 million from a new revolving credit facility and the assumption of certain liabilities and indebtedness outstanding of Coast Crane and its subsidiary as of the closing date of approximately $20.7 million.

Business

Overview

Through our operating subsidiaries, Essex Crane and Coast Crane, we are one of North America's largest providers of lifting equipment (including lattice-boom crawler cranes, truck cranes, rough terrain cranes, tower cranes, and other lifting equipment) used in a wide array of construction projects. In addition, we provide product support including installation, maintenance, repair, and parts and services for our equipment provided to customers and customer owned equipment. With a large fleet of equipment, consisting primarily of cranes, as well as other construction equipment and what we believe is unparalleled customer service and support, we supply a wide variety of innovative lifting solutions for construction projects related to power generation, petro-chemical, refineries, water treatment and purification, bridges, highways, hospitals, shipbuilding, offshore oil fabrication and industrial plants, and commercial and residential construction. We primarily rent our equipment “bare,” meaning without supplying an operator and, in exchange for a fee, make arrangements for the transportation and delivery of equipment. Once the crane is delivered and erected on the customer’s site, inspected and determined to be operating properly by the customer’s crane operator and management, most of the maintenance and repair costs are the responsibility of the customer while the equipment is on rent. This business model allows us to minimize our headcount and operating costs including reduced liability related to operator error and provides the customer with a more flexible situation where they control the crane and the operator’s work schedule.

Through a network of sixteen main service centers, other smaller service locations and several remote storage yards, complemented by a geographically dispersed and highly skilled staff of sales and maintenance service professionals, we serve a variety of customers engaged in construction and maintenance projects. We have significantly diversified the end-markets that we serve in recent years, including through the Coast Acquisition, to avoid over-exposure to any one sector of the construction market.

We use our significant investment in modern enterprise resource planning (“ERP”) systems and business process methods to help our management assimilate information more quickly than others in our industry, and to provide management with real time visibility of the factors that must be effectively managed to achieve our goals. Our end-markets are characterized by major construction projects that often have long lead times. Management believes that these longer lead times, coupled with most contracts having rental periods of between four and eighteen months for lifting equipment with heavier capacities, provide them more visibility over future project pipelines and revenues.

Although Essex Crane and Coast Crane experience some overlap in the customers and projects that they serve, they are distinct from one another in the equipment comprising their fleets.

Essex Crane

Essex Crane is a leading provider of lattice-boom crawler crane and attachment rental services and possesses one of the largest fleets of such equipment in the United States. Over 53 years of operation, since its founding in 1960, Essex Crane has steadily grown from a small, family-owned crane rental company to a professionally managed company that today is one of the leading players in its industry offering lattice boom crawler rental services to a variety of customers, industries and regions mainly throughout the United States and Canada.

Essex Crane’s fleet of crawler cranes and various types of attachments are made available to clients depending on their lifting requirements, such as weight, pick and carry aspects, reach and angle of reach. The fleet’s combination of crawler cranes and attachments is diverse by lift capacity and capability, allowing Essex Crane to meet the crawler crane requirements of its engineering and construction firm customer base.

Coast Crane

Coast Crane is a market leader for innovative lifting solutions throughout Western North America, Alaska, Hawaii and the South Pacific. Through Coast Crane, we provide both used and new tower cranes, boom trucks, rough terrain cranes and other lifting equipment to customers in the infrastructure, energy, crane rigger/operator, municipal, commercial and industrial construction sectors. Coast Crane's operations are headquartered in Seattle, Washington and its products are rented and sold through a regional network including twelve branch locations. According to the industry publication American Cranes and Transport, Coast Crane is one of the largest crane service providers in the Western United States within its core rental equipment categories.

In addition to providing crane rental services, Coast Crane is a leading crane distributor of tower cranes, rough terrain cranes, boom trucks and all terrain cranes in its West Coast territories. Coast Crane enjoys strong working partnerships with leading crane and lifting manufacturers in the United States and abroad. Coast Crane has exclusive distribution relationships with such manufacturers for certain territories on the West Coast and Coast Crane provides after-sale spare parts and services to customers to whom it sells equipment as well as to customers who purchase equipment from other sources.

Products and Services; Operating Segments

Our principal products and services, as grouped within the Company's three defined operating segments, are described below.

Equipment Rental Segment

We offer for rent crawler cranes and attachments, rough terrain cranes, boom trucks and tower cranes for rent. Most attachments are rented separately and increase either the lifting capacity or the reach capabilities of the base cranes. We also offer transportation, services with respect to equipment that is on rent. We rent our large fleet of cranes and attachments and other lifting equipment to a variety of engineering and construction customers under contracts, most of which have rental periods of between four and eighteen months. Rough terrain cranes and boom trucks may be rented as frequently as daily. The contracts typically provide for an agreed upon rental rate and a specified rental period. The revenue from crane and attachment rentals is primarily driven by rental rates (which are typically higher for the more expensive cranes with heavier lifting capacities as compared to less expensive cranes with lower lifting capacities) charged to customers and the fleet utilization rate. Rental revenue is recognized as earned in accordance with the terms of the relevant rental agreement on a pro rata daily basis.

Transportation service revenue is derived from the management of the logistics process by which our rental equipment is transported to and from customers' construction sites, including the contracting of third party trucking for such transportation. Transportation revenue is earned under equipment rental agreements on a gross basis representing both the third-party provider's fee for transportation and our fee for managing these transportation services and they are matched with the associated costs for amounts paid to third party providers. The key drivers of transportation revenue are crane, attachment and other lifting equipment utilization rates and average contract lengths. Shorter average contract durations and high utilization rates generally result in higher requirements for transportation of equipment and resulting revenue. The distance that equipment has to move between different jobsites and the type of equipment being moved (number of truckloads) are also major drivers of transportation revenue and associated costs. Transportation revenue is recognized upon completion of the transportation of equipment.

In the ordinary course of business, we sell used rental cranes and attachments and other rental lifting equipment to optimize the combination of crane models and lifting capacities available in our rental fleet to match perceived market demands and opportunities. On average, we have historically achieved sale prices for equipment in excess of the appraised value. This is due to the long useful life of the crane and attachment fleet, the conditions prevailing in the secondary market and the high content of engineered high-strength steel included in these fleet assets. Used rental equipment sales are recognized at the time ownership transfers, which is generally based on delivery and/or inspection and acceptance of the equipment in accordance with the terms of the corresponding agreement. The rate at which we replace used equipment with new equipment depends on a number of factors, including changing general economic conditions, growth opportunities and the need to adjust fleet mix to meet customer requirements and demand.

Equipment Distribution Segment

We offer a variety of construction equipment products for retail sales including crawler cranes, tower cranes, boom trucks, all-terrain cranes, rough terrain cranes and other lifting equipment used in the construction industry. The revenue from retail equipment sales is primarily driven by the level of construction activity in a particular geographic region. Equipment sales revenue is recognized at the time ownership transfers, which is generally based on delivery and/or inspection and acceptance of the equipment in accordance with the terms of the corresponding agreement. Our equipment distribution operations are conducted through our Coast Crane subsidiary.

Parts and Service Segment

We are a parts distributor for various lifting equipment manufacturers and routinely sell parts to our customers in the construction industry. While crawler cranes or attachments, tower cranes, rough terrain cranes, boom trucks or other equipment are on rent, much of the repair and maintenance work is paid for by the customer. We perform a portion of the repair and maintenance work and recognize revenues for such services to the extent they are the customer's responsibility. This category of revenues also includes providing certain services while erecting the equipment during initial assembly or disassembly of the equipment at the end of the rental. We also provide repair and maintenance services for customers that own their own equipment and request our services at one of our service center locations. Our target customers for these ancillary services are our current rental customers, customers that own their own equipment and those who purchase new and used equipment from us. Key drivers for repair and maintenance revenue are the general construction activity in a given geographic region and our skilled mechanics. Repair and maintenance revenue is recognized as such services are performed. Parts revenue is recognized at the time of sale.

In summary, 68.0% of total revenues were derived from our equipment rental segment for the year ended December 31, 2013 , 11.7% through our equipment distribution segment and 20.3% through our parts and service segment.

US Crane and Lifting Equipment Rental Industry

According to the Rental Equipment Register and the American Rental Association, the U.S. equipment rental sector has grown from a minor industry in 1982 to an industry generating over $33.5 billion in annual revenues in 2013. Driving this growth has been an increase in crane and attachment penetration rates with engineering and construction firms, the result of a fundamental shift in contractor preferences to rent versus purchasing equipment based on the following factors:

- focus on core construction services businesses rather than specialty equipment ownership;
- access to broader pool of equipment through rental; and
- an efficient use of capital as rental equipment has minimal equipment downtime compared to owned equipment, which reduces servicing and storage costs between projects.

The following table summarizes attributes of the types of equipment that we offer for rent:

	Equipment Type	
	Crawler cranes	**Other cranes** (all terrain, rough terrain, tower and boom truck)
Economic life	50 plus years with proper maintenance due to higher strength steel percentage content	15-30 years due to higher relative machinery percentage content
Typical Projects	Large infrastructure components requiring heavy lifts: bridges, power plants, municipal infrastructure	Range from maintenance projects to large infrastructure
End markets	Primarily large infrastructure and industrial	Residential construction to large infrastructure
Residual value	High	Medium

Within the U.S. heavy lifting crane rental (including crawler cranes, rough terrain cranes and tower cranes) sector operators either provide cranes "bare" or "manned." Bare rental involves the provision of cranes without an operator, the crane being operated by an employee of the customer. Bare rental is suited to construction firms with access to trained staff to operate the heavy machinery. Manned rental involves the provision of an operator with the crane and is often suited to customers unable or unwilling to provide an operator of their own and is often more common with customers who perform shorter duration work. Manned rental involves the maintenance of adequate staffing levels to ensure equipment can be rented as required. We generally operate a bare rental model because we believe bare rental offers an opportunity for higher returns on invested capital primarily due to decreased liability exposure and a more efficient operating platform and business model. Bare rental allows us to operate the business with significantly less human resources and costs associated with those resources than if we were to operate a manned operation. The primary disadvantage of renting cranes on a bare basis is that we forego a portion of the rental market associated with construction firms that prefer to rent equipment operated and maintained.

Operations

Equipment Rental Segment We maintain one of the largest fleets of cranes and attachments and other lifting equipment in North America. Equipment is rented to customers under a contract (contracts typically range from four to eighteen months for the majority of our equipment), which specifies a constant monthly rate for each piece of equipment over the period of the contract. Smaller equipment, primarily boom trucks and rough terrain cranes, may be rented on a daily, weekly or monthly basis.

Once we and a potential customer communicate regarding the customer's need for an equipment rental, we confirm that an appropriate piece of equipment is available. We then prepare and deliver a written rental quote to the customer. The customer reviews the quote and, if acceptable, places an order.

Essex Rental's on-line, real time information system provides visibility of the entire rental fleet for the sales team including the cranes' lease information and expected availability. All sales team quote and order activity is also available on the same information system and viewable by appropriate sales, operations, and management personnel.

Upon a review of the order, including a check of the customer's credit and continued equipment availability, an order confirmation and a rental agreement are sent to the customer. Once a signed rental agreement and other required documentation (including insurance certificates) are received, the order is authorized for shipment to the customer. Our operations team sees both the quote and order activity and responds appropriately to confirm the readiness of the required equipment for shipment to the new rental, but does not begin shipping it until the lease is authorized. Once the equipment is delivered to the customer's site, our representative inspects the equipment with the customer and an inspection report is signed verifying that the equipment was correctly delivered in accordance with the lease agreement. The rental period for the equipment typically begins when the first major item begins transport to the customer and the rental generally ends when the last major item is returned to our designated location.

Given the size of our crane and equipment fleet and the various types of cranes and equipment, we sell pieces of used equipment both domestically and internationally to construction or, infrequently, other rental companies. Sales of used rental equipment are discretionary and based on a variety of factors including, but not limited to, a piece of equipment's orderly liquidation value, age, rental yield, perceived demand in the marketplace and impact of a sale on our rental businesses and cash flow.

Although we do have a small number of in-house vehicles to transport some of our smaller cranes, attachments and other equipment to and from project sites, we generally out-source transportation to third party providers, especially for the larger cranes within the fleet. We charge a fee for arranging transportation services from the nearest storage yard with the required equipment to the construction location.

Equipment Distribution Segment We sell various new cranes and other equipment in addition to used cranes and equipment acquired through trade-in programs.

Parts and Service Segment We sell various crane and other equipment parts. We also provide repair and maintenance services to owners of construction equipment. Our contracts have provisions that provide for the customer to assume responsibility to operate and maintain the equipment to manufacturer's specifications throughout the contract period. We may provide maintenance and repair services to customers during the contract rental period and will invoice the customer for any work carried out (to the extent such work is the customer's responsibility). While a piece of equipment is not rented, we are responsible for ensuring that its equipment is compliant with all manufacturers' specifications and other regulations.

Fleet Overview

As of December 31, 2013 , the total orderly liquidation value of the rental equipment fleet was approximately $345.6 million. The weighted average age of each class of equipment (weighted based on orderly liquidation value) and the orderly liquidation value composition of the fleet are as follows:

	Weighted Average Age (Years)	Percentage of Orderly Liquidation Value
Crawler Cranes	16.6	75.2%
Rough Terrain Cranes	3.4	11.5%
Boom Trucks	4.6	4.2%
Self-Erecting Tower Cranes	7.4	1.3%
City & Other Tower Cranes	6.0	7.8%

We measure utilization using the method referred to as the “days” method. Management believes that this method, while it may reflect lower utilization rates than other methods used in the industry, is the most accurate method for measuring equipment utilization and correlates most closely with rental revenue. Under this method, a real time report is generated from the ERP system for each piece of equipment on rent in a period. The report includes the number of days each piece of equipment was on rent on a particular lease and the base monthly rental rate (excluding any overtime revenues). The total number of days on rent of all pieces of rental equipment provides the numerator for determining utilization. The denominator is all rental equipment assets owned times the number of days in the month. The “days” method is the utilization measurement that we currently use, and we anticipate that the “days” method will be the primary basis for future disclosure of utilization rates for our cranes and other construction equipment offered for rent.

The following table provides a summary of utilization rates calculated using the “days” method for the years ended December 31, 2013 , 2012 and 2011 :

	For The Years Ended December 31,		
	2013	2012	2011
Crawler Cranes	45.4%	41.2%	39.8%
Rough Terrain Cranes (1)	55.8%	63.4%	62.0%
Boom Trucks	51.9%	50.5%	54.0%
Self-Erecting Tower Cranes	42.8%	32.4%	24.4%
City and Other Tower Cranes	41.7%	53.4%	40.1%
Forklifts and Other Equipment (2)	n/a	13.5%	39.9%

(1) Includes the impact of a 14.5% increase in the number of units available for rent for the year ended December 31, 2012 as compared to the prior year.

(2) Includes the impact of a 65.4% decrease in the number of units available for rent for the year ended December 31, 2012 as compared to the prior year. The reduction in the number of units available for rent reflects the Company's strategic decision to sell equipment within this asset class that is not part of our core strategy and does not leverage our crane expertise. During the year ended December 31, 2013, the Company sold the remaining equipment within this asset class and its utilization rate is no longer meaningful.

Lattice boom crawler cranes have long useful economic lives, often up to 50 years or more. This is longer than other types of cranes and equipment in the lifting market space. Tower cranes and rough terrain cranes also have relatively long useful economic lives that can range up to 30 years. Our management believes this is due to the relatively high value of the crane’s structural steel (including its boom) as it relates to the total value of the crane. These structural steel items are complex fabrications with high replacement value made from high tensile strength steel. When properly maintained, these components retain their value over the life of the crane with minimal maintenance costs.

At the conclusion of each rental, the rented equipment is thoroughly inspected in accordance with requirements set by the original equipment manufacturer and the Occupational Safety and Health Administration ("OSHA"). If maintenance or repairs are required, they are scheduled and completed prior to the next rental. At the start of the next rental, another inspection is made to ensure that the equipment is in a rent ready condition and compliant with the inspection requirements. We have extensive capabilities to perform major repair and reconditioning of the cranes and attachments. This type of activity is done on an as-needed basis to ensure that the equipment provides a high level of availability (uptime) when on rent.

We currently represent industry leading manufacturers including Broderson, JLG, Little Giant, Lull, Manitex, Mantis, Potain, Sany, Tadano and Terex in many of the western states of the United States, including Alaska and Hawaii, as well as Canada, and have developed strong long-term relationships with them. In addition, we maintain direct relationships with Manitowoc and Liebherr.

Sales and Marketing

Over our operating history, we have expanded our infrastructure of service centers and storage yards to key geographical locations across the United States in order to serve customers in a timely and efficient manner. We significantly expanded our reach into the Western and Northwestern United States, Alaska and Hawaii with the Coast Acquisition. We currently operate approximately 20 service centers and storage yards giving us the ability to service customers throughout North America. We employ a sales and marketing team across the country, each member of which covers a specific geographic region and reports directly to a senior management executive. Rather than segmenting the fleet by geography or salesperson, the fleet is allocated based upon factors such as rental financial return, customer mix and project mix. As such, each salesperson is highly incentivized to optimize the fleet's financial returns and sales mix.

We market our business to potential customers through advertising, promotion, membership in construction trade associations and attendance at various meetings and trade shows. In addition, our web sites are designed with the goal of being very useful to engineers and designers who determine how a construction project will be built, as well as equipment and project managers who are responsible for the selection of the cranes that will be used to complete the project. Essex's management believes that our web sites accomplish this goal by providing more comprehensive information regarding our equipment and the capacities and specifications of that equipment than may be readily available from other sources.

Our sales teams use their extensive relationships with customers and potential users of cranes and other construction equipment to identify potential rental opportunities. This, combined with Essex Crane's and Coast Crane's reputations and brand value, contributes significantly to their sales activity.

In recent years, we have enhanced this traditional method of lead generation with two lead-generation sales systems. We used our lead generation systems to collect information regarding construction activity from a variety of public records, including building permits. This information is then electronically sorted and filtered, using management input to focus on jobs that most likely will require a piece of equipment we offer. This output is sent directly to the sales team who is responsible for the geographic area in which the project will be built. Our management believes that these methods provide a high degree of market visibility and awareness to the sales team and management. Additionally, Customer Relationship Management ("CRM") systems are used to track and manage customer interaction.

We operate a customized rental information management system through which detailed operational and financial information is available on a real time basis. The system is also used to maintain a detailed database of quoting activity for projects on which our equipment will be required. Management and sales personnel use this information to closely monitor business activity by piece of equipment, looking at customer trends and proactively responding to changes in the heavy lift marketplace. Management believes that its disciplined fleet management process, with its focus on project duration and lead time, as well as customer demand, enables us to maximize utilization and rental rates.

Customers and end markets

We serve a variety of customers throughout North America, many of which are large engineering and construction firms focused on large infrastructure and infrastructure-related projects that require significant lifting capacity and high mechanical reliability. For the year ended December 31, 2013, Essex generated approximately 22%, 20%, 18%, 14% and 13% of total revenue from the general building, industrial and marine, transportation and infrastructure, petrochemical and power end markets, respectively. Because of the scale and duration of these projects, rental agreement periods for equipment with heavier lifting capacities range from four to eighteen months. This provides us with better future revenue visibility and project lead generation times than many of our competitors. Our revenue generation model has been significantly expanded to lower lifting capacity cranes and other construction equipment that is commonly rented for shorter periods of time and generally serve residential and smaller commercial construction projects. We generated approximately $9.1 million , $10.1 million and $4.9 million of our total revenue from foreign countries for the years ended December 31, 2013, 2012 and 2011, respectively, which were primarily generated in Canada.

Our end-markets incorporate construction and repair and maintenance projects in the following key sub-sectors:

- industrial /marine – offshore facilities, marine facilities and other industrial facilities;
- power – power plants, cogeneration power and wind power;

- transportation and infrastructure – airports, port facilities, bridges, roads, levees and canals;
- petrochemicals – offshore platforms, refineries, petrochemical plants and pipelines;
- sewer and water – sewers, treatment plants and pumping plants; and
- general building - sports arenas, hospitals, commercial and residential.

Many of the market sectors we serve have been adversely affected by the weakening economy and difficult commercial credit environment. Management believes that, in the long-term, our strong niche market position and improvements in our fleet due to investment in new cranes combined with the diversification in our overall fleet of rental equipment and the addition of new lines of business, such as retail equipment and spare parts sales achieved by the Coast Acquisition will provide opportunities for future growth. Management bases such belief on the assumption that, in the long-term, there will be improvements in our customers' ability to obtain financing, including credit, for infrastructure projects. We cannot assure you that our customers' access to financing for infrastructure projects, including credit, will improve.

Results for the years 2009 through 2011 were significantly lower than historical results and were negatively impacted by uncertainty in the end markets in which our customers operate caused by declining economic conditions and available credit. Utilization rates and average rental rates declined during the same period and were also well below historical levels. During 2012 and 2013, utilization and rental rates stabilized for all classes of our rental equipment assets. As of December 31, 2013 and 2012, our estimated 12 month backlog related to rental revenue and equipment sales revenue stood at approximately $15.8 million and $12.8 million , respectively. Rental backlog is comprised of the expected revenue over the course of the succeeding 12 months for 1) the remaining minimum term, as per executed equipment rental agreements with customers of ongoing equipment rental agreements at year-end and 2) executed equipment rental agreements scheduled to begin within the next 12 months. Equipment sales backlog is comprised of expected revenue related to signed equipment sales orders received prior to year-end and expected to be completed in the succeeding 12 months.

Strategy

Our management anticipates that the following longer-term market trends will increase demand for cranes, attachments and other construction equipment in the future and over longer periods:

- increased levels of infrastructure spending, including the construction of major bridges, airports and water treatment facilities;
- increased demand for electric power will require construction of additional power plants, potentially including nuclear and natural gas power plants;
- continued higher energy costs will increase construction activity to improve and expand efficiencies and capacities at refineries, offshore production suppliers, and petrochemical facilities;
- increased environmental awareness will increase demand for construction of alternative energy sources such as wind and solar power, and clean air requirements including SO2 scrubbers and ash precipitators;
- continued tendency for contractors to rent lattice boom crawler cranes, rough terrain cranes, tower cranes and boom trucks rather than own their own equipment; and
- modular construction methods, including pre-fabrication, which generally require greater use of cranes, will continue to increase because of potential cost savings and site efficiencies.

Increase market share and pursue profitable growth opportunities. Through our fleet size, geographically dispersed service centers and storage yards, which allow us to provide equipment for projects throughout the United States, Canada and, to a lesser extent, certain international locations, and track record of customer service, we intend to take advantage of these trends in order to maximize the opportunities for profitable growth within the North American "bare" crane rental and construction equipment rental market by:

- optimizing fleet allocation across geographic regions, customers and end-markets to maximize utilization and rental rates;
- focusing on superior customer service and providing a superior fleet of cranes and attachments as compared to our competitors;
- leveraging our leading fleet size and composition across the country to increase our customer base and share of its existing customer base's spending in the sector;
- expanding our rental products by offering other crane types that can be rented "bare";

- increase our opportunities to engage with customers through distribution sales of new and used cranes and parts and service;
- continuing to align incentives for local sales people and managers with both profit and growth targets;
- pursuing additional selected acquisitions of other smaller, more regionally focused crane rental fleets or companies complementary to existing operations;
- expanding used equipment sales by positioning used cranes for refurbishment and re-sale; and
- establishing and maintaining existing relationships with international market players and crane manufacturers for future equipment purchase and sale opportunities.

Further drive profitability, cash flow and return on capital . Our management believes there are significant opportunities to further increase the profitability of our operations by:

- continuing to re-position the crawler crane fleet by selling older, lighter tonnage cranes and purchasing newer, heavier lifting capacity cranes that command higher margins and are in greater demand due to their ability to service large infrastructure-related projects;
- actively managing the quality, reliability and availability of our fleet and offering superior customer service in order to support a competitive pricing strategy;
- evaluating each new potential rental contract opportunity based on strict return guidelines, effective assessment of risk and allocating our fleet accordingly;
- using our size and national market presence to achieve economies of scale in capital investment; and
- leveraging our extensive customer relationships to aid in the rental of equipment and selling of new and used equipment.

Competition

The heavy lift equipment rental industry is highly fragmented throughout North America, with a variety of smaller companies, many of which are family-owned, operating on a regional or local scale. Companies that have a national focus generally provide heavy lift rental services across a spectrum of crane types such as all-terrain, truck and tower cranes as well as crawlers. With a large fleet of cranes and other construction equipment and unparalleled customer service and support, Essex supplies a wide variety of innovative lifting solutions for construction projects related to power generation, petro-chemical, refineries, water treatment and purification, bridges, highways, hospitals, shipbuilding, offshore oil fabrication and industrial plants, and commercial and residential construction. Our fleet of equipment is one of the largest in North America, which allows for economies of scale advantages with regard to purchasing power and allocation of rental equipment resources to the market. At the same time, our operational structure allows our subsidiaries to focus on specific crane types (lattice-boom crawler cranes in the case of Essex Crane and heavy lift tower and rough terrain cranes in the case of Coast Crane), which allows them to develop greater expertise in comparison to our competitors. Our principal competitors include ALL Erection & Crane Rental, AmQuip Crane Corp., Bigge Crane and Rigging, Co., Lampson International, Maxim Crane Works, Morrow Equipment Rental and Western Pacific Crane and Equipment. Some of these competitors operate nationally and others are regional.

We believe that there are six key factors differentiating us from our competitors:

- heavy lift equipment focus – We are primarily focused on heavy lift mobile and tower cranes dedicated to infrastructure and other large construction projects. Other companies also focus on other crane types with lower lift capacities and smaller types of construction rental equipment;
- national capabilities – some competitors offer national service capabilities, however most are regional players. Our management believes that a national presence provides the ability to fully service engineering and construction firms with a similar national footprint;
- “bare” rental – we do not rent our equipment with an operator. While some other rental companies also rent equipment bare, generally equipment is rented with an operator. Renting equipment on a bare rental basis minimizes liability for the Company, and provides a more efficient operating platform and business model;
- our distribution business at Coast Crane provides the opportunity to provide product support for contractor owned cranes, which may lead to the opportunity to either sell or rent them additional cranes in the future;
- outsourced transport – unlike many of our competitors, we do not operate an in-house transport department. In

management's view, this allows us to focus on core competencies and removes the need for capital investment in truck fleets and associated infrastructure; and

- publicly traded company listed on the NASDAQ Capital Market with access to public capital to fund our growth.

Competition in the heavy lift equipment rental segment is strong and is defined by equipment availability, reliability, service and price. Our management believes that our extensive crane and attachment fleet, national presence and sales force, client relationships and equipment allocation and management systems provide us with a good scale and competitive positioning within the industry relative to our peers.

Risk of Loss and Insurance

The operation of our cranes includes risks such as mechanical and structural failures, physical damage, property damage, operator overload or error, equipment loss, or business interruptions. We primarily rent our cranes and attachments on a "bare" lease and rarely supply the operator and seldom perform the routine scheduled maintenance on the equipment during the rental. We require the lessee to supply a primary insurance policy covering the loss of the equipment and general liability for claims initiated by an accident, storm, fire or theft for rental agreements while the equipment is in the customer's possession, custody and control. We also require that Essex be named as an additional insured and the loss payee on the lessee's insurance policy. Our lease agreement also requires the lessee to indemnify us for any injury, damage and business interruption caused by using the crane or the attachment while it is being leased. We maintain secondary insurance coverage for any claim not covered by the lessee's insurance, however, we cannot guarantee that our insurance or the insurance of our customers will cover all claims or risks or that any specific claim will be paid by an insurer.

Government Regulation

Federal, state and local authorities subject our facilities and operations to requirements relating to environmental protection, occupational safety and health and many other subjects. These requirements, which can be expected to change and expand in the future, impose significant capital and operating costs on our business.

The environmental laws and regulations govern, among other things, the discharge of substances into the air, water and land, the handling, storage, use and disposal of hazardous materials and wastes and the cleanup of properties affected by pollutants. Environmental laws also impose obligations and liability for the investigation and cleanup of properties affected by hazardous substance spills or releases. We can be subject to liability for the disposal of substances which we generate and for substances disposed of on property which we own or operate, even if such disposal occurred before our ownership or occupancy. Accordingly, we may become liable, either contractually or by operation of law, for investigation, remediation and monitoring costs even if the contaminated property is not presently owned or operated by us, or if the contamination was caused by third parties during or prior to our ownership or operation of the property. In addition, because environmental laws frequently impose joint and several liability on all responsible parties, we may be held liable for more than our proportionate share of environmental investigation and cleanup costs. Contamination and exposure to hazardous substances can also result in claims for damages, including personal injury, property damage, and natural resources damage claims. Some of our properties contain, or previously contained, above-ground or underground storage tanks and/or oil-water separators. Given the nature of our operations (which involve the use and disposal of petroleum products, solvents and other hazardous substances for fueling and maintaining our cranes, attachments, equipment and vehicles) and the historical operations at some of our properties, we may incur material costs associated with soil or groundwater contamination. Under environmental and safety laws, we may be liable for, among other things, (i) the costs of investigating and remediating contamination at our sites as well as sites to which we sent hazardous wastes for disposal or treatment regardless of fault and (ii) fines and penalties for non-compliance. We incur ongoing expenses associated with the performance of appropriate investigation and remediation activities at certain of our locations.

Our operations are also subject to federal, state and local laws and regulations pertaining to occupational safety and health, most notably standards promulgated by OSHA. We are subject to various OSHA regulations that primarily deal with maintaining a safe work-place environment. OSHA regulations require us, among other things, to maintain documentation of work-related injuries, illnesses and fatalities and files for recordable events, complete workers compensation loss reports and review the status of outstanding worker compensation claims, and complete certain annual filings and postings. We may be involved from time to time in administrative and judicial proceedings and investigation with these governmental agencies, including inspections and audits by the applicable agencies related to our compliance with these requirements. During 2013 and 2012, we did not incur material expenses related to environmental investigations or remediation activities, and management does not expect to incur such expenses in the near term. There can be no assurance, however, that we will not incur such expenditures in the future.

Climate Change

To the extent that climate change does occur, we may experience extreme weather and changes in precipitation and temperature, all of which may result in physical damage or a decrease in demand for rental equipment located in or potentially rented in those areas affected by these conditions. Should the impact of climate change be material in nature, including destruction of our rental equipment assets or property, plant and equipment, or occur for lengthy periods of time, our financial condition or results of operations may be adversely affected.

In addition, developments in federal and state legislation and regulation on climate change could result in increased capital expenditures to improve the energy efficiency of our rental equipment without a corresponding increase in revenue.

Customers

Our customer base is highly diversified and ranges from Fortune 500 companies to small businesses. Our largest customer accounted for less than 10% of our revenues in 2013 and our top 5 customers accounted for less than 13% of our revenues in 2013.

Our customer base varies by branch and is determined by several factors, including the equipment mix and marketing focus of the particular branch as well as the business composition of the local economy. Our customers include:

- construction companies that use equipment for constructing and renovating commercial buildings, warehouses, industrial and manufacturing plants, office parks, airports, residential developments and other facilities;
- industrial companies - such as manufacturers, refineries, chemical companies, paper mills, railroads, ship builders, off-shore fabricators and utilities, including wind farms - that use equipment for plant maintenance, upgrades, expansion and construction;
- municipalities that require equipment for a variety of purposes; and
- contractors performing repair and maintenance to major renovation projects for owners of commercial and industrial facilities, such as power companies.

Suppliers

Our strategic approach with respect to our suppliers is to maintain the minimum number of suppliers per category of equipment that can satisfy our anticipated volume, location and business requirements. This approach is designed to ensure the terms we negotiate are competitive and that there is sufficient product available to meet anticipated customer demand. We utilize a comprehensive selection process to determine our equipment vendors. We consider product capabilities and industry position, product liability history and financial strength.

We have been making ongoing efforts to consolidate our vendor base in order to further increase our purchasing power. We estimate that our largest supplier accounted for approximately 12% of our 2013 total purchases, including equipment for rental, and that our two largest suppliers accounted for approximately 18% of such purchases. We believe we have sufficient alternative sources of supply available for each of our equipment categories.

Seasonality

Although our business is not significantly impacted by seasonality, the demand for our rental equipment tends to be lower during the winter months. The level of equipment rental activities are directly related to commercial, residential and industrial construction and maintenance activities. Therefore, equipment rental performance will be correlated to the levels of current construction activities in the United States and Western Canada. The severity of weather conditions can have a temporary impact on the level of construction activities. Equipment sales cycles are subject to some seasonality with the peak selling period during the spring season and extending through summer. Parts and service activities are less affected by changes in demand caused by seasonality.

Employees

As of December 31, 2013, we had 236 employees, eight of which are senior management. Four members of our staff are affiliated with trade unions. We have not experienced any work stoppage as a result of issues with labor or with unions and believe that this fact is a testament to our relationship with our employees. To our knowledge, there is no current campaign by any union to organize additional employees of Essex.

Availability of Information

The Company is subject to the informational requirements of the Securities Exchange Act of 1934 (the “Exchange Act”). The Company therefore files periodic reports, proxy statements and other information with the Securities and Exchange Commission (the “SEC”). Such reports may be obtained by visiting the Public Reference Room of the SEC at 100 F Street, NE, Washington, D.C. 20549, or by calling the SEC at (800) SEC-0330. In addition, the SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information. Financial and other information can also be accessed on the Investor Relations section of the Company’s website at http://www.essexrentalcorp.com. The Company makes available through its website, free of charge, copies of its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15 (d) of the Exchange Act as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the SEC. Also posted on the Company's website are the Company’s corporate governance documents, the charters of the Audit Committee, Nominating Committee and Compensation Committee. The reference to our website is textual in reference only, and information on the Company’s website is not incorporated into this Form 10-K or the Company’s other securities filings and is not a part of them.

Item 1A. Risk Factors

Our business may be adversely affected by changing economic conditions beyond our control, including decreases in construction or industrial activities.

The crane and equipment rental and distribution industry’s revenue is closely tied to conditions in the end markets in which our customers operate and more broadly to general economic conditions. Our products are used primarily in infrastructure-related projects and other construction projects in a variety of industries (including the power, transportation infrastructure, petrochemical, municipal construction and industrial and marine industries). Consequently, the economic downturn and particularly the weakness in our end markets may lead to a significant decrease in demand for our equipment or depress equipment rental and utilization rates and the sales prices for equipment we sell. During periods of expansion in our respective end markets, we generally have benefited from increased demand for our products. Conversely, during recessionary periods in our end markets, we have been adversely affected by reduced demand for our products. Weakness in our end markets, such as a decline in non-residential construction, infrastructure projects or industrial activity, may in the future lead to a decrease in the demand for our equipment or the rental rates or prices we can charge. Factors that may cause weakness in our end markets include but are not limited to:

- slowdowns in construction in the geographic regions in which we operate;
- reductions in residential and commercial building construction;
- reductions in corporate spending for plants, factories and other facilities; and
- reductions in government spending on highways and other infrastructure projects.

Future declines in construction, infrastructure projects and industrial activity could adversely affect our operating results by decreasing revenues and profit margins. Continued weakness or further deterioration in the construction and industrial sectors caused by these or other factors could have a material adverse effect on our financial position, results of operations and cash flows in the future and may also have a material adverse effect on residual values realized on the disposition of our rental fleet. Declines in our order backlog should be considered as an indication of a decline in the strength of the non-residential construction markets.

Fluctuations in the stock market, as well as general economic and market conditions, may impact the market price of our securities.

The market price of our securities has been and may be subject to significant fluctuations in response to general economic changes and other factors including, but not limited to:

- variations in our quarterly operating results or results that vary from investor expectations;
- changes in the strategy and actions taken by our competitors, including pricing changes;
- securities analysts’ elections to not cover our common stock, or, if analysts do elect to cover our common stock, changes in financial estimates by analysts, or a downgrade of our common stock or of our sector by analysts;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- loss of a large supplier;

- investor perceptions of us and the equipment rental and distribution industry;
- our ability to successfully integrate acquisitions and consolidations; and
- national or regional catastrophes or circumstances and natural disasters, hostilities and acts of terrorism.

Broad market and industry factors may materially reduce the market price of our securities, regardless of our operating performance. In addition, the stock market in recent years has experienced price and volume fluctuations that often have been unrelated or disproportionate to the operating performance of companies. These fluctuations, as well as general economic and market conditions, including to those listed above and others, may affect the market price of our securities.

We are dependent upon key personnel whose loss may adversely impact our business and our results of operations.

We depend on the expertise, experience and continued services of our senior management employees, especially Nick Matthews, our President and Chief Executive Officer, and Kory Glen, our Chief Financial Officer, as well as senior management employees of our operating subsidiaries. Mr. Matthews has acquired specialized knowledge and skills with respect to our and our subsidiaries' operations and most decisions concerning our business are made or significantly influenced by him. The loss of any of the foregoing individuals or other senior management employees, without a proper succession plan, or an inability to attract or retain other key individuals, could materially adversely affect us. We seek to compensate and incentivize our key executives, as well as other employees, through competitive salaries and bonus plans, but there can be no assurance that these programs will allow us to retain key employees or hire new key employees. As a result, if Messrs. Matthews or Glen, or other senior executives of our operating subsidiaries were to leave, we could face substantial difficulty in hiring qualified successors and could experience a loss in productivity while any such successors obtain the necessary training and experience. In connection with the acquisition of Essex Crane, we entered into three-year employment agreements with William Erwin and William O'Rourke, two members of Essex Crane's senior management. Each such employment agreement has been renewed and extended in accordance with its terms, and will be renewed and extended automatically for successive one year periods, unless either party to the applicable employment agreement provides ninety days advance notice that such extension will not take effect at the end of the then-applicable term. These contracts are scheduled to expire in October 2014, subject to the renewal provisions contained therein. As of the date of this filing, we have not entered into employment agreements with any other members of senior management. On November 11, 2013, Ron Schad, our former President and Chief Executive Officer resigned from the Company. Mr. Schad will continue to serve in an advisory role as we transition to our new Chief Executive Officer. Mr. Schad will also continue to serve on Essex's Board of Directors through his current term. In conjunction with Mr. Schad's resignation, his employment agreement was terminated and Mr. Schad and the Company entered into an Employment Separation Agreement and Release.

Our dependence on a small number of crane manufacturers poses a significant risk to our business and prospects.

Our lattice boom crawler crane fleet has historically been comprised of only Manitowoc and Liebherr cranes. Similarly, our rough terrain, boom truck and tower crane fleet of cranes available for rent has been comprised primarily of cranes provided by Grove, Tadano, Sany, Terex, Manitex, National and Potain. In addition, we serve as a distributor of Broderson, JLG, Little Giant, Lull, Manitex, Mantis, Potain, Sany, Tadano and Terex lifting equipment. Our distribution business depends upon our exclusive dealer partnerships with leading crane and equipment manufacturing companies and many of such relationships can typically be terminated on short notice. Given our reliance on a limited number of manufacturers for a majority of our rental fleet and distribution activities, and limited alternative sources of cranes, if any of these manufacturers were unable to meet expected manufacturing timeframes due to, for example, natural disasters or labor strikes, we may experience a significant increase in lead times to acquire new equipment or may be unable to acquire such equipment at all. Any inability to acquire the model types or quantities of new equipment on a timely basis to replace older, less utilized equipment could adversely impact our future financial condition or results of operations.

In addition, we have developed strong relationships with the manufacturers that provide our rental equipment, manufacturers that we represent as a distributor and our other strategic partners. There can be no assurance that we will be able to maintain our relationships with these suppliers. Termination of our relationships with these suppliers could materially and adversely affect our business, financial condition or results of operations if such termination resulted in our being unable to obtain adequate rental and sales equipment from other sources in a timely manner or at all.

The cost of new equipment we use in our rental fleet may increase, which may cause us to spend significantly more for replacement equipment, and in some cases we may not be able to procure equipment at all due to supplier constraints.

Our business model is capital intensive and requires significant ongoing investment in new cranes and equipment to meet customer demand. As a result, our financial condition and results of operations may be significantly impacted by a material change in the pricing of new cranes and equipment that we acquire. Such changes may be driven by a number of factors which include, but are not limited to:

- steel prices – due to the high tensile steel component of the cranes, significant changes in the price of steel can materially change the cost of acquiring a crane;
- global demand – the market for crawler cranes is global and significant growth in overseas demand for cranes could materially increase the cost of new cranes regardless of U.S. economic conditions;
- inflation – overall inflationary conditions in the U.S. may impact the operating costs of one of our key suppliers and therefore impact the cost of cranes or other lifting equipment that we acquire; and
- currency fluctuations – as two of our principal suppliers are based in Europe and Japan, devaluation of the U.S. dollar (as compared to the Euro or the Yen) may materially increase the cost of acquiring cranes and attachments; conversely, inflation of the value of the U.S. dollar may adversely affect our revenues from international sales of used cranes and attachments and adversely affect our revenues from sales of new and used cranes, spare parts and related equipment to the extent that inflation allows foreign suppliers to offer competing products on more attractive terms.

While we can manage the size and aging of our fleet generally over time, eventually we must replace older equipment in our fleet with newer models. We would be adversely impacted if we were unable to procure cranes to allow us to replace our older and, in the case of our lattice boom crawler crane assets, smaller capacity crawler cranes over time as anticipated.

If we are unable to obtain additional capital as required, we may be unable to fund the capital outlays required for the success of our business, including those relating to purchasing equipment and to acquiring new rental locations.

Our ability to compete, sustain our growth and expand our operations through new locations largely depends on access to capital. If the cash we generate from the operations of Essex Crane and Coast Crane, together with cash on hand and cash that we may borrow under their respective credit facilities, or short-term debt obtained by either Essex Crane, Essex Finance or Coast Crane is not sufficient to implement our growth strategy and meet our capital needs, we will require additional financing. However, we may not succeed in obtaining additional financing on terms that are satisfactory to us or at all. In addition, our ability to obtain additional financing collateralized by the assets of Essex Crane and Coast Crane and our ability to obtain additional financing on a secured or unsecured basis are restricted by Essex Crane's and Coast Crane's respective credit facilities. If we are unable to obtain sufficient additional capital in the future, we may be unable to fund the capital outlays required for the success of our business, including those relating to purchasing crane attachments and other lifting equipment and to new service locations or storage yards. Furthermore, any additional indebtedness that we do incur may make us more vulnerable to economic downturns and may limit our ability to withstand competitive pressures.

If we are successful in our efforts to expand our operations, through new locations, acquisitions or additional equipment, such expansion may result in risks and costs associated with business start-up and integration.

The opening of new service locations or storage yards or the completion of any future acquisitions of other equipment rental companies may result in significant start-up or transaction expenses and risks associated with entering new markets in which we have limited or no experience. New service locations and storage yards require significant up-front capital expenditures and may require a significant investment of our management's time to successfully commence operations. New locations may also require a significant amount of time to provide an adequate return on capital invested, if any. In addition, in the event that we were to acquire different types of cranes, attachments or other lifting equipment than those we currently rent, or different classes of rental equipment, there can be no assurance that our customers would choose to rent such items from us or would do so at such rates or on such terms, that would be acceptable to us.

Our ability to realize the expected benefits from prior or future acquisitions of other equipment rental companies depends in large part on our ability to integrate and consolidate the new operations with our existing operations in a timely and effective manner and to otherwise implement our business plan for the combined business. In addition, we may fail or be unable to discover certain liabilities of any acquired business, including liabilities relating to noncompliance with environmental and occupational health and safety laws and regulations. Any significant diversion of management's attention from our existing operations, the loss of key employees or customers of any acquired business, or any major difficulties encountered in opening new locations or integrating new operations, including, but not limited to those arising from inconsistencies in controls, procedures or company policies, could have an adverse effect on our business, financial condition or results of operations.

The equipment rental, distribution and repair service industries are competitive.

The equipment rental and distribution industries are highly fragmented. The crane rental industry is served by companies who focus almost exclusively on crane and lifting equipment rental. We compete directly with regional, and local crane rental companies and a limited number of national crane rental companies (including ALL Erection & Crane Rental, AmQuip Crane Corp., Bigge Crane and Rigging, Co., Lampson International, Maxim Crane Works, Morrow Equipment Rental and Western Pacific Crane and Equipment). There can be no assurance that we will not encounter increased competition from existing competitors or new market entrants (including a newly-formed competitor created by consolidating several existing regional competitors) that may be significantly larger and have greater financial and marketing resources.

Our management believes that rental rates, fleet availability and size and quality are the primary competitive factors in the crane rental industry. Our management also believes that price, equipment mix and the quality and availability of post-sale repair and spare part services are the primary competitive factors in the crane distribution industry. From time to time, we or our competitors may attempt to compete aggressively by lowering rental rates or prices or offering more favorable rental or sale terms. Competitive pressures could adversely affect our revenues and operating results by decreasing our market share or depressing the rental rates or sale prices for our equipment. To the extent we lower rental rates or sale prices, offer different rental or sale terms or increase our fleet in order to retain or increase market share, our operating margins would be adversely impacted.

Our status as a public company may be a competitive disadvantage.

We are and will continue to be subject to the disclosure and reporting requirements of applicable U.S. securities laws and rules promulgated by The NASDAQ Stock Market. Many of our principal competitors are not subject to these disclosure and reporting requirements or the NASDAQ rules. As a result, we may be required to disclose certain information and expend funds on disclosure and financial and other controls that may put us at a competitive disadvantage to our principal competitors.

We may encounter substantial competition in our efforts to expand our operations.

An element of our growth strategy is to continue to expand by opening new service centers and equipment storage yards. The success of our growth strategy depends in part on identifying sites for new locations at attractive prices. Zoning restrictions may in the future prevent us from being able to open new service centers or storage yards at sites we have identified. We may also encounter substantial competition in our efforts to acquire other crane rental companies, which may limit the number of acquisition opportunities and lead to higher acquisition costs.

The crane rental industry has inherent operational risks that may not be adequately covered by our insurance.

We may not be adequately insured against all risks and there can be no assurance that our insurers will pay a particular claim. Even if our insurance coverage is adequate to cover our losses, we may not be able to timely obtain a replacement crane in the event of a loss. Furthermore, in the future, we may not be able to obtain adequate insurance coverage at reasonable rates for our fleet. Our insurance policies will also contain deductibles, limitations and exclusions which, although management believes are standard in the heavy lift crane rental industry, may nevertheless increase our costs. Moreover, certain accidents or other occurrences may result in intangible damages (such as damage to our reputation) for which insurance may not provide an adequate remedy.

We may not be able to renew our insurance coverage on terms favorable to us that could lead to increased costs in the event of future claims.

When our current insurance policies expire, we may be unable to renew such coverage upon terms acceptable to us, if at all. If we are able to renew our coverage we expect that the premium rates and deductibles may increase as a result of general rate increases for this type of insurance as well as our historical claims experience and that of our competitors in the industry. If we cannot obtain insurance coverage, it could adversely affect our business by increasing our costs with respect to any claims. Additionally, existing or future claims may exceed the level of our present insurance, and our insurance may not continue to be available on economically reasonable or desirable terms, if at all.

We may not be able to generate sufficient cash flows to meet our debt service obligations.

Our ability to make payments on our indebtedness will depend on our ability to generate cash from future operations. As of December 31, 2013, Essex Crane had a revolving credit facility which provided for an aggregate borrowing capacity of $170.1 million , of which $148.1 million was outstanding, and Coast Crane had a revolving credit facility which provided for an aggregate borrowing capacity of $75.0 million, of which $55.8 million was outstanding. Each facility is secured by a first priority lien on all of the applicable borrower's assets and, in the event of default; the lenders generally would be entitled to seize the collateral. We also have approximately $6.6 million of other term debt, $3.7 million of which is unsecured while the remaining amount is secured by specific equipment.

The maximum commitment under the Essex Crane Revolving Credit Facility may not exceed $165.0 million , $150.0

million and $130.0 million beginning on March 31, 2014 , March 31, 2015 and February 28, 2016 , respectively, and the Company is required to have availability in excess of 10% of the outstanding commitment. The Company may use the proceeds from crawler crane assets sales, including proceeds from the sealed bid auction scheduled to take place on March 18, 2014, cash flows generated by operations or other financing sources to help meet the commitment reduction.

In the event of a prolonged economic downturn, our business may not generate sufficient cash flow from operations or from other sources to enable it to repay its indebtedness and to fund its other liquidity needs, including capital expenditure requirements and may not be able to refinance any of its indebtedness on commercially reasonable terms, or at all. If we cannot service or refinance our indebtedness, we may have to take actions such as asset divestitures, seeking additional equity or reducing or delaying capital expenditures, any of which could have an adverse effect on our operations. Additionally, we may not be able to effect such actions, if necessary, on commercially reasonable terms, or at all.

In the event we or any of our subsidiaries incur further debt obligations in relation to acquisitions, or for any other purpose, the exposure to the risks outlined above will increase accordingly.

Decreases in the appraised value of our rental fleet and other assets securing our revolving credit facilities may result in an inability to meet our financial obligations.

The amounts available for borrowing under our revolving credit facilities are determined based on the value of assets securing those obligations, including rental equipment, company vehicles, parts and equipment inventories and accounts receivables. The value of rental equipment and company vehicles are determined based on the opinion of an independent appraisal firm engaged by the respective financial institutions. A decline in the appraised value of these assets would directly impact our liquidity and as a result, we may not be able to meet our financial obligations.

Our revolving credit facilities contain restrictive covenants that will limit our corporate activities.

The revolving credit facilities of Essex Crane and Coast Crane impose operating and financial restrictions that will limit, among other things, their ability to:

- create additional liens on their assets;
- make investments and capital expenditures above a certain threshold;
- incur additional indebtedness;
- engage in mergers or acquisitions;
- pay dividends or redeem outstanding capital stock;
- sell any of their respective cranes or any other assets outside the ordinary course of business; and
- change their respective businesses.

Essex Crane and Coast Crane will need to seek permission from their respective lenders in order for Essex Crane or Coast Crane, as applicable, to engage in some corporate actions. Essex Crane's and Coast Crane's lender's interests may be different from those of Essex Crane or Coast Crane, and no assurance can be given that Essex Crane or Coast Crane will be able to obtain their lender's permission when needed. This may prevent Essex Crane or Coast Crane from taking certain actions that are in their best interests.

During the year ended December 31, 2013, the Company initiated the process of placing certain crawler crane rental equipment assets into a sealed bid auction, which differs from an absolute auction in that the seller has the right to approve any sales. Certain provisions within the Essex Crane Revolving Credit Facility limit the Company's ability to sell any individual rental equipment asset, or any group of assets in any six month period, for amounts below a certain percentage of orderly liquidation value. Any sale of assets at the option of the Company for values below these thresholds would be dependent upon receiving a waiver from the Essex Crane Revolving Credit Facility lenders, which is not assured.

We depend on our subsidiaries for dividends, distributions and other payments.

Essex Rental Corp. is a holding company with no material assets other than the equity of its subsidiaries. We conduct all of our material operations through our subsidiaries. As a result, we rely on dividends and distributions to us from our subsidiaries, Essex Crane, Coast Crane and Holdings. Our subsidiaries may not generate sufficient earnings or cash flows to make distributions or pay dividends to us. In addition, Essex Crane's and Coast Crane's existing credit facilities limit Essex Crane's, Coast Crane's and Holdings' ability to declare and pay dividends or make distributions on account of their capital stock and membership interests, and any debt instruments that the Company or its subsidiaries may enter into in the future may limit our subsidiaries' ability to pay dividends to us and our ability to pay dividends to our stockholders. In the event that we do not receive distributions or dividends from our subsidiaries, we may be unable to meet our financial obligations or pay dividends to our stockholders in the future.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud and our stock price may be adversely affected.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. If we cannot provide reliable financial reports or prevent fraud, our operating results could be harmed. Any system of internal control over financial reporting, regardless of how well designed, operated and evaluated, can provide only reasonable, not absolute, assurance that its objectives will be met. Therefore, we cannot assure you that in the future material weaknesses or significant deficiencies will not exist or otherwise be discovered. Any weaknesses or deficiencies could result in misstatements of our results of operations, restatements of our consolidated financial statements, a decline in our stock price and investor confidence, or other material effects on our business, reputation, results of operations, financial condition or liquidity.

We are subject to numerous environmental laws and regulations that may result in us incurring unanticipated liabilities, which could have an adverse effect on our operating performance.

Federal, state and local authorities subject our facilities and operations to requirements relating to environmental protection. These requirements can be expected to change and expand in the future, and may impose significant capital and operating costs on our business.

Environmental laws and regulations govern, among other things, the discharge of substances into the air, water and land, the handling, storage, use and disposal of hazardous materials and wastes and the cleanup of properties affected by pollutants. If the Company violates environmental laws or regulations, it may be required to implement corrective actions and could be subject to civil or criminal fines or penalties. There can be no assurance that the Company will not have to make significant capital expenditures in the future in order to remain in compliance with applicable laws and regulations or that the company will comply with applicable environmental laws at all times. Such violations or liability could have an adverse effect on our business, financial condition and results of operations. Environmental laws also impose obligations and liability for the investigation and cleanup of properties affected by hazardous substance spills or releases. The Company can be subject to liability for the disposal of substances which it generates and for substances disposed of on property which it owns or operates, even if such disposal occurred before its ownership or occupancy. Accordingly, the Company may become liable, either contractually or by operation of law, for investigation, remediation and monitoring costs even if the contaminated property is not presently owned or operated by the Company, or if the contamination was caused by third parties during or prior to the Company's ownership or operation of the property. In addition, because environmental laws frequently impose joint and several liability on all responsible parties, the Company may be held liable for more than its proportionate share of environmental investigation and cleanup costs. Contamination and exposure to hazardous substances can also result in claims for damages, including personal injury, property damage, and natural resources damage claims. Some of the properties contain, or previously contained, above-ground or underground storage tanks and/or oil-water separators. Given the nature of the operations of the Company (which involve the use and disposal of petroleum products, solvents and other hazardous substances for fueling and maintaining its cranes, attachments and vehicles) and the historical operations at some of its properties, the Company may incur material costs associated with soil or groundwater contamination. Future events, such as changes in existing laws or policies or their enforcement, or the discovery of currently unknown contamination, may give rise to remediation liabilities or other claims that may be material.

Environmental requirements may become stricter or be interpreted and applied more strictly in the future. In addition, the Company may be required to indemnify other parties for adverse environmental conditions that are now unknown to us. These future changes or interpretations, or the indemnification for such adverse environmental conditions, could result in environmental compliance or remediation costs not anticipated by us, which could have a material adverse effect on our business, financial condition or results of operations.

We are subject to numerous occupational health and safety laws and regulations that may result in us incurring unanticipated liabilities, which could have an adverse effect on our operating performance.

Our operations are subject to federal, state and local laws and regulations pertaining to occupational safety and health, most notably standards promulgated by the Occupational Safety and Health Administration, or OSHA. We are subject to various OSHA regulations that primarily deal with maintaining a safe work-place environment. OSHA regulations require us, among other things, to maintain documentation of work-related injuries, illnesses and fatalities and files for recordable events, complete workers compensation loss reports and review the status of outstanding worker compensation claims, and complete certain annual filings and postings. We may be involved from time to time in administrative and judicial proceedings and investigation with these governmental agencies, including inspections and audits by the applicable agencies related to its compliance with these requirements.

To date, compliance by the Company with these and other applicable safety regulations has not had a material effect on our results of operations or financial condition. However, the failure of the Company to comply with these and other applicable requirements in the future could result in fines and penalties and require us to undertake certain remedial actions or be subject to a suspension of business, which, if significant, could materially adversely affect our business or results of operations. Moreover, the involvement by the Company in any audits and investigations or other proceedings could result in substantial financial cost to us and divert our management's attention. Several recent highly-publicized accidents involving cranes (none of which involved cranes or attachments provided by the company) could result in more stringent enforcement of work-place safety regulations, especially with respect to companies which rent older cranes and attachments. Additionally, future events, such as changes in existing laws and regulations, new laws or regulations or the discovery of conditions not currently known to us, may give rise to additional compliance or remedial costs that could be material.

Safety requirements may become stricter or be interpreted and applied more strictly in the future. These future changes or interpretations could have a material adverse effect on our business, financial condition or results of operations.

There are a substantial number of shares of our common stock available for resale in the future that may cause a decrease in the market price of our common stock.

We filed a registration statement under the Securities Act of 1933, as amended, with respect to the resale of 10,695,363 shares by the selling stockholders identified therein, which was declared effective on February 10, 2011. In accordance with applicable registration rights agreements, we are required to maintain the effectiveness of such registration statement until all of the shares registered for resale thereby have been sold or are otherwise eligible for trading in the open market. In addition, we have registered 1,575,000 and 1,500,000 shares previously issued or reserved for future issuance under our 2008 Long-Term Incentive Plan and 2011 Long-Term Incentive Plan, respectively. Accordingly, subject to the satisfaction of applicable vesting or exercise periods, common stock registered under such registration statements will be available for resale in the open market. The presence of these additional shares of common stock eligible for trading in the public market may have an adverse effect on the market price of our common stock.

The conversion of the Retained Interests and our outstanding stock options will result in immediate dilution of our existing stockholders and the book value of their common stock.

In connection with our acquisition of Essex Crane, Holdings issued the Retained Interests to members of Essex Crane's senior management, which were exchangeable for an aggregate of 632,911 shares of our common stock and of which 139,241 Retained Interests were exchanged for a like number of shares of our common stock in December 2012. The remaining outstanding Retained Interests may be exchanged for up to an aggregate of 493,670 shares of our common stock, subject to certain adjustments. The issuance of shares of our common stock upon the exchange of the Retained Interests will result in dilution of our existing shareholders. We have also granted options to purchase an aggregate of 1,213,879 shares of our common stock pursuant to our equity compensation plans, and may grant additional options or common stock pursuant to such plans in the future. Upon the exchange of the Retained Interests or the issuance of common stock pursuant to our equity compensation plans, the equity interest of our stockholders as a percentage of the total number of outstanding shares of common stock, and the net book value of the shares of our common stock will be significantly diluted.

We may issue shares of our common stock and preferred stock to raise additional capital, including to complete a future business combination, which would reduce the equity interest of our stockholders.

Our amended and restated certificate of incorporation authorizes the issuance of up to 40,000,000 shares of common stock, par value $.0001 per share, and 1,000,000 shares of preferred stock, par value $.0001 per share. We currently have 13,812,734 authorized but unissued shares of our common stock available for issuance (after appropriate reservation for the issuance of shares upon full exercise of our outstanding employee stock options and the number of shares issuable upon exchange of the outstanding Retained Interests) and all of the 1,000,000 shares of preferred stock available for issuance. Although we currently have no other commitments to issue any additional shares of our common or preferred stock, we may in the future determine to issue additional shares of our common or preferred stock to raise additional capital for a variety of purposes, including to complete a future acquisition. The issuance of additional shares of our common stock or preferred stock may significantly reduce the equity interest of stockholders and may adversely affect prevailing market prices for our common stock.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Essex leases its corporate headquarters at 1110 Lake Cook Road, Suite 220, Buffalo Grove, Illinois 60089, which consists of 7,337 square feet of office space. Also, we currently own the following properties:

- A service center located at 2039 Fulton Springs Road, Alabaster, Shelby County, Alabama 35007. Land area totals 400,752 square feet and building area totals 28,575 feet.
- A service center located at 5315 Causeway Boulevard Tampa, Hillsborough County, Florida 33619. Gross land area totals 204,732 square feet and building area totals 18,604 square feet.
- A service center located at 303 Peach Lane Arcola, Fort Bend County, Texas 77583. Gross land area totals 710,681 square feet and building area totals 36,342 square feet.

In addition, we lease the following properties throughout the United States:

- A satellite service center comprising 33,500 square feet of outside storage space located at 6048 193rd Avenue SW, Rochester, WA 98579.
- A satellite service center comprising 74,476 square feet of outside storage space located at 1072 Harrisburg Pike, Carlisle, PA 17103.
- A service Center comprising 6,000 square feet of warehouse space and approximately three acres of outside storage space located at 15060 Ceres Avenue, Fontana, CA 92335.
- A service center comprising 30,000 square feet of space located at 1601 N.E. Columbia Blvd., Portland, Oregon;
- A service center comprising 10,000 square feet of space located at 4680 W. Capital Ave., West Sacramento, CA 95691;
- A storage yard comprising 53,260 square feet of space located at 4300 W. Capital Ave., West Sacramento, CA 95691;
- A service center comprising 18,500 square feet of space located at 19062 San Jose Ave., City of Industry, CA 91748;
- A service center comprising 14,935 square feet of space located at 14951 Catalina St., San Leandro, CA 94577;
- A service center comprising 9,450 square feet of space located at 6615 Rosedale Highway, Bakersfield, CA 93308;
- A service center comprising 16,232 square feet of space located at 8250 5th Avenue South, Seattle, WA 98108;
- A storage yard comprising 2,500 square feet of space located at 500 South Sullivan Avenue, Seattle, WA 98108;
- A service center comprising 9,862 square feet of space located at 1114 St. Paul Avenue, Tacoma, WA 98421;
- A service center comprising 10,050 square feet of space located at 3920 E. Boone Avenue, Spokane, WA 99202;
- A service center comprising 8,000 square feet of space located at 525 S Oregon Avenue, Pasco, WA 99301;
- A service center comprising 11,408 square feet of space located at 8900 King Street, Anchorage, AK 99515;
- A service center comprising 5,720 square feet of space located at 12570 Slaughterhouse Canyon Road, Lakeside, CA 92040;
- A service center comprising 4,000 square feet of space located at 422 East Emporia Street, Ontario, CA 91761;
- A service center comprising 8,500 square feet of space located at 91-505 Awakumoku Place, Kapolei, HI 96707; and
- A service center comprising 9,934 square feet of space located at 9538 195th Street, Surrey, BC V4N 4E5, Canada.

Our growth strategy includes the establishment of service and storage centers across the United States, with a particular emphasis on new facilities in areas of the United States which our management from time to time believes present growth opportunities for our business. Our management currently believes that growth opportunities exist in the Northeast and Mid-Atlantic regions and intends to investigate potential additional facilities in those regions. We have not identified specific locations for any such new facilities.

We also maintain shared offices at 500 Fifth Avenue, 50th Floor, New York, New York 10110 pursuant to an agreement with

Hyde Park Real Estate LLC, an affiliate of Laurence S. Levy, Chairman of our Board of Directors. Such office is primarily used by our corporate Secretary, Carol Zelinski, and Laurence S. Levy and Edward Levy, each of whom serves on our Board of Directors.

We consider our current facilities adequate for our current operations.

Item 3. Legal Proceedings

From time to time, the Company is party to various legal actions in the normal course of our business. Management believes that the Company is not party to any litigation that, if adversely determined, would have a material adverse effect on our business, financial condition, result of operations or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Effective January 13, 2010, our common stock commenced trading, and is currently traded, on the NASDAQ Capital Market under the symbol ESSX. Effective January 13, 2010 until the expiration of our publicly traded warrants, our units and publicly traded warrants were traded on the NASDAQ Capital Market under the symbols ESSXU and ESSXW, respectively. The following table sets forth the high and low sale prices for common stock for each quarterly period within the two most recent fiscal years.

	Common Stock	
	High	Low
Year ended December 31, 2013		
First Quarter	$ 4.54	$ 3.34
Second Quarter	4.57	3.72
Third Quarter	4.55	3.16
Fourth Quarter	3.43	2.50
Year ended December 31, 2012		
First Quarter (2)	$ 4.31	$ 2.48
Second Quarter	4.11	2.91
Third Quarter	4.56	2.98
Fourth Quarter	3.93	2.90

As of March 1, 2014, there were 132 holders of record of our common stock.

Dividend Policy

We have not paid any cash dividends on our common stock to date and do not intend to pay cash dividends in the near future. The payment of cash dividends in the future will be contingent upon our revenues, earnings, if any, capital requirements and general financial condition. In addition, we are a holding company and conduct all of our operations through Essex Crane and Coast Crane. As a result, we rely on dividends and distributions to us from our subsidiaries, Essex Crane, Coast Crane and Holdings. Essex Crane's and Coast Crane's existing credit facilities limit Essex Crane's, Coast Crane's and Holdings' ability to declare and pay dividends or make distributions on account of their capital stock and membership interests, and any debt instruments that the Company or its subsidiaries may enter into in the future may limit our subsidiaries' ability to pay dividends to us and our ability to pay dividends to our stockholders. Payment of dividends is within the discretion of our board of directors. It is the present intention of our board of directors to retain all earnings for liquidity management (through debt reduction), dilution management (through continued warrant and common stock repurchases), to invest in additional rental equipment and use in business operations. Accordingly, our board of directors does not anticipate declaring any dividends in the foreseeable future on our common stock.

Recent Sales of Unregistered Securities and Use of Proceeds

There were no sales of equity securities by the Company during the fourth quarter of 2013.

Purchases of Equity Securities by the Issuer

There were no purchases of equity securities by the Company during the fourth quarter of 2013.

Equity Compensation Plans

For information regarding equity compensation plans, see Item 12 of this annual report on Form 10-K.

Item 6. Selected Financial Data

The following table sets forth selected consolidated financial data of the Company as of and for the years ended December 31, 2013, 2012, 2011, 2010 and 2009.

The information in the following table should be read together with the Company's consolidated financial statements and accompanying notes as of and for the years ended December 31, 2013, 2012, 2011, 2010 and 2009 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included under Item 7 of this report. These historical results are not necessarily indicative of the results to be expected in the future.

	For the Years Ended December 31,				
	2013	2012	2011 (1)	2010	2009
Operations Summary					
Total revenue	$ 95,537,435	$ 98,260,854	$ 89,584,979	$ 41,531,460	$ 52,084,392
Cost of revenues	73,349,613	76,928,734	76,487,741	35,403,917	32,900,942
Gross profit	22,187,822	21,332,120	13,097,238	6,127,543	19,183,450
Selling, general, administrative and other expenses	24,376,920	26,986,797	28,535,612	13,919,489	11,329,156
Income (loss) from operations	(3,228,532)	(6,929,143)	(16,776,752)	(7,791,946)	7,854,294
Interest and Other Income	561,689	41,230	316,492	72,278	643
Interest Expense	(11,662,168)	(11,334,705)	(11,455,390)	(7,209,449)	(6,681,740)
Income (loss) before taxes	(14,708,723)	(18,217,134)	(27,922,649)	(14,931,588)	1,173,197
Net income (loss)	$ (9,644,597)	$ (12,652,955)	$ (17,146,900)	$ (11,408,486)	$ 1,195,806
Weighted average shares outstanding					
Basic	24,660,170	24,545,041	23,824,119	16,102,339	14,110,789
Diluted	24,660,170	24,545,041	23,824,119	16,102,339	15,805,191
Earnings (loss) per share					
Basic	$ (0.39)	$ (0.52)	$ (0.72)	$ (0.71)	$ 0.08
Diluted	$ (0.39)	$ (0.52)	$ (0.72)	$ (0.71)	$ 0.08
Other Operating Data					
Depreciation	$ 18,662,640	$ 20,458,784	$ 21,146,477	$ 12,723,951	$ 11,210,472
Other depreciation and amortization	$ 1,039,434	$ 1,274,466	$ 1,338,378	$ 954,602	$ 781,751
Year-end Financial Position					
Cash	$ 1,348,558	$ 8,389,321	$ 9,030,383	$ 3,474,314	$ 199,508
Rental equipment, net	287,859,918	306,892,373	328,955,023	330,378,792	260,767,678
Total assets	332,775,736	354,067,610	380,900,229	383,046,958	286,463,157
Current liabilities	18,204,391	20,827,363	16,302,048	15,454,192	15,146,529
Short-term debt obligations	2,959,157	5,959,480	673,403	783,243	5,170,614
Other long-term debt obligations	42,130,492	2,147,349	6,886,600	7,921,531	—
Revolving credit facilities	165,482,210	210,592,909	222,088,941	214,959,971	131,919,701
Total liabilities	266,686,061	279,825,875	296,931,221	304,736,667	212,325,126
Paid in capital	125,952,025	124,460,238	122,815,398	101,052,367	84,589,119
Total stockholders' equity	$ 66,089,675	$ 74,241,735	$ 83,969,008	$ 78,310,291	$ 74,138,031

(1) The year ended December 31, 2011 includes the initial full twelve month results for our Coast Crane subsidiary following the Coast Acquisition in late 2010.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion summarizes the financial position of Essex Rental Corp. and its subsidiaries as of December 31, 2013 and for the year then ended and should be read in conjunction with our consolidated financial statements and accompanying notes thereto included elsewhere in this Annual Report on Form 10-K. This discussion contains, in addition to historical information, forward looking statements that include risks and uncertainties (see discussion of "Forward-Looking Statements" included elsewhere in this Annual Report on Form 10-K). Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those factors set forth under Item 1A—Risk Factors of this Annual Report on Form 10-K.

Overview

History

Essex Rental Corp. (formerly, Hyde Park Acquisition Corp.) was incorporated in Delaware on August 21, 2006 as a blank check company whose objective was to effect a merger, capital stock exchange, asset acquisition or other similar business combination with an operating business. We consummated our initial public offering on March 13, 2007. All activity from August 21, 2006 (inception) through March 13, 2007 relates to our formation and initial public offering. From March 13, 2007 through October 31, 2008, our activities were limited to identifying prospective target businesses to acquire and complete a business combination. On October 31, 2008, we consummated the acquisition of Holdings and its wholly-owned subsidiary, Essex Crane, and, as a result, we are no longer in the development stage. In August 2009, we formed a new subsidiary, Essex Finance Corp., to facilitate the acquisition of rental equipment. In November 2010, we acquired substantially all of the assets of Coast Liquidating Co. (formerly known as Coast Crane Company) through a newly formed subsidiary CC Bidding Corp., which subsequently changed its name to Coast Crane Company. The assets acquired in the Coast Acquisition consisted of all of the assets used in the operation of Coast Liquidating Co.'s specialty lifting solutions and crane rental services business, including cranes and related heavy lifting machinery and equipment and spare parts, inventory, accounts receivable, rights under executory contracts, other tangible and intangible assets and all of the outstanding shares of capital stock of Coast Crane Ltd., a British Columbia corporation, through which Coast Liquidating Co. conducted its operations in Canada.

Business

Through our operating subsidiaries, Essex Crane and Coast Crane, we are one of North America's largest providers of lifting equipment (including lattice-boom crawler cranes, truck cranes and rough terrain cranes, tower cranes, and other lifting equipment) used in a wide array of construction projects. In addition, we provide product support including installation, maintenance, repair, and parts and services for our equipment provided to customers and customer owned equipment. With a large fleet of cranes and other construction equipment and customer service and support, we supply a wide variety of innovative lifting solutions for construction projects related to power generation, petro-chemical, refineries, water treatment and purification, bridges, highways, hospitals, shipbuilding, offshore oil fabrication and industrial plants, and commercial and residential construction. We rent our equipment "bare," meaning without supplying an operator and, in exchange for a fee, make arrangements for the transportation and delivery of our equipment. Once the crane is delivered and erected on the customer's site, inspected and determined to be operating properly by the customer's crane operator and management, most of the maintenance and repair costs are the responsibility of the customer while the equipment is on rent. This business model allows us to minimize our headcount and operating costs including reduced liability related to operator error and provides the customer with a more flexible situation where they control the crane and the operator's work schedule.

Over the past several years, we have been focused on reinvesting capital into our rental fleet. Specifically, we have sold lower lifting capacity cranes and other heavy lifting equipment for better utilized heavier lifting capacity cranes. During the years ended December 31, 2013, 2012, 2011, 2010, 2009, 2008 and 2007 the Company invested on a gross basis (excluding the proceeds received from rental equipment sales) approximately $9.0 million, $10.8 million, $24.8 million, $2.7 million, $19.8 million, $20.8 million and $18.8 million, respectively, into new cranes and attachments for our rental fleet. The Company's rental fleet investment for the years ended December 31, 2007, 2008, 2009 and 2010 primarily consisted of crawler cranes while the rental fleet investment for the years ended December 31, 2011, 2012 and 2013 primarily consisted of rough terrain cranes, tower cranes and Mantis crawler cranes.

These investment decisions contributed greatly to the repositioning our fleet to maximize its utilization rates and average rental rates. Although we believe the repositioning of the fleet has maximized utilization rates and average rental rates, the economic downturn has significantly adversely impacted our business activity levels.

The Company is also focused on selling older and underutilized models of crawler crane assets. We anticipate that the sale of these assets will not have any material impact on the future cash flows of the business from a rental contract perspective.

The following table provides a summary of utilization rates calculated using the "days" method for the years ended December 31, 2013, 2012 and 2011:

	For The Years Ended December 31,		
	2013	2012	2011
Crawler Cranes	45.4%	41.2%	39.8%
Rough Terrain Cranes (1)	55.8%	63.4%	62.0%
Boom Trucks	51.9%	50.5%	54.0%
Self-Erecting Tower Cranes	42.8%	32.4%	24.4%
City and Other Tower Cranes	41.7%	53.4%	40.1%
Forklifts and Other Equipment (2)	n/a	13.5%	39.9%

(1)Includes the impact of a 14.5% increase in the number of units available for rent for the year ended December 31, 2012 as compared to the prior year.

(2)Includes the impact of a 65.4% decrease in the number of units available for rent for the year ended December 31, 2012 as compared to the prior year. The reduction in the number of units available for rent reflects the Company's strategic decision to sell equipment within this asset class that is not part of our core strategy and does not leverage our crane expertise. During the year ended December 31, 2013, the Company sold the remaining equipment within this asset class and its utilization rate is no longer meaningful.

Adjusted EBITDA to Net Income Reconciliation

Adjusted EBITDA represents the sum of net income, tax benefit, foreign currency exchange gains and losses, interest expense, other income, depreciation and amortization. Adjusted EBITDA is used internally when evaluating our operating performance and, we believe, allows investors to make a more meaningful comparison between our core business operating results over different periods of time, as well as with those of other similar companies. Management believes that Adjusted EBITDA, when viewed with the Company's results under GAAP and the accompanying reconciliation, provides useful information about operating performance and period-over-period growth, and provides additional information that is useful for evaluating the operating performance of our core business without regard to potential distortions. However, Adjusted EBITDA is not a measure of financial performance under GAAP and, accordingly, should not be considered as an alternative to net income (loss) as an indicator of operating performance.

	For The Years Ended December 31,		
	2013	2012	2011
Net loss	$ (9,644,597)	$ (12,652,955)	$ (17,146,900)
Benefit for income taxes	(5,064,126)	(5,564,179)	(10,775,749)
Foreign currency exchange (gains) losses	379,712	(5,484)	6,999
Interest expense	11,662,168	11,334,705	11,455,390
Other income	(561,689)	(41,230)	(316,492)
Loss from operations	(3,228,532)	(6,929,143)	(16,776,752)
Depreciation	18,662,640	20,458,784	21,146,477
Other depreciation and amortization	1,039,434	1,274,466	1,338,378
Adjusted EBITDA	$ 16,473,542	$ 14,804,107	$ 5,708,103

Results of Operations

Year ended December 31, 2013 compared to years ended December 31, 2012 and 2011

The Company had a net loss of $9.6 million for the year ended December 31, 2013. Total revenue, cost of revenues and gross profit were $95.5 million , $73.3 million and $22.2 million , respectively, for the year ended December 31, 2013. Total selling, general, administrative and other expenses of $25.4 million was composed primarily of salaries, payroll taxes and benefits, sales and marketing, insurance, professional fees, rent, travel, depreciation and amortization expenses. Interest expense related to borrowings under our revolving credit facilities and other debt obligations was $11.7 million for the year ended December 31, 2013. The Company had an income tax benefit of $5.1 million for the year ended December 31, 2013 related to a loss before income taxes of $14.7 million . Adjusted EBITDA for the year ended December 31, 2013 was $16.5 million .

The Company had a net loss of $12.7 million for the year ended December 31, 2012. Total revenue, cost of revenues and gross profit were $98.3 million , $76.9 million and $21.3 million , respectively, for the year ended December 31, 2012. Total selling, general, administrative and other expenses of $28.3 million was composed primarily of salaries, payroll taxes and benefits, sales and marketing, insurance, professional fees, rent, travel, depreciation and amortization expenses. Interest expense related to borrowings under our revolving credit facilities and other debt obligations was $11.3 million for the year ended December 31, 2012. The Company had an income tax benefit of $5.6 million for the year ended December 31, 2012 related to a loss before income taxes of $18.2 million . Adjusted EBITDA for the year ended December 31, 2012 was $14.8 million .

The Company had a net loss of $17.1 million for the year ended December 31, 2011. Total revenue, cost of revenues and gross profit were $89.6 million , $76.5 million and $13.1 million , respectively, for the year ended December 31, 2011. Total selling, general, administrative and other expenses of $29.9 million was composed primarily of salaries, payroll taxes and benefits, sales and marketing, insurance, professional fees, rent, travel, depreciation and amortization expenses. Interest expense related to borrowings under our revolving credit facilities and other debt obligations was $11.5 million for the year ended December 31, 2011. The Company had an income tax benefit of $10.8 million for the year ended December 31, 2011 related to a loss before income taxes of $27.9 million . Adjusted EBITDA for the year ended December 31, 2011 was $5.7 million . The year ended December 31, 2011 was the first full year of inclusion for Coast Crane subsequent to its acquisition in late November 2010.

	For The Years Ended December 31,		
	2013	2012	2011
Revenues	$ 95,537,435	$ 98,260,854	$ 89,584,979
Cost of revenues	73,349,613	76,928,734	76,487,741
Gross profit	22,187,822	21,332,120	13,097,238
Selling, general, administrative and other operating expenses	25,416,354	28,261,263	29,873,990
Loss from operations	(3,228,532)	(6,929,143)	(16,776,752)
Other expenses, net	(11,480,191)	(11,287,991)	(11,145,897)
Loss before income taxes	(14,708,723)	(18,217,134)	(27,922,649)
Benefit for income taxes	(5,064,126)	(5,564,179)	(10,775,749)
Net loss	$ (9,644,597)	$ (12,652,955)	$ (17,146,900)

Business Segments

We have identified three reportable segments: equipment rentals, equipment distribution, and parts and service. These segments are based upon how management of the Company allocates resources and assesses performance.

Year ended December 31, 2013 compared to year ended December 31, 2012

Revenues

Revenues for the year ended December 31, 2013 were $95.5 million , a 2.8% decrease compared to revenues of $98.3 million for the year ended December 31, 2012. The following table provides a summary of the Company's revenues by operating segment:

	For The Years Ended December 31,			
	2013	2012	Dollar Change	Percentage Change
SEGMENT REVENUES				
Equipment rentals	$ 64,945,446	$ 71,231,291	$ (6,285,845)	(8.8)%
Equipment distribution	11,211,876	4,087,127	7,124,749	174.3 %
Parts and service	19,380,113	22,942,436	(3,562,323)	(15.5)%
Total revenues	$ 95,537,435	$ 98,260,854	$ (2,723,419)	(2.8)%

Equipment Rentals

Equipment rental segment revenues, which represents 68.0% of total revenues, was $64.9 million for the year ended December 31, 2013, an 8.8% decrease from $71.2 million for the year ended December 31, 2012. The equipment rental segment includes rental, transportation and used rental equipment sales.

Equipment rentals revenue, which represented 48.8% of total revenues, was $46.6 million for the year ended December 31, 2013, a 0.2% increase from $46.5 million for the year ended December 31, 2012. The two key drivers of equipment rental revenues are utilization and average rental rates.

While crawler crane utilization has increased year over year, there is still significant room for improvement. Management believes that these current utilization levels are related to the overall economic environment, and not a loss of market share. The construction market has displayed a slow, gradual recovery from historic recession levels, which management believes is the principal factor in our year over year increase in utilization rates, and still has a large opportunity for growth to match prior peak levels. Utilization for crawler cranes, as measured on a "days" basis, increased to 45.4% for the year ended December 31, 2013 compared to 41.2% for the same period in the prior year. Within our crawler crane fleet, we are particularly encouraged by the utilization trends for our hydraulic heavy lift crawler cranes. These hydraulic crawler cranes have higher dollar rental rates and account for approximately 70% of the value of our crawler crane fleet and approximately 50% of the value of our total fleet. Utilization for our fleet of heavy lift hydraulic cranes for the year ended December 31, 2013 and 2012 was 63.9% and 57.9%, respectively.

There was a decrease in average crawler crane rental rate of 0.1% to $17,179 (per crane per rental month) for the year ended December 31, 2013 from $17,195 for the year ended December 31, 2012. This change is primarily the result of the mix of cranes on rent, as opposed to individual rental rate changes by equipment group. Management does not expect a meaningful increase in average rental rates on an individual group basis until utilization rates recover significantly. As a result of utilization and rental rate changes, rental revenue for crawler cranes increased approximately $1.8 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012, and is primarily due to increases in demand in our industrial marine, petrochemical and sewer and water end-markets, which was partially offset by a decline in demand for our power end-market..

Utilization for rough terrain cranes for the year ended December 31, 2013 and 2012 was 55.8% and 63.4% , respectively. Rough terrain cranes benefit from the broad array of markets that they can serve. However, demand declined in the power and transportation end markets for the year ended December 31, 2013 as compared to the year ended December 31, 2012, which was the principal cause for the overall decrease in utilization of rough terrain cranes during 2013 compared to 2012. Boom truck utilization increased to 51.9% for the year ended December 31, 2013 compared to 50.5% for the year ended December 31, 2012. Tower crane utilization was 42.8% and 41.7%% for the self-erecting and city & other tower cranes, respectively, for the year ended December 31, 2013 as compared to 32.4% and 53.4% for the self-erecting and city & other tower cranes, respectively, for the year ended December 31, 2012. Our tower cranes are primarily impacted by the general building end market, and their utilization levels will reflect the strength of that end market.

Transportation revenue, which represents 6.2% of total revenues, was $5.9 million for the year ended December 31, 2013, a 20.9% decrease from $7.5 million for the year ended December 31, 2012. The decrease in transportation revenue is directly attributable to the number of equipment moves and the rental locations of the cranes on rent. In addition, with respect to our larger assets available for rent, during the year ended December 31, 2013, we more aggressively priced transportation services in order to maximize utilization.

Used rental equipment sales revenue was $12.4 million for the year ended December 31, 2013; a $4.8 million or 27.9% decrease compared to the year ended December 31, 2012. Included in total used rental equipment revenues are revenues related to the sale of aerial work platforms of $0.5 million and $4.8 million for the years ended December 31, 2013 and 2012, respectively. The decrease in total used rental equipment sales revenue is primarily attributable to the sale of aerial work platforms during the year ended December 31, 2012 as part of a strategic decision to eliminate this equipment class from our rental fleet. During the year ended December 31, 2013, the Company sold 115 pieces of used rental equipment. During the year ended December 31, 2012, the Company sold 314 pieces of rental equipment.

Equipment Distribution

Equipment distribution segment revenue, which represents 11.7% of total revenue, was $11.2 million for the year ended December 31, 2013, a 174.3% increase from $4.1 million for the year ended December 31, 2012. The increase in equipment distribution segment revenue is due to an increase in the number of sale transactions as compared to the prior period and completing the transition to new equipment suppliers that negatively impacted the prior year equipment distribution revenue. In addition,we more aggressively stocked new equipment inventory, which improved our ability to close sales transactions.

Parts and Service

Parts and service segment revenue, which represents 20.3% of total revenue, was $19.4 million for the year ended December 31, 2013, a 15.5% decrease from $22.9 million for the year ended December 31, 2012. The decrease is primarily attributable to a decrease in third party service work performed on customer equipment and a reduction in over-the-counter parts sales primarily due to our transition to represent new manufacturers.

Gross Profit

Gross profit for the year ended December 31, 2013 was $22.2 million , a 4.0% increase from gross profit of $21.3 million for the year ended December 31, 2012. Gross profit margin was 23.2% for the year ended December 31, 2013 compared to 21.7% for the year ended December 31, 2012. The following table provides a summary of the Company's gross profit by operating segment:

	For The Years Ended December 31, 2013	2012	Dollar Change	Percentage Change
Segment gross profit (loss)				
Equipment rentals	$ 15,815,361	$ 14,922,405	$ 892,956	6.0 %
Equipment distribution	1,046,151	16,059	1,030,092	6,414.4 %
Parts and service	5,326,310	6,393,656	(1,067,346)	(16.7)%
Total gross profit	$ 22,187,822	$ 21,332,120	$ 855,702	4.0 %

Equipment rentals segment gross profit of $15.8 million for the year ended December 31, 2013 increased $0.9 million or 6.0% as compared to the year ended December 31, 2012. Within the equipment rentals segment, certain revenue streams have inherently higher margins. The gross margin achieved from the revenues provided by equipment rentals is typically higher than those achieved by gain on sale of used rental equipment and transportation. Furthermore, due to the operating leverage of our business model, the margin from equipment rentals improves as the revenue for this line of business increases. Also, there were initiatives implemented in the beginning of 2012 that were geared toward reducing expenses and overhead, which was also a key driver that contributed to the year over year improvement in gross margin. These initiatives included headcount reductions and the divestiture of the Company's aerial work platforms. Gain on the sale of used rental equipment was $3.3 million for the year ended December 31, 2013, a 12.0% increase from $2.9 million for the year ended December 31, 2012. The increase in the gain on the sale of used rental equipment was attributable to the mix of rental assets sold during the year ended December 31, 2013.

Equipment distribution segment gross profit of $1.0 million (9.3% margin) for the year ended December 31, 2013 increased $1.0 million , or 6,414.4% , from $16,059 (0.4% margin) for the year ended December 31, 2012. The increased gross profit and margin are functions of higher profit margins on individual sale transactions, larger sales volume during the year ended December 31, 2013 and completing the transition to new equipment suppliers that negatively impacted the prior year equipment distribution sales volume and, therefore, gross margin.

Parts and service segment gross profit of $5.3 million (27.5% margin) for the year ended December 31, 2013 decreased $1.1 million or 16.7% from $6.4 million (27.9% margin) for the year ended December 31, 2012. The parts and service segment gross profit decrease was driven by lower over-the-counter parts sales and third party service work volume.

Total selling, general, administrative and other expenses for the year ended December 31, 2013 and 2012 were $25.4 million and $28.3 million , respectively. The decrease in selling, general, administrative and other expenses was primarily due to decreases in salary and related benefits expense of $0.6 million, professional, consulting expense and legal expense of $0.9 million, travel expense of $0.3 million, business taxes of $0.2 million and bad debt expense of $0.5 million. Selling, general and administrative expenses include, legal fees, professional fees, bad debt expense, employee benefits, insurance and selling and marketing expenses. Selling, general and administrative and other expenses include $1.4 million and $1.5 million of non-cash stock based compensation expense for the year ended December 31, 2013 and 2012, respectively.

Other income increased to $0.6 million for the year ended December 31, 2013 from $41,230 for the year ended December 31, 2012 primarily due to a $0.5 million gain on the sale of land and buildings that had not been used in the operations of the business for several years.

Interest expense increased 2.9% to $11.7 million for the year ended December 31, 2013 from $11.3 million for the year ended December 31, 2012. The increase in interest expense was related primarily to a $1.0 million increase in the amount of deferred financing fee amortization as a result of the revolving credit facility amendments entered into in March 2013 offset by interest charged on lower average debt balances in 2013.

Income tax benefit was $5.1 million for the year ended December 31, 2013 compared to a $5.6 million for the year ended December 31, 2012. The decrease in income tax benefit is due to a decrease in the pre-tax loss. The effective tax rates were 34.4% and 30.5% for the year ended December 31, 2013 and 2012, respectively. The effective tax rate increased from the prior year due to an increase in state tax rates resulting primarily from changes in apportionment.

Essex had 236 full-time employees at December 31, 2013 compared to 250 full-time employees at December 31, 2012.

Year ended December 31, 2012 compared to year ended December 31, 2011

Revenues

Revenues for the year ended December 31, 2012 were $98.3 million , a 9.7% increase compared to revenue of $89.6 million for the year ended December 31, 2011. The following table provides a summary of the Company's revenues by operating segment:

	For The Years Ended December 31,			
	2012	2011	Dollar Change	Percentage Change
SEGMENT REVENUES				
Equipment rentals	$ 71,231,291	$ 53,907,588	$ 17,323,703	32.1 %
Equipment distribution	4,087,127	14,206,479	(10,119,352)	(71.2)%
Parts and service	22,942,436	21,470,912	1,471,524	6.9 %
Total revenues	$ 98,260,854	$ 89,584,979	$ 8,675,875	9.7 %

Equipment Rentals

Equipment rental segment revenues, which represent 72.5% of total revenues, was $71.2 million for the year ended December 31, 2012, a 32.1% increase from $53.9 million for the year ended December 31, 2011. The equipment rental segment includes rental, transportation, rental equipment repairs and used rental equipment sales.

Rental revenues, which represented 47.3% of total revenues and are the key driver of revenues in our equipment rentals segment, were $46.5 million for the year ended December 31, 2012, an 10.8% increase from $42.0 million for the year ended December 31, 2011. The two key drivers of rental revenues are utilization and average rental rates.

While crawler crane utilization has increased year over year, there is still significant room for improvement. Management believes that these current utilization levels are related to the overall economic environment, and not a loss of market share. The construction market has displayed a slow, gradual recovery from historic recession levels, which management believes is the principal factor in our year over year increase in utilization rates, and still has a large opportunity for growth to match prior peak levels. Utilization for crawler cranes, as measured on a “days” basis, increased to 41.2% for the year ended December 31, 2012 compared to 39.8% for the same period in the prior year. The increase in crawler crane utilization is due to an increase in project activity within the power, transportation and petrochemical end markets. These increases were partially offset by a decrease in levee related projects in the Gulf Coast. We were awarded a large levee job in the Gulf Coast that was in place for most of 2011 and utilized up to 15% of our crawler cranes at the same time. Despite the impact of such a large project ending in the third quarter of 2011, utilization grew in 2012 as compared to 2011. Within our crawler crane fleet we are particularly encouraged by the utilization trends for our hydraulic heavy lift crawler cranes. These hydraulic crawler cranes have higher dollar rental rates and account for approximately 70% of the value of our crawler crane fleet and approximately 50% of the value of our total fleet. Utilization for our fleet of heavy lift hydraulic crawler cranes for the three months ended December 31, 2012 and 2011 was 64% and 49%, respectively, and has exceeded 60% for the seven months ended December 31, 2012.

There was an increase in average crawler crane rental rate of 9.0% to $17,195 (per crane per rental month) for the year ended December 31, 2012 from $15,781 for the year ended December 31, 2011. This increase is related primarily to the mix of cranes on rent, as opposed to individual rental rate increases by equipment group. The increased utilization for our hydraulic crawler cranes, which command higher rental rates, contributed a larger portion of rental days, and was the primary reason average rental rates on our entire crawler crane fleet increased. Management does not expect a meaningful increase in average rental rates on an individual equipment group basis until utilization rates recover significantly.

Utilization for rough terrain cranes for the year ended December 31, 2012 was 63.4% compared to 62.0% for the year ended December 31, 2011. Utilization for rough terrain cranes includes the impact of a 14.5% increase in the number of units available for rent for the year ended December 31, 2012 as compared to the prior year. Rough terrain cranes benefit from the broad array of markets that they can serve. Demand has been particularly strong for infrastructure and maintenance related energy markets. Boom truck utilization decreased to 50.5% for the year ended December 31, 2012 compared to 54.0% for the year ended December 31, 2011. Tower crane utilization improved on a year to date basis. Utilization was 32.4% and 53.4% for the self-erecting and city & other tower cranes, respectively, for the year ended December 31, 2012 as compared to 24.4% and 40.1% for the self-erecting and city & other tower cranes, respectively, for the year ended December 31, 2011. Our tower cranes are primarily impacted by the general building end market, and their utilization levels will reflect the strength of that end market.

Transportation revenue, which represents 7.5% of total revenues, was $7.5 million for the year ended December 31, 2012, a $2.1 million increase from $5.4 million for the year ended December 31, 2011. The increase in transportation revenue is directly attributable to the increase in equipment on rent and rental locations of the cranes on rent.

Used rental equipment sales revenue was $17.3 million for the year ended December 31, 2012; a $10.7 million or 164.5% increase compared to the year ended December 31, 2011 due to an increase in customer demand for used rental equipment and our efforts to divest of aerial work platforms. During the year ended December 31, 2012, the Company sold 314 pieces of used rental equipment primarily consisting of aerial work platforms acquired in the Coast Acquisition, which are not a part of the Company's core rental equipment or its long-term strategy, along with twenty two boom trucks, seventeen rough terrain cranes (including six industrial cranes), two tower cranes and six crawler cranes. During the year ended December 31, 2011, the Company sold fifty-nine pieces of rental equipment primarily consisting of aerial work platforms acquired in the Coast Acquisition. In addition to the aerial work platforms, the Company sold six boom trucks, twelve rough terrain cranes (including two industrial cranes), one tower crane and five crawler cranes during the year ended December 31, 2011.

Equipment Distribution

Equipment distribution segment revenue, which represents 4.2% of total revenue, was $4.1 million for the year ended December 31, 2012, a 71.2% decrease from $14.2 million for the year ended December 31, 2011. The decline in equipment distribution segment revenue is due to a decline in the number of sale transactions as compared to the prior period. The revenues generated in 2011 were bolstered by the invoicing of signed orders received before the acquisition of Coast Crane under their prior distribution agreement. The Company transitioned to representing new equipment suppliers for many of the types of assets offered through retail distribution during the second half of 2011 and 2012, and this transition negatively impacted the equipment distribution segment revenue. Management believes the decrease in equipment distribution revenues is temporary and anticipates a recovery in this segment as the Company establishes itself as the representative for the new equipment suppliers.

Parts and Service

Parts and service segment revenue, which represents 23.3% of total revenue, was $22.9 million for the year ended December 31, 2012, a 6.9% increase from $21.5 million for the year ended December 31, 2011. The increase is primarily attributable to an increase in third party service work performed on customer equipment as a result of increased customer demand.

Gross Profit

Gross profit for the year ended December 31, 2012 was $21.3 million , a 62.9% increase from gross profit of $13.1 million for the year ended December 31, 2011. Gross profit margin was 21.7% for the year ended December 31, 2012, compared to 14.6% for the year ended December 31, 2011. The following table provides a summary of the Company's gross profit by operating segment:

	Year Ended December 31, 2012	Year Ended December 31, 2011	Dollar Change	Percentage Change
SEGMENT GROSS PROFIT				
Equipment rentals	$ 14,922,405	$ 6,143,055	$ 8,779,350	142.9 %
Equipment distribution	16,059	1,607,733	(1,591,674)	(99.0)%
Parts and service	6,393,656	5,346,450	1,047,206	19.6 %
Total gross profit	$ 21,332,120	$ 13,097,238	$ 8,234,882	62.9 %

Equipment rentals segment gross profit (after overhead allocation) of $14.9 million for the year ended December 31, 2012 increased $8.8 million or 142.9% as compared to the year ended December 31, 2011. Within the equipment rentals segment, certain revenue streams have inherently higher margins. The gross margin achieved from the revenues provided by equipment rentals is typically higher than those achieved by gain on sale of used rental equipment and transportation. Furthermore, due to the operating leverage of our business model, the margin from equipment rentals improves as the revenue for this line of business increases. The larger portion of total revenue derived by equipment rentals is one of the primary reasons that both gross margin and gross margin percentage increased for the year ended December 31, 2012 compared to December 31, 2011. Also, there were initiatives implemented in the beginning of 2012 that were geared toward reducing expenses and overhead, which was also a key driver that contributed to the year over year improvement in gross margin. These initiatives included headcount reductions and the divestiture of the Company’s aerial work platform assets. Gain on the sale of used rental equipment was $2.9 million for the year ended December 31, 2012, a 173.7% increase from $1.1 million for the year ended December 31, 2011. The increase in the gain on the sale of used rental equipment was directly attributable to an increase in the number of rental equipment assets sold during the year ended December 31, 2012. The increase in the number of rental equipment assets sold was primarily the result of the Company's strategic decision to sell aerial work platforms as this asset class is not part of the Company's core strategy. The reduction in aerial work platforms also reduced rental equipment maintenance expense and overhead allocated to the equipment rentals segment, which further improved margins.

Equipment distribution segment gross profit (after overhead allocation) of $16,059 (0.4% margin) for the year ended December 31, 2012 decreased $1.6 million or 99.0% from $1.6 million (11.3% margin) for the year ended December 31, 2011. The decreased gross profit is a function of lower sales volume during the year ended December 31, 2012. The sales volume generated in the year ended December 31, 2012 was near the break-even point needed to sustain the equipment distribution segment. The decline in sales volume was primarily related to transitioning to the representation of new equipment suppliers. Management believes that 2012 was a transitional period, but remains optimistic on the upside that the retail equipment distribution segment provides.

Parts and service segment gross profit (after overhead allocation) of $6.4 million for the year ended December 31, 2012 increased $1.0 million or 19.6% from $5.3 million for the year ended December 31, 2011. The gross profit margin for the parts and service segment increased to 27.9% for the year ended December 31, 2012 as compared to 24.9% for the year ended December 31, 2011 primarily due to cost reduction initiatives and improved pricing methods.

Selling, General, Administrative and Other Expenses

Total selling, general, administrative and other expenses for the years ended December 31, 2012 and 2011 were $28.3 million and $29.9 million , respectively. Decreases in salary, healthcare, legal, insurance, telecom and general office expenses were partially offset by increases in sales and marketing and consulting expenses. The Company’s salary and healthcare expenses declined approximately $2.1 million for the year ended December 31, 2012 as compared to the prior year, which was primarily the result of a reduction in the number of employees. Legal expenses declined approximately $0.3 million due to legal expenses incurred during 2011 related to the Company’s restatement of its Annual Report on Form 10-K for the year ended December 31, 2010. Sales and marketing expenses for the year ended December 31, 2012 increased approximately $1.0 million as a result of initiatives to increase market share related to our new distribution agreements and suppliers. Consulting expenses increased approximately $0.3 million as a result of projects aimed at improving operational performance and customer satisfaction. Selling, general and administrative and other expenses include $1.5 million and $2.0 million of non-cash stock based compensation expense for the years ended December 31, 2012 and 2011, respectively.

Interest expense decreased 1.1% to $11.3 million for the year ended December 31, 2012 from $11.5 million for the year ended December 31, 2011. The decrease in interest expense was primarily related to interest expense incurred on a lower average debt balance for the year ended December 31, 2012 as compared to the year ended December 31, 2011.

Income tax benefit was $5.6 million for the year ended December 31, 2012 compared to a $10.8 million for the year ended December 31, 2011. The decrease in income tax benefit is due to a decrease in the pre-tax loss. The effective tax rates were 30.5% and 38.6% for the years ended December 31, 2012 and 2011, respectively. The effective tax rate decreased from the prior year due to changes in state and local tax rates resulting primarily from changes in state apportionment.

Essex had 250 full-time employees as of December 31, 2012 compared to 273 full-time employees at December 31, 2011.

Liquidity and Capital Resources

The Company has typically had substantial liquidity from its operating cash flows despite the significant downturn in the construction industry. The Company’s net cash flows from operations for the year ended December 31, 2013 were higher than historical cash flows primarily due to increases in Adjusted EBITDA. Combined net cash flows provided by operating activities of the Company for all three years presented were approximately $8.3 million. As of December 31, 2013, the Company had total debt obligations outstanding of approximately $210.6 million and had an additional $30.1 million available on our revolving credit facilities. We believe that this availability for Essex Crane and Coast Crane along with $1.3 million in cash, will provide sufficient liquidity through the expiration of our amended and restated revolving credit facilities in October 2016 and March 2017, respectively. We believe that the sources of cash from operations and the revolving credit facilities should adequately fund the investment needs of the business for the foreseeable future.

The weighted average interest rate on all debt obligations outstanding as of December 31, 2013 was 4.41%.

Cash Flow from Operating Activities

The Company's cash provided by operating activities for the year ended December 31, 2013 was approximately $4.0 million. This was primarily the result of net loss of $9.6 million, which, when adjusted for non-cash expense items, such as depreciation and amortization, gains on the sale of equipment, deferred income taxes, share-based compensation expense, and the change in the fair value of undesignated interest rate swaps, resulted in an increase of cash of approximately $4.4 million. The cash flows from operating activities were reduced by a total change in operating assets and liabilities of $0.4 million, which was comprised of a $0.1 million increase in other receivables, a $0.3 million increase in prepaid expenses and other assets, a $1.6 million increase in retail equipment inventory and a $0.4 million increase in spare parts. These uses of cash were partially offset by a $1.4 million decrease in accounts receivable, a $0.2 million increase in accounts payable and accrued expenses, a $0.1 million increase in unearned rental revenue and a $0.2 million increase in customer deposits.

The Company's cash provided by operating activities for the year ended December 31, 2012 was approximately $3.4 million. This was primarily the result of net loss of $12.7 million, which, when adjusted for non-cash expense items, such as depreciation and amortization, gains on the sale of equipment, deferred income taxes, share-based compensation expense, and the change in the fair value of undesignated interest rate swaps, resulted in an increase of cash of approximately $2.6 million. The cash flows from operating activities were increased by a total change in operating assets and liabilities of $0.7 million, which was comprised of a $0.4 million decrease in other receivables, a $0.4 million decrease in prepaid expenses and other assets, a $0.4 million decrease in spare parts inventory, a $1.5 million increase in accounts payable and accrued expenses and a $0.4 million increase in unearned rental revenue. These positive cash flows were offset by a $1.3 million increase in accounts receivable and a $1.0 million increase in retail equipment inventory.

The Company's cash provided by operating activities for the year ended December 31, 2011 was approximately $1.0 million. This was primarily the result of net loss of $17.1 million, which, when adjusted for non-cash expense items, such as depreciation and amortization, gains on the sale of equipment, deferred income taxes, share-based compensation expense, and the change in the fair value of undesignated interest rate swaps, resulted in the use of approximately $4.5 million of cash. The cash flows from operating activities were increased by a total change in operating assets and liabilities of $5.5 million, which was comprised of a $1.5 million decrease in other receivables, a $1.1 million decrease in prepaid expenses and other assets, a $4.2 million decrease in retail equipment inventory, a $0.5 million decrease in spare parts inventory and a $0.8 million increase in accounts payable and accrued expenses. These positive cash flows were offset by a $0.3 million increase in accounts receivable, a $0.2 million decrease in unearned rental revenue and a $2.2 million decrease in customer deposits.

Cash Flow from Investing Activities

For the year ended December 31, 2013, cash provided by investing activities was approximately $4.8 million. This was primarily the result of proceeds from the sale of rental equipment of $12.4 million and proceeds from the sale of property and equipment of $1.8 million. These investing activity sources of cash were partially offset by $8.1 million in purchases of rental equipment, $0.4 million in purchases of property and equipment and a $0.8 million increase in accounts receivable from rental equipment sales.

For the year ended December 31, 2012, cash provided by investing activities was approximately $8.5 million. This was primarily the result of proceeds from the sale of rental equipment of $17.3 million and a $1.0 million decrease in accounts receivable from rental equipment sales. During the year ended December 31, 2012, the Company sold 314 pieces of used rental equipment primarily consisting of aerial work platforms acquired in the Coast Acquisition, which are not a part of the Company's core rental equipment or its long-term strategy, along with twenty two boom trucks, seventeen rough terrain cranes (including six industrial cranes), two tower cranes and six crawler cranes.These investing activity sources of cash were partially offset by $8.5 million in purchases of rental equipment and $1.2 million in purchases of property and equipment.

For the year ended December 31, 2011, cash used in investing activities was approximately $19.7 million. This was primarily the result of purchases of rental equipment of $23.8 million, purchases of property and equipment of $1.3 million and an increase in accounts receivable from rental equipment sales of $1.2 million. These investing activity uses of cash were partially offset by $6.5 million in proceeds received for the sale of rental equipment. During the year ended December 31, 2011, the Company sold fifty-nine pieces of rental equipment primarily consisting of aerial work platforms acquired in the Coast Acquisition. In addition to the aerial work platforms, the Company sold six boom trucks, twelve rough terrain cranes (including two industrial cranes), one tower crane and five crawler cranes during the year ended December 31, 2011.

Cash flow from financing activities

Cash used in financing activities was approximately $16.1 million for the year ended December 31, 2013. This is primarily the result of net payments on revolving credit facilities of $45.1 million, payments on purchase money security interest debt of $1.0 million, payments on promissory notes of $1.6 million, payments to repurchase shares to satisfy employee tax withholdings of $0.1 million and payments for loan acquisition costs of $6.8 million. Total borrowings and payments on the revolving credit facilities were $97.0 million and $142.1 million, respectively, for the period. These uses of cash were partially offset by proceeds received from a term loan of $38.5 million. Total borrowings and payments on the term loan were $40.0 million and $1.5 million, respectively.

Cash used in financing activities was approximately $12.4 million for the year ended December 31, 2012. This is primarily due to payments on short-term debt obligations of $0.7 million, payments for loan costs of $0.2 million and net payments on revolving credit facilities of $11.5 million. Total borrowings and payments on the revolving credit facilities were $92.3 million and $103.8 million, respectively, for the period.

Cash provided by financing activities was approximately $24.3 million for the year ended December 31, 2011. This is primarily due to proceeds received from the exercise of warrants to acquire shares of common stock of $19.8 million and net proceeds received under debt obligations of $4.9 million. Total borrowings for the year under the revolving credit facilities were $100.3 million and total payments on the revolving credit facilities were $93.2 million. The Company also used approximately $2.3 million to make scheduled principal payments and repay in full a portion of its purchase money security interest debt using proceeds from drawing the on the revolving credit facilities discussed above. The Company also paid approximately $0.3 million for deferred loan costs related to the Coast Crane revolving credit facility during the year ended December 31, 2011.

Revolving Credit Facilities

The following information discusses significant events during the years ended December 31, 2013 and 2012 that relate to the Company's revolving credit facilities and other debt obligations. Also see Note 7 to the consolidated financial statements for further information related to our credit facilities.

Essex Crane Revolving Credit Facility

In conjunction with the acquisition of Holdings on October 31, 2008 , Essex Crane amended its senior secured revolving line of credit facility (“Essex Crane Revolving Credit Facility”), which permitted it to borrow up to $190.0 million with a $20.0 million aggregate sublimit for letters of credit. Essex Crane may borrow up to an amount equal to the sum of 85% of eligible net receivables and 75% of the net orderly liquidation value of eligible rental equipment. The Essex Crane Revolving Credit Facility is collateralized by a first priority security interest in substantially all of Essex Crane’s assets.

On March 15, 2013 , the Essex Crane Revolving Credit Facility was amended and restated to extend the maturity to October 31, 2016 . The amendment reduced the maximum amount Essex Crane is able to borrow to $175.0 million . The amendment also provided for increases in the applicable prime rate margin, Euro-dollar LIBOR margin and unused line commitment fee to 1.75% , 3.75% and 0.375% , respectively. Under the amendment, the springing covenant threshold is eliminated and, instead, Essex Crane is required to have availability in excess of 10% of the outstanding commitment and is subject to a fixed charge coverage ratio of 1.10 to 1.00. Further, under the amendment, the aggregate commitment will be reduced by: (i) on an individual transaction basis, 100% of the net cash proceeds from the sales of certain assets and (ii) on an annual basis commencing in 2014, 60% of free cash flow, other than net cash proceeds from certain asset sales, as defined within the amended and restated revolving credit facility. In addition, the maximum commitment may not exceed $165.0 million , $150.0 million and $130.0 million beginning on March 31, 2014 , March 31, 2015 and February 28, 2016 , respectively. The amendment also provides for an annual limit on certain capital expenditures of $2.0 million and limits the ability of Essex Crane to make distributions to affiliates. All other terms of the October 31, 2008 amendment remained in effect following such amendment.

Borrowings under the Essex Crane Revolving Credit Facility, as amended, accrue interest at the borrower's option of either (a) the bank's prime rate (3.25% at December 31, 2013) plus an applicable margin or (b) a Euro-dollar rate based on the rate the bank offers deposits of U.S. Dollars in the London interbank market ("LIBOR") (0.17% at December 31, 2013) plus an applicable margin. Essex Crane is also required to pay a monthly commitment fee with respect to the undrawn commitments under the Essex Crane Revolving Credit Facility. At December 31, 2013 , the applicable prime rate margin, Euro-dollar LIBOR margin, and unused line commitment fee were 1.75% , 3.75% and 0.375% , respectively. At December 31, 2012 (prior to the amendment described above), the applicable prime rate margin, Euro-dollar LIBOR margin, and unused line commitment fee were 0.25% , 2.25% and 0.25% , respectively.

The maximum amount that could be borrowed under the Essex Crane Revolving Credit Facility, net of letters of credit, interest rate swaps and other reserves was approximately $170.1 million and $185.8 million as of December 31, 2013 and 2012 , respectively. Essex Crane's available borrowing under its revolving credit facility was approximately $21.9 million and $34.5 million as of December 31, 2013 and 2012 , respectively. As of December 31, 2013 , there was $9.3 million of available formulated collateral in excess of the maximum borrowing amount of $170.1 million . Although the Essex Crane Revolving Credit Facility limits Essex Crane's ability to incur additional indebtedness, Essex Crane is permitted to incur certain additional indebtedness, including secured purchase money indebtedness of up to $1.5 million outstanding at any time, subject to certain conditions set forth in the Essex Crane Revolving Credit Facility.

The maximum commitment under the Essex Crane Revolving Credit Facility may not exceed $165.0 million , $150.0 million and $130.0 million beginning on March 31, 2014 , March 31, 2015 and February 28, 2016 , respectively, and the Company is required to have availability in excess of 10% of the outstanding commitment. The Company may use the proceeds from crawler crane assets sales, including proceeds from the sealed bid auction scheduled to take place on March 18, 2014, cash flows generated by operations or other financing sources to help meet the commitment reduction.

Essex Crane is currently in compliance with the covenants and other provisions set forth in the Essex Crane Revolving Credit Facility, as amended. Any failure to be in compliance with any material provision or covenant of these agreements could have a material adverse effect on the Company's liquidity and operations.

Coast Crane Revolving Credit Facility

On November 24, 2010 , Coast Crane entered into a new revolving credit facility in conjunction with the acquisition of Coast Crane's assets (the "Coast Crane Revolving Credit Facility"). The Coast Crane Revolving Credit Facility provided for a revolving loan and letter of credit facility in the maximum aggregate principal amount of $75.0 million with a $2.0 million aggregate principal sublimit for letters of credit. Coast Crane's ability to borrow under the Coast Crane Revolving Credit Facility is subject to, among other things, a borrowing base calculated based on the sum of (a) 85% of eligible accounts, (b) the lesser of 50% of eligible spare parts inventory and $5.0 million , (c) the lesser of 95% of the lesser of (x) the net orderly liquidation value and (y) the invoice cost, of eligible new equipment inventory and $15.0 million and (d) 85% of the net orderly liquidation value of eligible other equipment, less reserves established by the lenders and the liquidity reserve.

On November 14, 2011 the Coast Crane Revolving Credit Facility was amended and restated to include Coast Crane Ltd. as a signatory to the credit facility. The amendment provided that equipment owned by Coast Crane located in Canada may be included in the borrowing base calculation, which was previously prohibited. As amended, the Coast Crane Revolving Credit Facility agreement is collateralized by a first priority security interest in substantially all of Coast Crane's and Coast Crane Ltd.'s assets.

Proceeds of the first borrowing under the amended Coast Crane Revolving Credit Facility in the amount of $1.5 million were used to pay off the remaining balance on the Coast Crane Ltd.'s revolving credit facility at the time of its termination in November 2011 .

On May 7, 2012 , the Coast Crane Revolving Credit Facility was amended to provide certain limitations on net capital expenditures and a $3.7 million "first amendment reserve" (as defined in the Coast Crane Revolving Credit Facility). The amendment also provides for a modified fixed charge coverage ratio of 1.20 to 1.00 as well as an obligation of Essex to contribute, or cause to be contributed, to Coast Crane up to $2.5 million to the extent that EBITDA for Coast Crane for the year ending December 31, 2012 was less than $6.0 million . Coast Crane EBITDA for the year ended December 31, 2012 exceeded the $6.0 million threshold and no contribution from Essex was required. The amendment also reduced the amount of certain additional indebtedness, including secured purchase money indebtedness, that Coast Crane may incur to $7.0 million for the year ending December 31, 2012 and $10.0 million thereafter. All other terms of the November 14, 2011 amendment and restatement remained in effect following such amendment.

A definitional interpretation resulted in Coast Crane's lenders determining that the springing fixed charge coverage ratio of 1.20 to 1.00 (which under the Coast Crane Revolving Credit Facility was triggered if Coast Crane's borrowing availability fell below $8.0 million) was triggered notwithstanding that Coast Crane and Coast Crane Ltd. had combined excess availability of $9.5 million , $8.4 million and $8.5 million as of January 31, 2012 , February 29, 2012 and March 31, 2012 , respectively. The modified fixed charge coverage ratio included in the May 7, 2012 amendment replaced the springing trailing twelve month fixed charge coverage ratio. The May 7, 2012 amendment also addressed and waived Coast Crane's non-compliance (which existed as of March 31, 2012) with certain delivery and reporting requirements contained in the Coast Crane Revolving Credit Facility.

On March 12, 2013 , the Coast Crane Revolving Credit Facility was amended and restated to extend the maturity date to March 12, 2017 . The amendment also provided for a $40.0 million term loan and reduced the aggregate maximum principal amount of the revolving loan and letter of credit facility by a corresponding amount to $35.0 million . In addition, the amendment provided for scheduled quarterly term loan payments to reduce the term loan principal outstanding by $0.5 million beginning on June 30, 2013 . The amounts borrowed under the term loan which are repaid or prepaid may not be reborrowed. All other terms of the May 7, 2012 amendment and restatement remained in effect following such amendment.

Interest accrues on Coast Crane's outstanding revolving loans and term loan under the revolving credit facility at either a per annum rate equal to (a) LIBOR plus 3.75% , with a 1.50% LIBOR floor or (b) the Base rate plus 2.75% , at Coast Crane's election. Coast Crane will be obligated to pay a letter of credit fee on the outstanding letter of credit accommodations based on a per annum rate of 3.75% . Interest on the revolving loans and fees on the letter of credit accommodations is payable monthly in arrears. Coast Crane is also obligated to pay an unused line fee on the amount by which the maximum credit under the Coast Crane Revolving Credit Facility exceeds the aggregate amount of revolving loans and letter of credit accommodations based on a per annum rate of 0.50% . At December 31, 2013 , the applicable LIBOR rate, Base rate, and unused line commitment fee were 0.24% , 3.25% and 0.50% , respectively. At December 31, 2012 , the applicable LIBOR rate, Base rate, and unused line commitment fee were 0.31% , 3.25% and 0.50% , respectively.

The maximum amount that could be borrowed under the revolving loans under the Coast Crane Revolving Credit Facility was approximately $34.4 million and $66.2 million as of December 31, 2013 and 2012 , respectively. Coast Crane's available borrowing under the Coast Crane Revolving Credit Facility was approximately $8.2 million and $6.9 million , respectively, after certain lender reserves of $8.9 million and $8.8 million as of December 31, 2013 and 2012 , respectively. As of December 31, 2012 , there was approximately $0.2 million of available formulated collateral in excess of the maximum borrowing amount of $75.0 million . Although the Coast Crane Revolving Credit Facility limits Coast Crane's and Coast Crane Ltd.'s ability to incur additional indebtedness, Coast Crane and Coast Crane Ltd. are permitted to incur certain additional indebtedness, including secured purchase money indebtedness, subject to certain conditions set forth in the Coast Crane Revolving Credit Facility.

As of December 31, 2013 , the outstanding balance on the term loan portion of the Coast Crane Revolving Credit Facility was $38.5 million with $2.0 million of the outstanding balance classified as a current liability as a result of the scheduled quarterly term loan payments of $0.5 million that began on June 30, 2013 .

Coast Crane is currently in compliance with the covenants and other provisions set forth in the Coast Crane Revolving Credit Facility, as amended. Any failure to be in compliance with any material provision or covenant of these agreements could have a material adverse effect on the Company's liquidity and operations.

On February 21, 2014, Coast Crane and Coast Crane Ltd. entered into a First Amendment to the Second Amended and Restated Credit Agreement. The purpose of the First Amendment is to amend the mandatory prepayment provision to exclude proceeds received from permitted equipment asset sales and to waive an event of default that occurred as a result of permitted equipment asset sales and the failure to apply proceeds to the term loan under the Coast Crane Credit Agreement. In addition, the First Amendment amends the borrowing base calculation as it relates to new equipment inventory, and creates a progressive new equipment inventory cap based on a leverage ratio.

The Coast Crane Credit Agreement provides for a revolving loan and letter of credit facility (the "Coast Crane Facility"), in the maximum aggregate principal amount of $35,000,000 with a $2,000,000 aggregate principal sublimit for letters of credit and a subfacility for revolving loans to Coast Crane Ltd. of up to $10,000,000. The Coast Crane Credit Agreement also provides for a term loan (the "Term Loan"), in the maximum principal amount of $40,000,000 with mandatory principal repayments of $500,000 per quarter beginning on June 30, 2013. Coast Crane and Coast Crane Ltd. may borrow, repay and reborrow under the Coast Crane Facility. Coast Crane's ability to borrow under the Coast Crane Facility is subject to, among other things, a borrowing base which is calculated as the sum of (a) 85% of eligible Coast Crane accounts, (b) the lesser of 50% of eligible Coast Crane inventory and $5 million, (c) the lesser of (i) 95% of the lesser of (x) the Net Orderly Liquidation Value and (y) the invoice cost, of U.S. Eligible New Sale Equipment Inventory and (ii) the U.S. Eligible New Sale Equipment Inventory Cap (as hereinafter defined) and (d) 85% of the net orderly liquidation value of eligible other equipment, less reserves established by the lenders and the liquidity reserve. Coast Crane Ltd.'s ability to borrow under the Coast Crane Facility is subject to among other things, a borrowing base which is calculated as the sum of (a) 85% of eligible Coast Crane Ltd. accounts, (b) the lesser of 50% of eligible Coast Crane Ltd. inventory and $750,000, (c) the lesser of (i) 95% of the lesser of (x) the net orderly liquidation value and (y) the invoice cost, of eligible new Coast Crane Ltd. equipment and (ii) $2,000,000 and (d) 85% of the net orderly liquidation value of eligible other Coast Crane Ltd. equipment, less reserves established by the lenders and the liquidity reserve.

The U.S. Eligible New Sale Equipment Inventory Cap shall mean the U.S. Eligible New Sale Equipment Inventory Cap in effect from time to time determined based upon the applicable leverage ratio then in effect. The U.S. Eligible New Sale Equipment Inventory Cap is adjusted from $4 million to $15 million based on the applicable leverage ratio then in effect and also based on the amount of U.S. Eligible New Sale Equipment Inventory that is under a written agreement to be sold to a customer.

Other Long-term Debt Obligations

In November 2010 , the Company entered into an agreement with the holders of certain Coast Crane indebtedness pursuant to which such holders agreed, in consideration of the assumption of such indebtedness by the Company, to exchange such indebtedness for one or more promissory notes issued by the Company in the aggregate principal amount of $5.2 million . As additional consideration under the agreement, the Company agreed to issue 90,000 warrants to the holders of such indebtedness entitling the holder thereof to purchase up to 90,000 shares of Essex Rental common stock at an exercise price of $0.01 per share, and to reimburse such holders for certain legal fees incurred in connection with the transaction. The warrants were exercised in full on October 24, 2013 .

During the year ended December 31, 2013 , the Company made principal payments totaling $1.6 million to reduce the outstanding balance of the unsecured promissory notes. As of December 31, 2013 and 2012 , the outstanding principal balance on the unsecured promissory notes was approximately $3.7 million and $5.1 million , respectively.

Interest accrues on the outstanding promissory notes at a per annum rate of 10% and is payable annually in arrears.

The unsecured promissory notes were amended and restated to extend the maturity date to the earlier of October 31, 2016 or the consummation of any Essex Crane Revolving Credit Facility refinancing to the extent that the terms and conditions of the refinancing permit the Company to use the proceeds from refinancing for such purpose. In addition, beginning on January 1, 2014 , interest will accrue on the outstanding promissory notes at a per annum rate of 18% and is payable in arrears.

As of December 31, 2013 , the Company's purchase money security interest debt consisted of the financing of eleven pieces of equipment. 10 of these debt obligations accrue interest at rates that range from LIBOR plus 3.25% to LIBOR plus 5.38% per annum with interest payable in arrears. 1 of the debt obligations accrues interest at a rate of 8.29% . The obligations are secured by the equipment purchased and have maturity dates that range from September 2015 to October 2018 . As these loans are amortizing, approximately $1.0 million of the total $2.9 million in principal payments is due prior to December 31, 2014 and as such, this amount is classified as a current liability in the accompanying consolidated balance sheets as of December 31, 2013 .

Capitalized Expenditures

Our capitalization criteria is to capitalize costs in the period they are incurred related to projects with total costs in excess of $10,000, $15,000 and $20,000 related to boom trucks, tower cranes and crawler cranes, respectively, when the projects extend the useful lives or enhance the crane's capabilities. These capital projects are depreciated using the straight-line method over an estimated useful life of seven years. Individual rental equipment items and property, plant and equipment items purchased with costs in excess of $5,000 are also capitalized and are depreciated over the useful life of the respective item purchased. Building and leasehold improvement costs in excess of $10,000 are capitalized and depreciated over a useful life of ten years.

The following table provides quantitative information regarding the amount and types of costs capitalized during 2013 and 2012:

	For The Years Ended December 31,	
	2013	2012
Purchases of rental equipment	$ 8,220,399	$ 9,475,729
Costs to prepare cranes for sale	139,433	256,661
Purchases of property, plant & equipment	402,266	478,188
Capitalized crane repair costs	679,057	518,526
Capitalized internally developed software costs	29,144	163,443
Total capitalized expenditures	$ 9,470,299	$ 10,892,547

During the years ended December 31, 2013 and 2012, we expensed repair and maintenance costs of approximately $10.2 million and $10.7 million, respectively. We expect to capitalize costs of approximately $7.5 million during the year ended December 31, 2014. Approximately $5.8 million of the total is for the purchase of rental equipment, a portion of which will be funded from proceeds from the sales of older and lighter lifting rental equipment.

Off Balance Sheet Arrangements

Options issued to members of Essex Crane's senior management are equity linked derivatives and accordingly represent off-balance sheet arrangements. The options meet the scope exception within the applicable accounting guidance and are accordingly not accounted for as derivatives, but instead are accounted for as equity. In addition, the Company has operating leases that are not accounted for on the balance sheet.

Contractual Obligations

The following table summarizes the Company's contractual obligations for the next five years and thereafter as of December 31, 2013:

	Payments Due by Period				
Contractual Obligations	Less Than 1 Year (1)	1-3 Years (1)	3-5 Years (1)	More than 5 Years	Total
Revolving credit facilities:					
Principal	$ 2,000,000	$ 152,148,731	$ 49,833,479	$ —	$ 203,982,210
Interest (1)	8,725,270	13,265,547	989,373	—	22,980,190
Other debt obligations:					
Principal	959,157	4,731,773	892,862	5,857	6,589,649
Interest	779,300	1,073,708	45,304	162	1,898,474
Operating Leases:					
Minimum lease payments	1,867,198	2,284,509	367,500	—	4,519,207
Total	$ 14,330,925	$ 173,504,268	$ 52,128,518	$ 6,019	$ 239,969,730

(1) Amounts include interest expected to be incurred on the Company's revolving credit facilities based on the average amount outstanding each year and the interest rates outlined in the amended and restated Essex Crane Revolving Credit Facility and Coast Crane Revolving Credit Facility.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations for the purposes of this document are based upon our audited consolidated audited financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual results, however, may materially differ from the calculated estimates and this difference would be reported in its current operations.

We prepare our consolidated financial statements in accordance with U.S. generally accepted accounting principles. Our significant accounting policies are presented in Note 2 to our 2013 audited financial statements, and the following summaries should be read in conjunction with the audited financial statements and the related notes thereto. While all accounting policies affect the financial statements, certain accounting policies may be viewed as critical to us. Critical accounting policies are those that are both most important to the portrayal of the financial statements and results of operations and that require our management's most subjective or complex judgments or estimates. Our management believes the policies that fall within this category are policies related to revenue recognition, rental equipment, impairment of goodwill and long-lived assets, derivative financial instruments and income taxes.

Revenue Recognition

The Company recognizes revenue, including multiple element arrangements, in accordance with the provisions of applicable accounting guidance. We generate revenue from the rental of cranes and related equipment and other services such as crane and equipment transportation and repairs and maintenance of equipment on rent. In many instances, the Company provides some of the above services under the terms of a single customer Equipment Rental Agreement. The Company also generates revenue from the retail sale of equipment and spare parts and repair and maintenance services provided with respect to non-rental equipment.

Revenue arrangements with multiple elements are divided into separate units of accounting based on vendor-specific objective evidence if available, third-party evidence if vendor-specific objective evidence is not available, or estimated selling price if neither vendor-specific objective evidence nor third-party evidence is available. During the year ended December 31, 2013, the Company used estimated selling price for allocation of consideration related to rental revenues. After an analysis of rental agreements absent any additional services offered by the Company, it was determined that the Company did not have vendor-specific evidence related to rental revenues. Prior to the year ended December 31, 2013, the Company was able to establish vendor-specific objective evidence based on an analysis of rental agreements absent any additional services offered by the Company. The Company uses the estimated selling price for allocation of consideration to transportation services based on the costs associated with providing such services in addition to other supply and demand factors within specific sub-markets. The estimated selling prices of the individual deliverables are not materially different than the terms of the Equipment Rental Agreements.

Revenue from equipment rentals are billed monthly in advance and recognized as earned, on a straight-line basis over the rental period specified in the associated equipment rental agreement. Rental contract terms may span several months or longer. Because the term of the contracts can extend across financial reporting periods, when rentals are billed in advance, we defer recognition of revenue and record unearned rental revenue at the end of reporting periods so that rental revenue is included in the appropriate period. Repair service revenue is recognized when the service is provided. Transportation revenue from rental equipment delivery service is recognized for the drop off of rental equipment on the delivery date and is recognized for pick-up when the equipment is returned to the Essex service center, storage yard or next customer location. New and used rental equipment and part sales are recognized upon acceptance by the customer and when delivery has occurred. Revenue from repair and maintenance services provided with respect to non-rental equipment is recognized when the service is provided.

There are estimates required in recording certain repair and maintenance revenues and also in recording any allowances for doubtful accounts and credit memos. The estimates have historically been accurate in all material respects and we do not anticipate any material changes to our current estimates in these areas.

Useful Lives of Rental Equipment

Essex's primary assets consist of its lattice-boom crawler cranes and attachments, rough terrain cranes, tower cranes, boom trucks and other equipment within its fleet, which are recorded at cost less accumulated depreciation. In conjunction with the acquisitions of Essex Crane and Coast Crane, Essex recorded all of its crane and attachment and other construction equipment fleet values at fair value. Essex depreciates the existing fleet over periods between 5 and 30 years on a straight-line basis. New cranes to the fleet are depreciated over a 12 to 30 year useful life while used cranes acquired will be amortized over a period of 7 to 25 years. Essex's management reviews the value of its crane fleet annually in conjunction with its lenders.

Allowance for Doubtful Accounts

The Company maintains allowances for doubtful accounts and credit memos. The allowance for doubtful accounts is the Company's best estimate of the amount of credit losses in accounts receivable and is included in selling, general and administrative expenses in the consolidated statements of operations. The Company periodically reviews the allowance for doubtful accounts and balances are written off against the allowance when management believes it is probable the receivable will not be recovered. Our estimate could require change based on changing circumstances, including changes in the economy or in the particular circumstances of individual customers. Accordingly, the Company may be required to increase or decrease its allowance.

Income Taxes

The Company uses an asset and liability approach, as required by the applicable accounting guidance for financial accounting and reporting of income taxes. Deferred tax assets and liabilities are computed using tax rates expected to apply to taxable income in the years in which those assets and liabilities are expected to be realized. The effect on net deferred tax assets and liabilities resulting from a change in tax rates is recognized as income or expense in the period that the change in tax rates is enacted.

The Company makes certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments are applied in the calculation of certain tax credits and in the calculation of the deferred income tax expense or benefit associated with certain deferred tax assets and liabilities. Significant changes to these estimates may result in an increase or decrease to the Company's tax provision in a subsequent period.

The Company assesses the likelihood that it will be able to recover its deferred tax assets. If recovery is not likely, the Company will increase its provision for income taxes by recording a valuation allowance against the deferred tax assets that are not more likely than not to be realized.

The Company follows the applicable accounting guidance related to the accounting for uncertainty in income taxes. The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits in income tax expense.

The Company files income tax returns in the United States federal jurisdiction and in most state jurisdictions. The Company is subject to U. S. federal and state income tax examinations for years 2010 through 2013, however net operating loss carry-forwards from years prior to 2010 also remain open to examination as part of any year utilized in the future. Coast Crane Ltd. is subject to Canadian income tax examinations for the years 2007 through 2013.

The Company makes certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments are applied in the calculation of certain tax credits and in the calculation of the deferred income tax expense or benefit associated with certain deferred tax assets and liabilities. Significant changes to these estimates may result in an increase or decrease to the Company's tax provision in a subsequent period.

At December 31, 2013, the Company had unused federal net operating loss carry-forwards totaling approximately $143.7 million that begin expiring in 2021. At December 31, 2013, the Company also had unused state net operating loss carry-forwards totaling approximately $77.3 million that expire between 2014 and 2033. The Company had unused federal net operation loss carry-forwards of approximately $138.9 million and unused state net operation loss carry-forwards of approximately $71.5 million at December 31, 2012.

Impairment of long-lived assets

Long lived assets are recorded at the lower of amortized cost or fair value. As part of an ongoing review of the valuation of long-lived assets and finite-lived intangible assets, the Company assesses the carrying value of these assets if such facts and circumstances suggest that they may be impaired. Losses related to long-lived assets are recorded where indicators of impairment are present and the estimated undiscounted cash flows to be generated by the asset (rental and associated revenues less related operating expenses plus any terminal value) are less than the assets' carrying value. If the carrying value of the assets will not be recoverable, as determined by the undiscounted cash flows, the carrying value of the assets is reduced to fair value.

During the year ended December 31, 2013, the Company initiated the process of placing certain crawler crane rental equipment assets into a sealed bid auction, which differs from an absolute auction in that the seller has the right to approve any sales. As a result of the auction proceedings, the possibility that the Company will accept bids below net book value and the assets could be sold before the end of their previously estimated useful life, the Company determined that triggering event had occurred, which caused the Company to determine if an impairment of these long-lived assets was necessary. In addition, certain provisions within the Essex Crane Revolving Credit Facility limit the ability of the Company to sell any individual rental equipment asset,or any group of assets in any six month period, for amounts below a certain percentage of orderly liquidation value. Any sale under these thresholds without a waiver from the lenders would place the Company in default of the Essex Crane Revolving Credit Facility. As of December 31, 2013, the Company did not have a waiver in place and, therefore, did not have the authority to commit to selling the rental equipment assets in the sealed bid auction. As such, the Company concluded the rental equipment assets included in the auction should not be classified as held for sale on December 31, 2013.

Application of the long-lived asset impairment test requires judgment, including the identification the primary asset, identification of the lowest level of identifiable cash flows that are largely independent of the cash flows of other assets and liabilities and the future cash flows of the long-lived assets. The Company identified its crawler crane rental equipment fleet as the primary asset as it is the basis of all revenue generating activities for Essex Crane, its replacement would require a significant level of investment and its remaining useful life significantly exceeds the remaining useful life of all other assets. The lowest level of identifiable cash flows within the rental equipment fleet is at the equipment model level. Each equipment model group is capable of producing cash flows without other complementary assets and each asset within the specific equipment model groups is interchangeable with any other asset within that equipment model group. The Company tested the recoverability of the rental equipment assets by model using an undiscounted cash flow approach dependent primarily upon estimates of future rental income, orderly liquidation value, estimated selling prices in the sealed bid auction, discount rates and probability factors. Cash flows for each equipment model group utilized a probability weighted forecast that considered the possibility of continuing to rent the assets, selling the assets at varying prices in either the sealed bid auction referred to above or in more orderly transactions at various prices in the future or at the end of their remaining useful lives. The Company estimated that the future cash flows generated by each of the equipment model groups exceeded the carrying value of the assets and no impairment was recorded for the year ended December 31, 2013.

The Company also assessed whether a triggering event for potential impairment of its other equipment assets existed, and it was determined that no such event occurred for these assets during the year ended December 31, 2013.

Goodwill and Other Intangible Assets

We evaluate goodwill for impairment at the reporting unit level at least annually, or more frequently if triggering events occur or other impairment indicators arise which might impair recoverability. To determine if there is any impairment, management determined whether the fair value of the reporting unit is greater than its carrying value. If the fair value of a reporting unit is less than its carrying value, then the implied fair value of goodwill must be estimated and compared to its carrying value to measure the amount of impairment, if any. We determined that our recorded goodwill was not impaired as of December 31, 2013.

Derivative Financial Instruments

Essex uses derivative financial instruments for the purpose of hedging the risks associated with interest rate fluctuations on its revolving credit facility with the objective of converting a targeted amount of its floating rate debt to a fixed rate. The Company does not enter into derivative transactions for speculative purposes, and therefore holds no derivative instruments for trading purposes.

Essex believes that the use of derivatives in the form of interest rate swaps is an important tool to manage its balance sheet liabilities and interest rate risk, while protecting its associated rental margins. The Company sets its equipment rental rates based in part as a percentage of the investment cost of the equipment and then uses the interest rate swap to lock in the associated interest costs of a period of time.

Recently Issued and Adopted Accounting Pronouncements

Please refer to Note 2 within our notes to the consolidated financial statements for a description of recently issued and adopted accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our earnings are affected by changes in interest rates due to the fact that interest on our revolving credit facilities is calculated based upon either LIBOR or Prime Rate plus an applicable margin as of December 31, 2013. The weighted average interest rate in effect on all of the Company's borrowings at December 31, 2013 was 4.41%. A 1.0% increase in the effective interest rate on our total outstanding borrowings (including our short-term debt obligations) at December 31, 2013 would increase our interest expense by approximately $1.6 million on an annualized basis.

The fair values of the Company's financial instruments (including such items in the financial statement captions as cash and cash equivalents, accounts receivable and accounts payable and accrued expenses) approximate their carrying values based on their nature and terms.

The fair value of the Company's total debt outstanding as of December 31, 2013 was $212.0 million. If market rates of interest increased 50 basis points due to a change in the applicable margin rate of interest (a 14.3% increase from the Company's current margin) the estimated fair value of the Company's total debt obligations would be approximately $211.4 million. If market rates of interest decreased 50 basis points due to a change in the applicable margin rate of interest (a 14.3% decrease from the Company's current margin) the estimated fair value of the Company's total debt obligations would be approximately $212.7 million.

These amounts were determined by considering the impact of hypothetical interest rates on the Company's financial instruments. Theses analyses do not consider the effects of the changes in the overall economy that could exist in such an environment. Further, in the event of changes of such magnitude, management would likely take actions to further mitigate its exposure to the changes. However, due to the uncertainty of the specific actions that would be taken and their possible effects, this analysis assumes no changes in the Company's financial structure or results.

The Company cannot predict the effect of adverse changes in interest rates on its debt and, therefore, the Company cannot predict its exposure to market risk. Consequently, further results may differ materially from the estimated adverse changes discussed above.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements and supplementary data of Essex Rental Corp. required by this Item are described in Item 15 of this Annual Report on Form 10-K and are presented beginning on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities and Exchange Act of 1934) as of December 31, 2013. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2013, the Company's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Essex Rental Corp.'s management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act.

Because of their inherent limitations, systems of internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can only provide reasonable assurance with respect to financial statement preparation and presentation.

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness, as of December 31, 2013, of the Company's internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992). Based on such evaluation, management has concluded that its internal control over financial reporting was effective as of December 31, 2013. Our internal control over financial reporting has been audited as of December 31, 2013 by Grant Thornton, an independent registered public accounting firm, as stated in their report which is included herein.

Changes in Internal Control over Financial Reporting

There were no changes to the internal control over financial reporting of the Company identified in connection with the Company's evaluation referred to above that occurred during the fourth quarter of 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance of the Registrant

The information required by this Item is incorporated by reference to the applicable information in our Proxy Statement related to the 2013 Annual Meeting of Stockholders (the “2013 Proxy Statement”), which will be filed with the SEC on or before April 30, 2014.

Item 11. Executive Compensation

The information required by this Item is incorporated by reference to the applicable information in the 2013 Proxy Statement, which will be filed with the SEC on or before April 30, 2014.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Equity Compensation Plans

The following table provides certain information, as of December 31, 2013, about our common stock that may be issued upon the exercise of options, warrants and rights, as well as the issuance of shares granted to employees, consultants or members of our Board of Directors, under our existing equity compensation plans, the 2008 Long-Term Incentive Plan and the 2011 Long-Term Incentive Plan.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (1)
Equity compensation plans approved by stockholders	1,213,879	$ 4.87	1,436,196
Equity plans not approved by stockholders	—	$ —	—
Total	1,213,879	$ 4.87	1,436,196

(1)During the year ended December 31, 2013, the Company issued 43,715 shares of common stock for services provided by the members of the Strategic Planning and Finance Committee

The additional information required by this Item is incorporated by reference to the applicable information in the 2013 Proxy Statement, which will be filed with the SEC on or before April 30, 2014.

Item 13. Certain Relationships and Related Transactions

The information required by this Item is incorporated by reference to the applicable information in the 2013 Proxy Statement, which will be filed with the SEC on or before April 30, 2014.

Item 14. Principal Accountant Fees and Services

The information required by this Item is incorporated by reference to the applicable information in the 2013 Proxy Statement, which will be filed with the SEC on or before April 30, 2014.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as a part of this report

(1) Consolidated financial statements:

Financial Statements

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets—December 31, 2013 and 2012

Consolidated Statements of Operations for the years ended December 31, 2013, 2012 and 2011

Consolidated Statements of Stockholders' Equity for the years ended December 31, 2013, 2012 and 2011

Consolidated Statements of Comprehensive Loss for the years ended December 31, 2013, 2012 and 2011

Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011

Notes to consolidated financial statements

(3) Exhibits: The exhibits to this report are listed in the exhibit index below.

(b) Description of Exhibits

Exhibit No.	Description
2.1	Purchase Agreement, dated as of March 6, 2008, among Hyde Park Acquisition Corp., Essex Holdings LLC, KCP Services LLC, and the Members of Essex Holdings LLC signatory thereto. (1)
2.2	Amendment No. 1 to Purchase Agreement, dated May 9, 2008, among Hyde Park Acquisition Corp., Essex Holdings LLC, KCP Services LLC and the Members of Holdings signatory thereto. (1)
2.3	Amendment No. 2 to Purchase Agreement, dated August 14, 2008, among Hyde Park Acquisition Corp., Essex Holdings LLC, KCP Services LLC and the Members of Holdings signatory thereto. (1)
2.4	Asset Purchase Agreement, dated as of November 24, 2010, between CC Bidding Corp. and Coast Crane Company (6)
3.1	Amended and Restated Certificate of Incorporation. (4)
3.2	Amended and Restated Bylaws of the Corporation, effective as of September 28, 2007. (2)
4.1	Specimen Unit Certificate. (3)
4.2	Specimen Common Stock Certificate. (3)
4.3	Specimen Warrant Certificate. (3)
4.4	Form of Unit Purchase Option to be granted to Representative. (3)
4.5	Form of Warrant Agreement between Continental Stock Transfer & Trust Company and the Registrant. (3)
4.6	Form of Warrant Agreement between Essex Rental Corp. and the holders of certain indebtedness of CC Liquidating Company (formerly Coast Crane Company), (7)
10.1	Letter Agreement among the Registrant, EarlyBirdCapital, Inc. and Laurence S. Levy. (3)

10.2	Letter Agreement among the Registrant, EarlyBirdCapital, Inc. and Edward Levy. (3)
10.3	Letter Agreement among the Registrant, EarlyBirdCapital, Inc. and Isaac Kier. (3)

10.4	Form of Investment Management Trust Agreement between Continental Stock Transfer & Trust Company and the Registrant. (3)
10.5	Form of Stock Escrow Agreement between the Registrant, Continental Stock Transfer & Trust Company and the Initial Stockholders. (3)
10.6	Form of Letter Agreement between ProChannel Management LLC and Registrant regarding administrative support. (3)
10.7	Form of Promissory Note, dated as of August 21, 2006, issued to each of Laurence S. Levy, Edward Levy and Isaac Kier. (3)
10.8	Form of Registration Rights Agreement among the Registrant and the Initial Stockholders. (3)
10.9	Form of Subscription Agreement among the Registrant, Graubard Miller and each of Laurence S. Levy, Edward Levy and Isaac Kier. (3)
10.10	Lock-up Agreement, dated October 31, 2008, between Registrant and Ronald Schad. (4)
10.11	Lock-up Agreement, dated October 31, 2008, between Registrant and Martin Kroll. (4)
10.12	Lock-up Agreement, dated October 31, 2008, between Registrant and William O’Rourke. (4)
10.13	Lock-up Agreement, dated October 31, 2008, between Registrant and William Erwin. (4)
10.14	Escrow Agreement, dated October 31, 2008, among Registrant, KCP Services LLC and Key Bank National Association. (4)
10.15	Compliance Agreement, dated October 31, 2008, among Registrant, Essex Holdings LLC, KCP Services LLC, Essex Crane Rental Corp. and the members of Essex Holdings LLC. (4)
10.16	Employment Agreement, dated October 31, 2008, among Registrant, Essex Crane Rental Corp. and Ronald Schad. (4)
10.17	Employment Agreement, dated October 31, 2008, among Registrant, Essex Crane Rental Corp. and Martin Kroll. (4)
10.18	Employment Agreement, dated October 31, 2008, among Registrant, Essex Crane Rental Corp. and William O’Rourke. (4)
10.19	Employment Agreement, dated October 31, 2008, among Registrant, Essex Crane Rental Corp. and William Erwin. (4)
10.20	Amended and Restated Limited Liability Company Agreement of Essex Holdings LLC, dated October 31, 2008, among Registrant, Ronald Schad, Martin Kroll, William O’Rourke and William Erwin. (4)
10.21	Registration Rights Agreement, dated October 31, 2008, among Registrant, Ronald Schad, Martin Kroll, William O’Rourke and William Erwin. (4)
10.22	Second Amended and Restated Loan and Security Agreement, dated March 6, 2008, among Essex Crane Rental Corp., Essex Holdings LLC, Textron Financial Corporation, National City Business Credit, Inc., Sovereign Bank, Wachovia Capital Finance Corporation (Central), Wachovia Capital Markets, LLC and the Financial Institutions named therein. (1)
10.23	Hyde Park Acquisition Corp. 2008 Long Term Incentive Plan (1)
10.24	Essex Rental Corp. 2011 Long Term Incentive Plan (8)
10.25	Form of Subscription Agreement, dated October 29, 2010, between Essex Rental Corp. and each of Calm Waters Partnership, Matthew Campbell, Daeg Partners, LP, Equitable Holding Corp. and KC Gamma Opportunity Fund, LP (together with T. Rowe Price Small-Cap Value Fund, the “Private Placement Investors”). (7)

10.26	Subscription Agreement, dated October 29, 2010, between Essex Rental Corp. and T. Rowe Price Small-Cap Value Fund. (7)
10.27	Form of Registration Rights Agreement, dated November 24, 2010, between Essex Rental Corp. and each Private Placement Investor. (7)

10.28	Amended and Restated Credit Agreement (the “Credit Agreement”), dated November 14, 2011, by and among Coast Crane Company, Coast Crane Ltd., CC Acquisition Holding Corp., General Electric Capital Corporation, as Agent for the several financial institutions from time to time party to the Credit Agreement and for itself as a lender, PNC Bank National Association and Wells Fargo Bank, National Association, as lenders, and the other persons party thereto that are designated as Credit Parties thereunder. (9)
10.29	Agreement, dated November 5, 2010, between Essex Rental Corp. and the holders of certain indebtedness of CC Liquidating Company (formerly Coast Crane Company). (7)
10.30	Asset Purchase Agreement, dated as of November 1, 2010, between CC Bidding Corp. and Coast Crane Company. (6)
10.31	Form of Amended and Restated Promissory Notes issued to the holders of certain indebtedness of Essex Rental Corp. in the aggregate principal amount of $3,655,213. (*)
10.32	Registration Rights Agreement, dated December 22, 2010, amount Essex Rental Corp., Kirtland Capital Company III LLC and Kirtland Capital Partners III L.P. (7)
10.33	Third Amended and Restated Loan and Security Agreement, dated March 15, 2013, among Essex Crane Rental Corp., Essex Holdings LLC, Wells Fargo Capital Finance LLC and the Financial Institutions named therein. (10)
10.34	Second Amended and Restated Credit Agreement (the "Credit Agreement") dated March 12, 2013, by and among Coast Crane Company, Coast Crane Ltd., CC Acquisition Holding Corp., General Electric Capital Corporation, as Administrative Agent for the several financial institutions from time to time party to the Credit Agreement and for itself as a lender, Wells Fargo Bank, National Association, as Documentation Agent for the several financial institutions from time to time party to the Credit Agreement and lenders, and the other persons party thereto that are designated as Credit Parties thereunder. (11)
10.35	Employment Separation Agreement and Release, dated May 31, 2013, among Registrant, Essex Crane Rental Corp. and Martin Kroll. (12)
10.36	Employment Separation Agreement and Release, dated November 11, 2013, among Registrant, Essex Crane Rental Corp. and Ronald Schad. (13)
10.37	Severance Agreement, dated as of May 5, 2013, by and between Essex Rental Corp. and Nicholas Matthews (12)
10.38	Severance Agreement, dated as of November 15, 2013, by and between Essex Rental Corp. and Kory Glen (14)
16	Letter from McGladrey & Pullen, LLP to the Securities and Exchange Commission, dated December 16, 2008. (5)
21	Subsidiaries of Registrant (7)
23.1	Consent of Grant Thornton LLP (*)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (*)
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (*)
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (*)
101.INS	XBRL Instance Document (**)
101.SCH	XBRL Taxonomy Extension Schema Document (**)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (**)

101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (**)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document (**)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (**)

(1) Incorporated by reference to the Registrant Definitive Proxy Statement on Schedule 14A, filed with the Securities and Exchange Commission on October 8, 2008, regarding the Special Meeting of the Registrant's Stockholders held on October 31, 2008.

(2) Incorporated by reference to the Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on September 28, 2007.

(3) Incorporated by reference to the Registrant's Registration Statement on Form S-1 (SEC File 333-138452).

(4) Incorporated by reference to the Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission

on November 6, 2008.

(5) Incorporated by reference to the Registrant’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 16, 2008.

(6) Incorporated by reference to the Registrant’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on November 17, 2010.

(7) Incorporated by reference to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2010, filed with the Securities and Exchange Commission on March 16, 2011.

(8) Incorporated by reference to the Registrant's Definitive Proxy Statement on Schedule 14A, filed with the Securities and Exchange Commission on April 29, 2011, regarding the Annual Meeting of the Registrant's Stockholders held on June 16, 2011.

(9) Incorporated by reference to the Registrant’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on November 17, 2011.

(10) Incorporated by reference to the Registrant’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 18, 2013.

(11) Incorporated by reference to the Registrant’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 18, 2013

(12) Incorporated by reference to the Registrant’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on June 3, 2013

(13) Incorporated by reference to the Registrant’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on November 13, 2013

(14) Incorporated by reference to the Registrant’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on November 19, 2013

(*) Filed herewith.

(**) Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Essex Rental Corp.

We have audited the accompanying consolidated balance sheets of Essex Rental Corp. (a Delaware corporation) and subsidiaries (collectively, the “Company”) as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive loss, changes in shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Essex Rental Corp. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2013, based on criteria established in the 1992 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated Mar ch 13, 2014 expressed a n unqualified opinion.

/s/ Grant Thornton LLP

Chicago, Illinois
March 13, 2014

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Essex Rental Corp.

We have audited the internal control over financial reporting of Essex Rental Corp. (a Delaware corporation) and subsidiaries (collectively, the "Company") as of December 31, 2013, based on criteria established in the 1992 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting in Item 9A. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in the 1992 *Internal Control-Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2013, and our report dated March 13, 2014 expressed an unqualified opinion on those financial statements.

/s/ Grant Thornton LLP

Chicago, Illinois
March 13, 2014

ESSEX RENTAL CORP.
CONSOLIDATED BALANCE SHEETS

	December 31, 2013	December 31, 2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,348,558	$ 8,389,321
Accounts receivable, net of allowances	14,058,878	14,658,198
Other receivables	2,412,614	2,282,104
Deferred tax assets	2,878,214	3,022,625
Inventory		
Retail equipment	3,416,027	1,815,670
Retail spare parts, net	1,597,625	1,386,412
Prepaid expenses and other assets	1,790,959	1,494,751
TOTAL CURRENT ASSETS	27,502,875	33,049,081
Rental equipment, net	287,859,918	306,892,373
Property and equipment, net	5,204,653	6,610,976
Spare parts inventory, net	3,247,522	3,145,129
Identifiable finite lived intangibles, net	1,069,285	1,403,571
Goodwill	1,796,126	1,796,126
Loan acquisition costs, net	6,095,357	1,170,354
TOTAL ASSETS	$ 332,775,736	$ 354,067,610
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 5,703,030	$ 5,342,637
Accrued employee compensation and benefits	2,011,693	1,999,143
Accrued taxes	3,908,905	3,211,400
Accrued interest	654,918	1,359,017
Accrued other expenses	1,006,178	1,358,036
Unearned rental revenue	1,667,443	1,520,701
Customer deposits	293,067	73,795
Term loan - short-term	2,000,000	—
Purchase money security interest debt - short-term	959,157	828,610
Promissory notes	—	5,130,870
Capital lease obligation	—	3,154
TOTAL CURRENT LIABILITIES	18,204,391	20,827,363
LONG-TERM LIABILITIES		
Revolving credit facilities	165,482,210	210,592,909
Term loan	36,500,000	—
Promissory notes	3,655,213	—
Purchase money security interest debt	1,975,279	2,147,349
Deferred tax liabilities	40,868,968	46,258,254
TOTAL LONG-TERM LIABILITIES	248,481,670	258,998,512
TOTAL LIABILITIES	266,686,061	279,825,875
Commitments and contingencies		

STOCKHOLDERS' EQUITY		
Preferred stock, $.0001 par value, Authorized 1,000,000 shares, none issued	—	—
Common stock, $.0001 par value, Authorized 40,000,000 shares; issued and outstanding 24,743,513 shares at December 31, 2013 and 24,555,818 shares at December 31, 2012	2,474	2,456
Paid in capital	125,952,025	124,460,238
Accumulated deficit	(59,875,535)	(50,230,938)
Accumulated other comprehensive income, net of tax	10,711	9,979
TOTAL STOCKHOLDERS' EQUITY	66,089,675	74,241,735
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 332,775,736	$ 354,067,610

The accompanying notes are an integral part of these financial statements

ESSEX RENTAL CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31,		
	2013	2012	2011
REVENUES			
Equipment rentals	$ 46,596,363	$ 46,498,363	$ 41,970,190
Retail equipment sales	11,211,876	4,087,127	14,206,479
Used rental equipment sales	12,436,843	17,258,089	6,523,789
Retail parts sales	7,633,022	9,573,134	9,834,844
Transportation	5,912,240	7,474,839	5,413,609
Equipment repairs and maintenance	11,747,091	13,369,302	11,636,068
TOTAL REVENUES	95,537,435	98,260,854	89,584,979
COST OF REVENUES			
Salaries, payroll taxes and benefits	10,771,700	10,994,834	10,635,150
Depreciation	18,662,640	20,458,784	21,146,477
Retail equipment sales	9,550,397	3,474,161	11,878,546
Used rental equipment sales	9,183,230	14,353,793	5,462,818
Retail parts sales	5,909,310	7,091,209	7,230,864
Transportation	5,883,765	6,823,282	5,081,504
Equipment repairs and maintenance	10,242,468	10,663,327	12,452,736
Yard operating expenses	3,146,103	3,069,344	2,599,646
TOTAL COST OF REVENUES	73,349,613	76,928,734	76,487,741
GROSS PROFIT	22,187,822	21,332,120	13,097,238
Selling, general and administrative expenses	24,376,920	26,986,797	28,535,612
Other depreciation and amortization	1,039,434	1,274,466	1,338,378
LOSS FROM OPERATIONS	(3,228,532)	(6,929,143)	(16,776,752)
OTHER INCOME (EXPENSES)			
Other income	561,689	41,230	316,492
Interest expense	(11,662,168)	(11,334,705)	(11,455,390)
Foreign currency exchange gains (losses)	(379,712)	5,484	(6,999)
TOTAL OTHER INCOME (EXPENSES)	(11,480,191)	(11,287,991)	(11,145,897)
LOSS BEFORE INCOME TAXES	(14,708,723)	(18,217,134)	(27,922,649)
BENEFIT FOR INCOME TAXES	(5,064,126)	(5,564,179)	(10,775,749)
NET LOSS	$ (9,644,597)	$ (12,652,955)	$ (17,146,900)
Weighted average shares outstanding:			
Basic	24,660,170	24,545,041	23,824,119
Diluted	24,660,170	24,545,041	23,824,119
Loss per share:			
Basic	$ (0.39)	$ (0.52)	$ (0.72)
Diluted	$ (0.39)	$ (0.52)	$ (0.72)

The accompanying notes are an integral part of these financial statements

ESSEX RENTAL CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	For the Years Ending December 31,		
	2013	2012	2011
Net loss	$ (9,644,597)	$ (12,652,955)	$ (17,146,900)
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustments	732	20,598	(19,591)
Change in fair value of interest rate swap, net of tax of zero, $812,517 and $690,862, respectively	—	1,260,231	1,061,781
Other comprehensive income	732	1,280,829	1,042,190
Comprehensive loss	$ (9,643,865)	$ (11,372,126)	$ (16,104,710)

The accompanying notes are an integral part of these financial statements

ESSEX RENTAL CORP.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-In Capital	Accumulated (Deficit) Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance - December 31, 2010	20,472,489	$ 2,047	$ 101,052,367	$ (20,431,083)	$ (2,313,040)	$ 78,310,291
Exercise of warrants for common stock	3,955,603	396	19,777,619	—	—	19,778,015
Stock based compensation for executive management stock options and employee restricted shares granted	—	—	1,985,412	—	—	1,985,412
Change in fair value of interest rate swap, net of tax of $690,862	—	—	—	—	1,061,781	1,061,781
Foreign currency translation adjustments	—	—	—	—	(19,591)	(19,591)
Net loss for the year ended December 31, 2011	—	—	—	(17,146,900)	—	(17,146,900)
Balance - December 31, 2011	24,428,092	$ 2,443	$ 122,815,398	$ (37,577,983)	$ (1,270,850)	$ 83,969,008
Stock based compensation for executive management stock options and employee restricted shares granted	70,858	7	1,483,346	—	—	1,483,353
Common stock issued to directors	56,868	6	161,494	—	—	161,500
Change in fair value of interest rate swap, net of tax of $812,517	—	—	—	—	1,260,231	1,260,231
Foreign currency translation adjustments	—	—	—	—	20,598	20,598
Net loss for the year ended December 31, 2012	—	—	—	(12,652,955)	—	(12,652,955)
Balance - December 31, 2012	24,555,818	$ 2,456	$ 124,460,238	$ (50,230,938)	$ 9,979	$ 74,241,735
Exercise of warrants for common stock	90,000	9	891	—	—	900
Stock based compensation for executive management stock options and employee restricted shares granted	53,980	5	1,341,400	—	—	1,341,405
Common stock issued to directors	43,715	4	149,496			149,500
Foreign currency translation adjustments	—	—	—	—	732	732
Net loss for the year ended December 31, 2013	—	—	—	(9,644,597)	—	(9,644,597)
Balance - December 31, 2013	24,743,513	$ 2,474	$ 125,952,025	$ (59,875,535)	$ 10,711	$ 66,089,675

The accompanying notes are an integral part of these financial statements

ESSEX RENTAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Years Ended December 31, 2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$ (9,644,597)	$ (12,652,955)	$ (17,146,900)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization of tangible assets	19,367,786	21,377,683	21,854,730
Amortization of loan acquisition costs and other intangibles	2,185,770	1,227,747	1,385,523
Amortization of promissory notes discount	96,130	96,129	96,130
Gain on sale of rental equipment	(3,253,613)	(2,904,296)	(1,060,971)
Gain on sale of property and equipment	(551,803)	—	—
Deferred income taxes	(5,223,707)	(5,621,648)	(10,615,361)
Share based compensation expense	1,444,048	1,522,912	1,985,412
Change in fair value of interest rate swaps	—	(398,031)	(1,043,164)
Changes in operating assets and liabilities:			
Accounts receivable, net	1,419,218	(1,324,432)	(346,571)
Other receivables	(130,510)	430,249	1,511,082
Prepaid expenses and other assets	(296,208)	449,317	1,125,908
Retail equipment inventory	(1,600,357)	(1,030,464)	4,187,863
Spare parts inventory	(365,348)	357,219	535,593
Accounts payable and accrued expenses	163,991	1,490,869	829,928
Unearned rental revenue	146,742	413,920	(166,066)
Customer deposits	219,272	(68,786)	(2,177,426)
Total change in operating assets and liabilities	(443,200)	717,892	5,500,311
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,976,814	3,365,433	955,710
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of rental equipment	(8,111,289)	(8,547,792)	(23,811,028)
Purchases of property and equipment	(431,410)	(1,204,879)	(1,270,994)
Accounts receivable from rental equipment sales	(819,898)	977,577	(1,163,000)
Proceeds from sale of rental equipment	12,436,843	17,258,089	6,523,789
Proceeds from sale of property and equipment	1,751,575	—	—
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	4,825,821	8,482,995	(19,721,233)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from revolving credit facilities	97,007,418	92,312,312	100,312,623
Proceeds from purchase money security interest debt	—	—	—
Proceeds from term loan	40,000,000	—	—
Payments on revolving credit facilities	(142,118,117)	(103,808,344)	(93,168,798)
Payments on purchase money security interest debt	(1,023,338)	(689,179)	(2,253,401)
Payments on term loan	(1,500,000)	—	—
Payments on promissory notes	(1,571,787)	—	—
Payments on capital lease obligation	(3,205)	(7,692)	(7,692)
Proceeds from the exercise of warrants	900	—	19,778,015
Employer repurchase of shares to satisfy minimum tax withholding	(102,642)	—	—
Payments for loan acquisition costs	(6,782,921)	(239,369)	(340,575)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(16,093,692)	(12,432,272)	24,320,172
Effect of exchange rate changes on cash and cash equivalents	250,294	(57,218)	1,420
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,040,763)	(641,062)	5,556,069

CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	8,389,321	9,030,383	3,474,314
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,348,558	$ 8,389,321	$ 9,030,383

The accompanying notes are an integral part of these financial statements

ESSEX RENTAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	For The Years Ended December 31,		
	2013	2012	2011
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING / FINANCING ACTIVITIES			
Board of Directors fees paid in common stock	$ 149,500	$ 161,500	$ —
Equipment obtained through capital lease	$ —	$ 497	$ 974
Equipment purchased directly through long-term debt obligations	$ 927,600	$ 1,139,876	$ 1,012,500
Unrealized loss on designated derivative instruments, net of tax	$ —	$ 1,260,231	$ 1,061,781
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for interest and swaps	$ 10,514,784	$ 9,965,212	$ 11,371,426
Cash (received) paid for income taxes, net	$ (35,231)	$ 98,552	$ (754,266)

The accompanying notes are an integral part of these financial statements

ESSEX RENTAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business and Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Essex Rental Corp. (“Essex Rental”) and its wholly owned subsidiaries Essex Holdings, LLC ("Holdings"), Essex Crane Rental Corp. ("Essex Crane"), Essex Finance Corp. (“Essex Finance”), CC Acquisition Holding Corp. (“CC Acquisition”), Coast Crane Company, formerly known as CC Bidding Corp. (“Coast Crane”) and Coast Crane Ltd. (“Coast Crane Ltd.) (collectively the "Company"). All intercompany accounts and transactions have been eliminated in consolidation.

The Company is engaged primarily in renting lattice boom crawler cranes and attachments, tower cranes and attachments, rough terrain cranes, boom trucks and other related heavy lifting machinery and equipment to the construction industry throughout the United States of America, including Hawaii and Alaska, and Canada. The assets are rented for use in building and maintaining power plants, refineries, bridge and road construction, alternative energy, water treatment facilities and other industrial, commercial, residential and infrastructure related projects. The Company is also engaged in servicing and distributing heavy lifting machinery and other construction related equipment and parts.

The accompanying consolidated financial statements of the Company include all adjustments (consisting of normal recurring adjustments) which management considers necessary for the fair presentation of the Company's operating results, financial position and cash flows as of and for all periods presented.

2. Significant Accounting Policies

Reclassifications

Certain prior year amounts in the consolidated statements of operations, consolidated statement of cash flows and segment information note have been reclassified to conform to the current year presentation. The reclassifications had no effect on net loss, net cash flows or shareholders' equity.

Use of Estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities, revenues, expenses, contingent assets and liabilities, and the related disclosures. Accordingly, actual results could materially differ from those estimates. Significant estimates include the allowance for doubtful accounts and credit memos, spare parts inventory obsolescence reserve, useful lives for rental equipment and property and equipment, deferred income taxes, personal property tax receivable and accrual, loss contingencies and the fair value of interest rate swaps and other financial instruments.

Fair Value of Financial Instruments, Including Derivative Instruments

The valuation of financial instruments requires the Company to make estimates and judgments that affect the fair value of the instruments. The Company, where possible, bases the fair values of its financial instruments, including its derivative instruments, on listed market prices and third party quotes. Where these are not available, the Company bases its estimates on current instruments with similar terms and maturities or on other factors relevant to the financial instruments.

Segment Reporting

We have determined, in accordance with applicable accounting guidance regarding operating segments that we have three reportable segments. We derive our revenues from three principal business activities: (1) equipment rentals; (2) equipment distribution; and (3) parts and service. These segments are based upon how we allocate resources and assess performance. See Note 15 to the consolidated financial statements regarding our segment information.

Revenue Recognition

The Company recognizes revenue, including multiple element arrangements, in accordance with the provisions of applicable accounting guidance. We generate revenue from the rental of cranes and related equipment and other services such as crane and equipment transportation and repairs and maintenance of equipment on rent. In many instances, the Company provides some of the above services under the terms of a single customer Equipment Rental Agreement. The Company also generates revenue from the retail sale of equipment and spare parts and repair and maintenance services provided with respect to non-rental equipment.

Revenue arrangements with multiple elements are divided into separate units of accounting based on vendor-specific objective evidence if available, third-party evidence if vendor-specific objective evidence is not available, or estimated selling price if neither vendor-specific objective evidence nor third-party evidence is available. During the year ended December 31, 2013, the Company used estimated selling price for allocation of consideration related to rental revenues. After an analysis of rental agreements absent any additional services offered by the Company, it was determined that the Company did not have vendor-specific evidence related to rental revenues. Prior to the year ended December 31, 2013, the Company was able to establish vendor-specific objective evidence based on an analysis of rental agreements absent any additional services offered by the Company. The Company uses the estimated selling price for allocation of consideration to transportation services based on the costs associated with providing such services in addition to other supply and demand factors within specific sub-markets. The estimated selling prices of the individual deliverables are not materially different than the terms of the Equipment Rental Agreements.

Revenue from equipment rentals are billed monthly in advance and recognized as earned, on a straight-line basis over the rental period specified in the associated equipment rental agreement. Rental contract terms may span several months or longer. Because the term of the contracts can extend across financial reporting periods, when rentals are billed in advance, we defer recognition of revenue and record unearned rental revenue at the end of reporting periods so that rental revenue is included in the appropriate period. Repair service revenue is recognized when the service is provided. Transportation revenue from rental equipment delivery service is recognized for the drop off of rental equipment on the delivery date and is recognized for pick-up when the equipment is returned to the Essex service center, storage yard or next customer location. New and used rental equipment and part sales are recognized upon acceptance by the customer and when delivery has occurred. Revenue from repair and maintenance services provided with respect to non-rental equipment is recognized when the service is provided.

There are estimates required in recording certain repair and maintenance revenues and also in recording any allowances for doubtful accounts and credit memos. The estimates have historically been accurate in all material respects and we do not anticipate any material changes to our current estimates in these areas.

Cash and Cash Equivalents

The Company considers all demand deposits, money market accounts and investments in certificates of deposit with a maturity of three months or less at the date of purchase to be cash equivalents. The Company maintained cash deposits in foreign accounts totaling approximately $0.1 million and $0.7 million at December 31, 2013 and 2012 , respectively.

Shipping and Handling Costs and Taxes Collectible from Customers

The Company classifies shipping and handling amounts billed to customers as revenues and the corresponding expenses are included in cost of revenues in the consolidated statements of operations. The Company accounts for taxes due from customers on a net basis and as such, these amounts are excluded from revenues in the consolidated statements of operations.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoice price net of an estimate of allowance for doubtful accounts and reserves for credit memos, and generally do not bear interest.

The allowance for doubtful accounts is the Company’s best estimate of the amount of credit losses in accounts receivable and is included in selling, general and administrative expenses in the consolidated statements of operations. The Company periodically reviews the allowance for doubtful accounts and balances are written off against the allowance when management believes it is probable that the receivable will not be recovered. The Company’s allowance for doubtful accounts and credit memos was approximately $2.5 million and $2.8 million as of December 31, 2013 and 2012 , respectively. Bad debt expense was approximately $0.5 million , $1.0 million and $1.0 million for the years ended December 31, 2013 , 2012 and 2011 , respectively.

The following table provides a rollforward of the allowance for doubtful accounts for the years ended December 31, 2013 and 2012 :

	Year Ended December 31,	
	2013	2012
Beginning balance	$ 2,774,720	$ 2,915,895
Provision for allowance for doubtful accounts	519,539	959,543
Provision for credit memo reserve	1,459,326	1,425,103
Write-offs and recoveries	(2,268,581)	(2,525,821)
Ending balance	$ 2,485,004	$ 2,774,720

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents. The Company may maintain deposits in federally insured financial institutions in excess of federally insured limits. However, management believes the Company is not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held.

Another financial instrument account that potentially subjects the Company to a significant concentration of credit risk primarily relates to accounts receivable. Concentrations of credit risk with respect to accounts receivable is limited because a large number of geographically diverse customers make up the Company's customer base.

No single customer represented more than 10% of total revenue or outstanding receivables for any of the periods presented.

The Company controls credit risk related to accounts receivable through credit approvals, credit limits and other monitoring procedures. The Company also manages credit risk through bonding requirements on its customers and/or liens on projects that the rental equipment is used to complete.

Inventory

Inventory is stated at the lower of cost or market. Spare parts inventory is used to service rental equipment and is sold on a retail basis. Spare parts inventory used to support the crawler crane rental fleet is classified as a non-current asset as it is primarily used to support rental equipment repair operations. Spare parts inventory used to service rental equipment is recorded as repairs and maintenance expense in the period the parts were issued to a repair project, or, usage is reclassified as additional cost of the rental equipment if the repair project meets certain capitalization criteria as discussed below. Equipment inventory is accounted for using the specific-identification method and retail parts and spare parts inventory are accounted for using the average cost method, which approximates the first-in, first-out method.

The carrying value of the spare parts inventory is reduced by a reserve representing management's estimate for obsolete and slow moving items. This obsolescence reserve is an estimate based upon the Company's analysis by type of inventory, usage and market conditions at the balance sheet dates. The obsolescence reserve was approximately $1.4 million and $1.3 million as of December 31, 2013 and 2012 , respectively.

Rental Equipment

Rental equipment is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the equipment, which range from 5 to 30 years . In excess of 95% of the assets have a useful life greater than 15 years . Equipment improvement projects with costs in excess of $10,000 for boom trucks, $15,000 for tower and rough terrain cranes and $20,000 for crawler cranes that extend the useful lives or enhance a crane's capabilities are capitalized in the period they are incurred and depreciated using the straight-line method over an estimated useful life of 7 years . Individual rental equipment items purchased with costs in excess of $5,000 are also capitalized and are depreciated over the useful lives of the respective item purchased. During the years ended December 31, 2013 and 2012 , the Company capitalized rental equipment maintenance expenditures of approximately $0.7 million and $0.5 million , respectively.

Gains and losses on retirements and disposals of rental equipment are included in income from operations. Ordinary repair and maintenance costs are included in cost of revenues in the consolidated statements of operations.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the assets' estimated useful lives, which are as follows:

Buildings	30 years
Building improvements	10 years
Office equipment	3 to 7 years
Automobiles, trucks, trailers and yard equipment	4 to 5 years
Information systems equipment and software	3 years
Machinery, furniture and fixtures	4 to 7 years

Expenditures for betterments and renewals in excess of $5,000 that extend the useful lives or enhance the assets' capabilities are capitalized and are depreciated on the straight-line basis over the remaining lives of the assets. Gains and losses on retirements and disposals of property and equipment are included in the consolidated statements of operations. The Company capitalized property, plant and equipment expenditures, excluding capitalized software costs, of approximately $1.2 million and $0.5 million during the years ended December 31, 2013 and 2012 , respectively.

External costs incurred by the Company to develop computer software for internal use are capitalized in accordance with applicable accounting guidance. The Company capitalized approximately $29,000 and $0.2 million for the years ended December 31, 2013 and 2012 , respectively. Capitalized software development costs include software license fees, consulting fees and certain internal payroll costs and are amortized on a straight-line basis over their useful lives. During 2011 , the Company placed approximately $0.8 million of capitalized costs in service associated with the development of a new Enterprise Resource Planning system ("ERP system") at Coast Crane.

Loan Acquisition Costs

Loan acquisition costs include underwriting, legal and other direct costs incurred in connection with the issuance of the Company's debt. These costs are capitalized and amortized using the effective interest method, or using the straight-line method when not materially different that the effective interest method, and are included in interest expense in the consolidated statements of operations.

Goodwill and Other Intangible Assets

The Company used the purchase method of accounting for its acquisition of Coast Crane's assets. The acquisition resulted in an allocation of purchase price to goodwill and other intangible assets. The cost of the Coast Acquisition was first allocated to identifiable assets based on estimated fair values. The excess of the purchase price over the fair value of identifiable assets acquired in the amount of $1.8 million was recorded as goodwill.

We evaluate goodwill for impairment at the reporting unit level at least annually, or more frequently if triggering events occur or other impairment indicators arise which might impair recoverability. These events or circumstances could include a significant change in the business climate, legal factors, operating performance indicators, competition, or sale or disposition of a significant portion of a reporting unit. The Company has recorded goodwill of $1.8 million assigned to one reporting unit.

Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units and determination of the fair value of the reporting units. The fair value of the reporting unit is estimated using the income approach, specifically the present value technique using future cash flows, and is compared to the carrying value of the reporting unit. If the fair value of a reporting unit is less than its carrying value, then the implied fair value of goodwill must be estimated and compared to its carrying value to measure the amount of impairment , if any. This analysis requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for our business, estimation of the useful life over which cash flows will occur, and determination of our weighted average cost of capital.

The estimates used to calculate the fair value of a reporting unit change from year to year based on operating results, market conditions and other factors. Changes in these estimates and assumptions could materially affect the determination of fair value and goodwill impairment for our reporting unit with goodwill.

The results of our quantitative goodwill impairment tests for the most recent year ended December 31, 2013 indicated that the fair value of our reporting unit with goodwill exceeded its carrying value and no impairment of goodwill was recorded. Similarly, there was no impairment of goodwill recorded for the years ended December 31, 2012 and 2011 .

Identifiable finite lived intangible assets consist of customer relationships and trademarks obtained in the acquisition of Essex Crane Rental Corp.'s and Coast Crane's assets. The customer relationship intangible and trademark assets are both being amortized on a straight-line basis over their estimated useful lives of 7 years and 5 years , respectively.

Long-lived Assets

Long lived assets are recorded at the lower of amortized cost or fair value. As part of an ongoing review of the valuation of long-lived assets and finite-lived intangible assets, the Company assesses the carrying value of these assets if such facts and circumstances suggest that they may be impaired. Losses related to long-lived assets are recorded where indicators of impairment are present and the estimated undiscounted cash flows to be generated by the asset (rental and associated revenues less related operating expenses plus any terminal value) are less than the assets' carrying value. If the carrying value of the assets will not be recoverable, as determined by the undiscounted cash flows, the carrying value of the assets is reduced to fair value.

During the year ended December 31, 2013, the Company initiated the process of placing certain crawler crane rental equipment assets into a sealed bid auction, which differs from an absolute auction in that the seller has the right to approve any sales. As a result of the auction proceedings, the possibility that the Company will accept bids below net book value and the assets could be sold before the end of their previously estimated useful life, the Company determined that triggering event had occurred, which caused the Company to determine if an impairment of these long-lived assets was necessary. In addition, certain provisions within the Essex Crane Revolving Credit Facility limit the ability of the Company to sell any individual rental equipment asset, or any group of assets in any six month period, for amounts below a certain percentage of orderly liquidation value. Any sale under these thresholds without a waiver from the lenders would place the Company in default of the Essex Crane Revolving Credit Facility. As of December 31, 2013, the Company did not have a waiver in place and, therefore, did not have the authority to commit to selling the rental equipment assets in the sealed bid auction. As such, the Company concluded the rental equipment assets included in the auction should not be classified as held for sale on December 31, 2013.

Application of the long-lived asset impairment test requires judgment, including the identification the primary asset, identification of the lowest level of identifiable cash flows that are largely independent of the cash flows of other assets and liabilities and the future cash flows of the long-lived assets. The Company identified its crawler crane rental equipment fleet as the primary asset as it is the basis of all revenue generating activities for Essex Crane, its replacement would require a significant level of investment and its remaining useful life significantly exceeds the remaining useful life of all other assets. The lowest level of identifiable cash flows within the rental equipment fleet is at the equipment model level. Each equipment model group is capable of producing cash flows without other complementary assets and each asset within the specific equipment model groups is interchangeable with any other asset within that equipment model group. The Company tested the recoverability of the rental equipment assets by model using an undiscounted cash flow approach dependent primarily upon estimates of future rental income, orderly liquidation value, estimated selling prices in the sealed bid auction, discount rates and probability factors. Cash flows for each equipment model group utilized a probability weighted forecast that considered the possibility of continuing to rent the assets, selling the assets at varying prices in either the sealed bid auction referred to above or in more orderly transactions at various prices in the future or at the end of their remaining useful lives. The Company estimated that the future cash flows generated by each of the equipment model groups exceeded the carrying value of the assets and no impairment was recorded for the year ended December 31, 2013.

The Company also assessed whether a triggering event for potential impairment of its other equipment assets existed, and it was determined that no such event occurred for these assets during the year ended December 31, 2013.

Derivative Financial Instruments and Hedging Activities

The Company uses derivative financial instruments for the purpose of hedging the risks associated with interest rate fluctuations on its revolving credit facility with the objective of converting a targeted amount of its floating rate debt to a fixed rate. The Company has not entered into derivative transactions for speculative purposes, and therefore holds no derivative instruments for trading purposes.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking each hedge transaction. All derivative instruments are carried at fair value on the consolidated balance sheets in accordance with applicable accounting guidance.

Cash flow hedges are accounted for by recording the fair value of the derivative instrument on the consolidated balance sheets as either a freestanding asset or liability, with a corresponding offset recorded in accumulated other comprehensive income within the consolidated statements of stockholders' equity, net of tax. Amounts are reclassified from accumulated other comprehensive income to the consolidated statements of operations in the period or periods the hedged transaction affects earnings.

Derivative gains and losses under cash flow hedges not effective in hedging the change in fair value or expected cash flows of the hedged item are recognized immediately within the consolidated statements of operations. At the hedge's inception and at least quarterly thereafter, a formal assessment is performed to determine whether changes in the fair values or cash flows of the derivative instruments have been highly effective in offsetting changes in fair values or cash flows of the hedged items and whether they are expected to be highly effective in the future. If it is determined a derivative instrument has not been or will not continue to be highly effective as a hedge, hedge accounting is discontinued. No hedge ineffectiveness was recognized within the consolidated statements of operations during the years ended December 31, 2013 , 2012 or 2011 .

The Company assumed three interest rate swaps with a combined notional amount of $21.0 million in conjunction with its purchase of Coast Crane's assets and did not contemporaneously document the hedge designation on the date of assumption in order to qualify for hedge accounting treatment for economic reasons and the forecasted inherent hedge ineffectiveness that would have resulted from the differences in terms of the assumed swaps and the new revolving credit facility. As such, the derivative financial instruments assumed have been recorded at fair value in the accompanying consolidated balance sheets in liabilities with changes in the underlying fair value reported as a component of interest expense in the Company's consolidated statements of operations.

Income Taxes

The Company uses an asset and liability approach, as required by the applicable accounting guidance, for financial accounting and reporting of income taxes. Deferred tax assets and liabilities are computed using tax rates expected to apply to taxable income in the years in which those assets and liabilities are expected to be realized. The effect on net deferred tax assets and liabilities resulting from a change in tax rates is recognized as income or expense in the period that the change in tax rates is enacted.

Management makes certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments are applied in the calculation of certain tax credits and in the calculation of the deferred income tax expense or benefit associated with certain deferred tax assets and liabilities. Significant changes to these estimates may result in an increase or decrease to the Company's tax provision in a subsequent period.

Management assesses the likelihood that it will be able to recover its deferred tax assets. If recovery is not likely, the Company will increase its provision for income taxes by recording a valuation allowance against the deferred tax assets that are not more likely than not to be realized. The Company follows the applicable guidance related to the accounting for uncertainty in income taxes.

Stock based compensation

Stock based compensation is accounted for in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which results in compensation expense being recorded over the requisite service or vesting period based on the fair value of the share based compensation at the date of grant.

Foreign Currency Translation

The functional currency of the Company's Canadian subsidiary is the Canadian dollar. Assets and liabilities of the foreign subsidiary are translated into U.S. dollars at year-end exchange rates, and revenue and expenses are translated at average rates prevailing during the year. Gains or losses from these translation adjustments are included in accumulated other comprehensive income (loss), a separate component of stockholders' equity.

Recently Issued and Adopted Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board ("FASB") issued authoritative guidance regarding the reporting of reclassifications out of accumulated other comprehensive income. Under the new guidance, an entity has the option to present either parenthetically on the face of the financial statements or in the notes, significant amounts reclassified from each component of accumulated other comprehensive income and the statement of operations line items affected by the reclassification. The amendment does not change the current requirements for reporting net income or other comprehensive income in the financial statements. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2012.

The Company adopted this guidance during the three months ended March 31, 2013 and has disclosed the reclassifications out of other comprehensive income and the affect on the statement of operations line items within the notes to the consolidated financial statements.

In July 2013, the FASB issued authoritative guidance regarding the financial statement presentation of unrecognized tax benefits. Under the new guidance, unrecognized tax benefits, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax benefit is disallowed. In situations where a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction or the tax law of the jurisdiction does not require, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be netted with the deferred tax asset. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The company will adopt this guidance for the fiscal year beginning January 1, 2014. Adoption of this guidance is not expected to have a material impact on the Company's financial results.

3. Rental Equipment

Rental equipment consists of the following:

	Year Ended December 31,	
	2013	2012
Rental equipment	$ 362,416,431	$ 366,520,232
Less: accumulated depreciation	(74,556,513)	(59,627,859)
Rental equipment, net	$ 287,859,918	$ 306,892,373

Depreciation expense related to rental equipment was $18.4 million , $19.5 million and $20.0 million for the years ended December 31, 2013 , 2012 and 2011 , respectively and is included in cost of revenues in the accompanying consolidated statements of operations.

Rental periods on rental equipment commonly extend beyond the minimum rental period required by each respective rental agreement due to construction delays, project scope increases or other project related issues. Future contractual minimum rental revenues as required by executed rental agreements as of December 31, 2013 are as follows:

2014	$ 11,214,435
2015	323,850
Total minimum rental revenue	$ 11,538,285

4 . Property and Equipment

Property and equipment consists of the following:

	Year Ended December 31,	
	2013	2012
Land	$ 1,850,000	$ 2,575,000
Buildings and improvements	2,115,843	2,572,005
Automobiles, trucks, trailers and yard equipment	3,458,882	3,283,599
Information Systems equipment and software	2,530,194	2,178,966
Office equipment	160,052	160,207
Construction in progress	635,685	765,559
Total property and equipment	10,750,656	11,535,336
Less: accumulated depreciation	(5,546,003)	(4,924,360)
Property and equipment, net	$ 5,204,653	$ 6,610,976

The amount of costs incurred and capitalized for projects not yet completed was $0.6 million and $0.8 million at December 31, 2013 and 2012 , respectively. The Company’s depreciation expense related to property and equipment was $0.9 million , $1.9 million and $1.8 million for the years ended December 31, 2013 , 2012 and 2011 , respectively.

Depreciation expense for property and equipment related to automobiles, trucks, trailers, yard equipment and machinery has been included in cost of revenues in the accompanying consolidated statements of operations as it is directly related to revenue generation while the remaining categories are included in other operating expenses.

5. Loan Acquisition Costs

The Company capitalized $6.8 million of loan acquisition costs related to the amendment of the Essex Crane and Coast Crane Revolving Credit Facilities during the year ended December 31, 2013 . The 2013 loan acquisition costs are being amortized over the remaining terms of the respective credit facilities . App roximately $0.1 million of unamortized loan acquisition costs related to the Essex Crane Revolving Credit Facility were charged to interest expense during the year ended December 31, 2013 as the lenders related to these acquisition costs did not participate in the amended revolving credit facility.

The Company capitalized $0.2 million of loan acquisition costs related to the amendment of the Coast Crane Revolving Credit Facility during the year ended December 31, 2012 . The 2012 loan acquisition costs are being amortized over the remaining term of the Coast Crane Revolving Credit Facility.

Loan acquisition costs consist of the following:

	Year Ended December 31,	
	2013	2012
Gross carrying amount	$ 10,626,400	$ 3,850,732
Less: accumulated amortization	(4,531,043)	(2,680,378)
Loan acquisition costs, net	$ 6,095,357	$ 1,170,354

The Company’s loan acquisition costs amortized to interest expense for the years ended December 31, 2013 , 2012 and 2011 were $1.9 million , $0.9 million and $0.8 million , respectively.

Estimated future amortization expense related to loan acquisitions costs at December 31, 2013 are as follows for the years ending December 31:

2014	$ 2,025,407
2015	2,116,906
2016	1,897,828
2017	55,216
Total	$ 6,095,357

6 . Intangible Assets

Goodwill of $1.8 million was recorded associated with the acquisition of Coast Crane’s assets on November 24, 2010 for the excess of the total consideration transferred over the fair value of identifiable assets acquired, net of liabilities assumed.

The following table presents the gross carrying amount, accumulated amortization and net carrying amount of the Company’s other identifiable finite lived intangible assets at December 31, 2013 :

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Other identifiable intangible assets:			
Essex Crane customer relationship intangible	$ 784,826	$ (784,826)	$ —
Essex Crane trademark	804,130	(804,130)	—
Coast Crane customer relationship intangible	1,500,000	(660,715)	839,285
Coast Crane trademark	600,000	(370,000)	230,000
	$ 3,688,956	$ (2,619,671)	$ 1,069,285

The following table presents the gross carrying amount, accumulated amortization and net carrying amount of the Company's other identifiable intangible assets at December 31, 2012 :

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Other identifiable intangible assets:			
Essex Crane customer relationship intangible	$ 784,826	$ (784,826)	$ —
Essex Crane trademark	804,130	(804,130)	—
Coast Crane customer relationship intangible	1,500,000	(446,429)	1,053,571
Coast Crane trademark	600,000	(250,000)	350,000
	$ 3,688,956	$ (2,285,385)	$ 1,403,571

The gross carrying amount of the Essex Crane customer relationship intangible was reduced by $0.1 million and the gross carrying amount of the Essex Crane trademark intangible was reduced by $0.1 million during the year ended December 31, 2012 as a result of the recognition of the tax benefit related to excess tax deductible goodwill. The net carrying amounts of the Essex Crane customer relationship and trademark were reduced to zero as a result of the tax benefit related to excess tax deductible goodwill and amortization during the year ended December 31, 2012 .

The Company's amortization expense associated with other intangible assets was $0.3 million , $0.4 million and $0.6 million for the years ended December 31, 2013 , 2012 and 2011 , respectively.

The following table presents the estimated future amortization expense related to intangible assets as of December 31, 2013 :

2014	$ 334,286
2015	324,286
2016	214,286
2017	196,427
Total	$ 1,069,285

7. Revolving Credit Facilities and Other Debt Obligations

The Company's revolving credit facilities and other debt obligations consist of the following:

	Principal Outstanding at December 31, 2013	Principal Outstanding at December 31, 2012	Weighted Average Interest as of December 31, 2013	Maturity Date Ranges
Essex Crane revolving credit facility	$ 148,148,731	$ 151,286,537	3.93%	October 2016
Coast Crane revolving credit facility	17,333,479	59,306,372	5.39%	March 2017
Term loan	36,500,000	—	5.25%	March 2015 - March 2017
Term loan - short-term	2,000,000	—	5.25%	within 1 year
Unsecured promissory notes (related party)	3,655,213	5,130,870	10.00%	October 2016
Purchase money security interest debt	1,975,279	2,147,349	4.67%	September 2015 - October 2018
Purchase money security interest debt - short-term	959,157	828,610	4.67%	within 1 year
Total debt obligations outstanding	$ 210,571,859	$ 218,699,738		

Essex Crane Revolving Credit Facility

In conjunction with the acquisition of Holdings on October 31, 2008 , Essex Crane amended its senior secured revolving line of credit facility (“Essex Crane Revolving Credit Facility”), which permitted it to borrow up to $190.0 million with a $20.0 million aggregate sublimit for letters of credit. Essex Crane may borrow up to an amount equal to the sum of 85% of eligible net receivables and 75% of the net orderly liquidation value of eligible rental equipment. The Essex Crane Revolving Credit Facility is collateralized by a first priority security interest in substantially all of Essex Crane’s assets.

On March 15, 2013 , the Essex Crane Revolving Credit Facility was amended and restated to extend the maturity to October 31, 2016 . The amendment reduced the maximum amount Essex Crane is able to borrow to $175.0 million . The amendment also provided for increases in the applicable prime rate margin, Euro-dollar LIBOR margin and unused line commitment fee to 1.75% , 3.75% and 0.375% , respectively. Under the amendment, the springing covenant threshold is eliminated and, instead, Essex Crane is required to have availability in excess of 10% of the outstanding commitment and is subject to a fixed charge coverage ratio of 1.10 to 1.00. Further, under the amendment, the aggregate commitment will be reduced by: (i) on an individual transaction basis, 100% of the net cash proceeds from the sales of certain assets and (ii) on an annual basis commencing in 2014, 60% of free cash flow, other than net cash proceeds from certain asset sales, as defined within the amended and restated revolving credit facility. In addition, the maximum commitment may not exceed $165.0 million , $150.0 million and $130.0 million beginning on March 31, 2014 , March 31, 2015 and February 28, 2016 , respectively. The amendment also provides for an annual limit on certain capital expenditures of $2.0 million and limits the ability of Essex Crane to make distributions to affiliates. All other terms of the October 31, 2008 amendment remained in effect following such amendment.

Borrowings under the Essex Crane Revolving Credit Facility, as amended, accrue interest at the borrower’s option of either (a) the bank’s prime rate (3.25% at December 31, 2013) plus an applicable margin or (b) a Euro-dollar rate based on the rate the bank offers deposits of U.S. Dollars in the London interbank market (“LIBOR”) (0.17% at December 31, 2013) plus an applicable margin. Essex Crane is also required to pay a monthly commitment fee with respect to the undrawn commitments under the Essex Crane Revolving Credit Facility. At December 31, 2013 , the applicable prime rate margin, Euro-dollar LIBOR margin, and unused line commitment fee were 1.75% , 3.75% and 0.375% , respectively. At December 31, 2012 (prior to the amendment described above), the applicable prime rate margin, Euro-dollar LIBOR margin, and unused line commitment fee were 0.25% , 2.25% and 0.25% , respectively.

The maximum amount that could be borrowed under the Essex Crane Revolving Credit Facility, net of letters of credit, interest rate swaps and other reserves was approximately $170.1 million and $185.8 million as of December 31, 2013 and 2012 , respectively. Essex Crane’s available borrowing under its revolving credit facility was approximately $21.9 million and $34.5 million as of December 31, 2013 and 2012 , respectively. As of December 31, 2013 , there was $9.3 million of available formulated collateral in excess of the maximum borrowing amount of $170.1 million . Although the Essex Crane Revolving Credit Facility limits Essex Crane’s ability to incur additional indebtedness, Essex Crane is permitted to incur certain additional indebtedness, including secured purchase money indebtedness of up to $1.5 million outstanding at any time, subject to certain conditions set forth in the Essex Crane Revolving Credit Facility.

Essex Crane is currently in compliance with the covenants and other provisions set forth in the Essex Crane Revolving Credit Facility, as amended. Any failure to be in compliance with any material provision or covenant of these agreements could have a material adverse effect on the Company’s liquidity and operations.

Coast Crane Revolving Credit Facility

On November 24, 2010 , Coast Crane entered into a new revolving credit facility in conjunction with the acquisition of Coast Crane's assets (the “Coast Crane Revolving Credit Facility”). The Coast Crane Revolving Credit Facility provided for a revolving loan and letter of credit facility in the maximum aggregate principal amount of $75.0 million with a $2.0 million aggregate principal sublimit for letters of credit. Coast Crane’s ability to borrow under the Coast Crane Revolving Credit Facility is subject to, among other things, a borrowing base calculated based on the sum of (a) 85% of eligible accounts, (b) the lesser of 50% of eligible spare parts inventory and $5.0 million , (c) the lesser of 95% of the lesser of (x) the net orderly liquidation value and (y) the invoice cost, of eligible new equipment inventory and $15.0 million and (d) 85% of the net orderly liquidation value of eligible other equipment, less reserves established by the lenders and the liquidity reserve.

On November 14, 2011 the Coast Crane Revolving Credit Facility was amended and restated to include Coast Crane Ltd. as a signatory to the credit facility. The amendment provided that equipment owned by Coast Crane located in Canada may be included in the borrowing base calculation, which was previously prohibited. As amended, the Coast Crane Revolving Credit Facility agreement is collateralized by a first priority security interest in substantially all of Coast Crane’s and Coast Crane Ltd.’s assets.

Proceeds of the first borrowing under the amended Coast Crane Revolving Credit Facility in the amount of $1.5 million were used to pay off the remaining balance on the Coast Crane Ltd.'s revolving credit facility at the time of its termination in November 2011 .

On May 7, 2012 , the Coast Crane Revolving Credit Facility was amended to provide certain limitations on net capital expenditures and a $3.7 million “first amendment reserve” (as defined in the Coast Crane Revolving Credit Facility). The amendment also provides for a modified fixed charge coverage ratio of 1.20 to 1.00 as well as an obligation of Essex to contribute, or cause to be contributed, to Coast Crane up to $2.5 million to the extent that EBITDA for Coast Crane for the year ending December 31, 2012 was less than $6.0 million . Coast Crane EBITDA for the year ended December 31, 2012 exceeded the $6.0 million threshold and no contribution from Essex was required. The amendment also reduced the amount of certain additional indebtedness, including secured purchase money indebtedness, that Coast Crane may incur to $7.0 million for the year ending December 31, 2012 and $10.0 million thereafter. All other terms of the November 14, 2011 amendment and restatement remained in effect following such amendment.

A definitional interpretation resulted in Coast Crane's lenders determining that the springing fixed charge coverage ratio of 1.20 to 1.00 (which under the Coast Crane Revolving Credit Facility was triggered if Coast Crane's borrowing availability fell below $8.0 million) was triggered notwithstanding that Coast Crane and Coast Crane Ltd. had combined excess availability of $9.5 million , $8.4 million and $8.5 million as of January 31, 2012 , February 29, 2012 and March 31, 2012 , respectively. The modified fixed charge coverage ratio included in the May 7, 2012 amendment replaced the springing trailing twelve month fixed charge coverage ratio. The May 7, 2012 amendment also addressed and waived Coast Crane’s non-compliance (which existed as of March 31, 2012) with certain delivery and reporting requirements contained in the Coast Crane Revolving Credit Facility.

On March 12, 2013 , the Coast Crane Revolving Credit Facility was amended and restated to extend the maturity date to March 12, 2017 . The amendment also provided for a $40.0 million term loan and reduced the aggregate maximum principal amount of the revolving loan and letter of credit facility by a corresponding amount to $35.0 million . In addition, the amendment provided for scheduled quarterly term loan payments to reduce the term loan principal outstanding by $0.5 million beginning on June 30, 2013 . The amounts borrowed under the term loan which are repaid or prepaid may not be reborrowed. All other terms of the May 7, 2012 amendment and restatement remained in effect following such amendment.

Interest accrues on Coast Crane's outstanding revolving loans and term loan under the revolving credit facility at either a per annum rate equal to (a) LIBOR plus 3.75% , with a 1.50% LIBOR floor or (b) the Base rate plus 2.75% , at Coast Crane’s election. Coast Crane will be obligated to pay a letter of credit fee on the outstanding letter of credit accommodations based on a per annum rate of 3.75% . Interest on the revolving loans and fees on the letter of credit accommodations is payable monthly in arrears. Coast Crane is also obligated to pay an unused line fee on the amount by which the maximum credit under the Coast Crane Revolving Credit Facility exceeds the aggregate amount of revolving loans and letter of credit accommodations based on a per annum rate of 0.50% . At December 31, 2013 , the applicable LIBOR rate, Base rate, and unused line commitment fee were 0.24% , 3.25% and 0.50% , respectively. At December 31, 2012 , the applicable LIBOR rate, Base rate, and unused line commitment fee were 0.31% , 3.25% and 0.50% , respectively.

The maximum amount that could be borrowed under the revolving loans under the Coast Crane Revolving Credit Facility was approximately $34.4 million and $66.2 million as of December 31, 2013 and 2012 , respectively. Coast Crane’s available borrowing under the Coast Crane Revolving Credit Facility was approximately $8.2 million and $6.9 million , respectively, after certain lender reserves of $8.9 million and $8.8 million as of December 31, 2013 and 2012 , respectively. As of December 31, 2012 , there was approximately $0.2 million of available formulated collateral in excess of the maximum borrowing amount of $75.0 million . Although the Coast Crane Revolving Credit Facility limits Coast Crane's and Coast Crane Ltd.'s ability to incur additional indebtedness, Coast Crane and Coast Crane Ltd. are permitted to incur certain additional indebtedness, including secured purchase money indebtedness, subject to certain conditions set forth in the Coast Crane Revolving Credit Facility.

As of December 31, 2013 , the outstanding balance on the term loan portion of the Coast Crane Revolving Credit Facility was $38.5 million with $2.0 million of the outstanding balance classified as a current liability as a result of the scheduled quarterly term loan payments of $0.5 million that began on June 30, 2013 .

Coast Crane is currently in compliance with the covenants and other provisions set forth in the Coast Crane Revolving Credit Facility, as amended. Any failure to be in compliance with any material provision or covenant of these agreements could have a material adverse effect on the Company's liquidity and operations.

Unsecured Promissory Notes

In November 2010 , the Company entered into an agreement with the holders of certain Coast Crane indebtedness pursuant to which such holders agreed, in consideration of the assumption of such indebtedness by the Company, to exchange such indebtedness for one or more promissory notes issued by the Company in the aggregate principal amount of $5.2 million . As additional consideration under the agreement, the Company agreed to issue 90,000 warrants to the holders of such indebtedness entitling the holder thereof to purchase up to 90,000 shares of Essex Rental common stock at an exercise price of $0.01 per share, and to reimburse such holders for certain legal fees incurred in connection with the transaction. The warrants were exercised in full on October 24, 2013 .

In accordance with accounting guidance related to debt issued with conversion or other options, the fair value of the detachable warrants of $0.3 million is recorded as a discount to the principal balance outstanding with an offset to additional paid-in capital on the consolidated statements of stockholders' equity and will be amortized on a straight-line basis over the three years life of the notes as additional interest expense on the consolidated statement of operations, which is not materially different than the effective interest method. The unamortized balance of this discount was zero and $0.1 million as of December 31, 2013 and 2012 , respectively.

During the year ended December 31, 2013 , the Company made principal payments totaling $1.6 million to reduce the outstanding balance of the unsecured promissory notes. As of December 31, 2013 and 2012 , the outstanding principal balance on the unsecured promissory notes was approximately $3.7 million and $5.1 million , respectively.

Interest accrues on the outstanding promissory notes at a per annum rate of 10% and is payable annually in arrears.

The unsecured promissory notes were amended and restated to extend the maturity date to the earlier of October 31, 2016 or the consummation of any Essex Crane Revolving Credit Facility refinancing to the extent that the terms and conditions of the refinancing permit the Company to use the proceeds from refinancing for such purpose. In addition, beginning on January 1, 2014 , interest will accrue on the outstanding promissory notes at a per annum rate of 18% and is payable in arrears.

Purchase Money Security Interest Debt

As of December 31, 2013 , the Company's purchase money security interest debt consisted of the financing of eleven pieces of equipment. Ten of these debt obligations accrue interest at rates that range from LIBOR plus 3.25% to LIBOR plus 5.38% per annum with interest payable in arrears. One of the debt obligations accrues interest at a rate of 8.29% . The obligations are secured by the equipment purchased and have maturity dates that range from September 2015 to October 2018 . As these loans are amortizing, approximately $1.0 million of the total $2.9 million in principal payments is due prior to December 31, 2014 and as such, this amount is classified as a current liability in the accompanying consolidated balance sheets as of December 31, 2013 .

As of December 31, 2012 , the purchase money security interest debt consisted of the financing of nine pieces of equipment with an outstanding balance of approximately $3.0 million . The interest rates at December 31, 2012 ranged from LIBOR plus 3.25% to LIBOR plus 5.38% .

As described above, Essex Crane and Coast Crane (including Coast Crane Ltd.) are permitted to incur up to $1.5 million and $10.0 million , respectively, of secured purchase money indebtedness under the terms of, and subject to certain conditions set forth in, the Essex Crane Revolving Credit Facility and Coast Crane Revolving Credit Facility, respectively.

The following table summarizes the aggregate maturities of the Company's debt for the next five years and thereafter as of December 31, 2013:

2014	$ 2,959,157
2015	15,939,537
2016	140,940,967
2017	50,346,985
2018	379,356
Thereafter	5,857
Total	$ 210,571,859

8. Derivatives and Hedging Activities – Interest Rate Swap Agreement

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's investments and borrowings.

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish these objectives, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. During the year ended December 31, 2012, the Company had four interest rate swaps outstanding, which involve receipt of variable-rate amounts from counterparties in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amounts.

Essex Crane Interest Rate Swap

In November 2008 , the Company entered into an interest rate swap agreement with the lead lender of its Essex Crane revolving credit facility to hedge its exposure to interest rate fluctuations. The swap agreement had a notional principal amount of $100.0 million and matured in November 2012 . Under the agreement, the Company paid a 2.71% fixed interest rate plus the applicable margin under the revolving credit facility (or a total interest rate of 4.96%). This interest rate swap was designated as a cash flow hedge.

The swap agreement established a fixed rate of interest for the Company and required the Company or the bank to pay a settlement amount depending upon the difference between the 30 day floating LIBOR rate and the swap fixed rate of 2.71% . The differential to be paid or received under the swap agreement had been accrued and paid as interest rates changed and such amounts were included in interest expense for the respective period. Interest payment dates for the revolving loan were dependent upon the interest rate options selected by the Company. Interest rates on the revolving credit facility were determined based on Wells Fargo's prime rate or LIBOR rate, plus a margin depending on certain criteria in the agreement.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges were recorded in accumulated other comprehensive income and subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives was recognized directly in earnings. There was no hedge ineffectiveness recognized during the years ended December 31, 2012 or 2011 .

For the year ended December 31, 2012 , the change in net unrealized loss on the derivative designated as a cash flow hedge reported as a component of other accumulated comprehensive income was an increase of $2.1 million ($1.3 million net of tax). For the year ended December 31, 2011, the change in net unrealized loss on the derivative designated as a cash flow hedge reported as a component of other accumulated comprehensive income was an increase of $1.8 million ($1.1 million net of tax). Amounts reported in accumulated other comprehensive income related to derivatives were reclassified to interest expense as interest payments were made on the Company's variable-rate debt.

Coast Crane Interest Rate Swaps

The Company assumed three interest rate swaps in conjunction with the Coast Acquisition. The assumed interest rate swaps each had a notional amount of $7.0 million each and expired on May 18, 2012 . Under the agreements, the Company paid fixed interest of 5.62% and received three-month LIBOR . The Company did not contemporaneously document the hedge designation on the date of assumption in order to quality for hedge accounting treatment due to economic reasons and the projected inherent hedge ineffectiveness. The changes in fair values of the assumed swaps for the year ended December 31, 2012 were an unrealized gain of approximately $0.4 million and are reported within interest expense of other income (expenses) in the consolidated statement of operations. The changes in fair values of the assumed swaps for the year ended December 31, 2011 were an unrealized gain of approximately $1.0 million and are reported within interest expense of other income (expenses) in the consolidated statement of operations.

Essex Rental Corp. Summary

The weighted average interest rate of the Company's total debt outstanding, including the impact of the interest rate swaps was 4.41% and 3.49% at December 31, 2013 and 2012 , respectively. The impact of the interest rate swaps resulted in an increase in interest expense of approximately $2.3 million for the year ended December 31, 2012 .

The table below presents the effect of the Company's derivative financial instruments on the consolidated statements of operations for the years ended December 31, 2013 , 2012 and 2011 . These amounts are presented as accumulated other comprehensive income (loss) ("OCI").

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
For the Year Ended December 31, 2012					
Interest Rate Swap	$ (219,421)	Interest expense	$ (1,876,317)	Other income / (expense)	$ —
For the Year Ended December 31, 2011					
Interest Rate Swap	$ (766,238)	Interest expense	$ (2,518,879)	Other income / (expense)	$ —

9. Fair Value

The FASB issued a statement on Fair Value Measurements which, among other things, defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis and clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the standard establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 - Observable inputs such as quoted prices in active markets:
- Level 2- Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 - Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The fair value of the Company's total debt obligations was approximately $212.0 million and $217.2 million as of December 31, 2013 and 2012 , respectively, calculated using a discounted cash flows approach at a market rate of interest. The inputs used in the calculation are classified within Level 2 of the fair value hierarchy.

The fair values of the Company's financial instruments, other than debt obligations, including cash and cash equivalents approximate their carrying values. The Company bases its fair values on listed market prices or third party quotes when available. If not available, then the Company bases its estimates on instruments with similar terms and maturities.

10. Accumulated Other Comprehensive Income Reclassifications

The following table presents the Company's changes in accumulated other comprehensive income by component net of tax for the year ended December 31, 2013 :

	Gains and Losses on Designated Cash Flow Hedge	Foreign Currency Translation Adjustments	Total
Beginning balance	$ —	$ 9,979	$ 9,979
Other comprehensive income before reclassifications	—	732	732
Amounts reclassified from accumulated other comprehensive income	—	—	—
Net current period other comprehensive income	—	732	732
Ending balance	$ —	$ 10,711	$ 10,711

The following table presents the Company's changes in accumulated other comprehensive income by component net of tax for the year ended December 31, 2012 :

	Gains and Losses on Designated Cash Flow Hedge	Foreign Currency Translation Adjustments	Total
Beginning balance	$ (1,260,232)	$ (10,618)	$ (1,270,850)
Other comprehensive income (loss) before reclassifications	(134,818)	20,597	(114,221)
Amounts reclassified from accumulated other comprehensive income	1,395,050	—	1,395,050
Net current period other comprehensive income	1,260,232	20,597	1,280,829
Ending balance	$ —	$ 9,979	$ 9,979

The following table presents the impact of the reclassifications from accumulated other comprehensive income on the consolidated statement of operations for the year ended December 31, 2012 :

	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Consolidated Statement of Operations
Losses on designated cash flow hedge		
Interest rate swap	(2,293,191)	Interest Expense
Tax benefit	898,141	Benefit for Income Taxes
Effect on net loss	(1,395,050)	Net Loss

11. Earnings Per Share

The following tables set forth the computation of basic and diluted earnings per share:

	For the Years Ended December 31,		
	2013	2012	2011
Net loss	$ (9,644,597)	$ (12,652,955)	$ (17,146,900)
Weighted average shares outstanding:			
Basic	24,660,170	24,545,041	23,824,119
Effect of dilutive securities:			
Warrants	—	—	—
Options	—	—	—
Diluted	24,660,170	24,545,041	23,824,119
Basic earnings (loss) per share	$ (0.39)	$ (0.52)	$ (0.72)
Diluted earnings (loss) per share	$ (0.39)	$ (0.52)	$ (0.72)

Basic earnings per share ("EPS") is computed by dividing net income by the weighted average number of common shares outstanding during the period. Included in the weighted average number of shares outstanding for the years ended December 31, 2013 , 2012 and 2011 are 493,670 , 493,670 and 632,911 , respectively, weighted average shares of common stock for the effective conversion of the retained interest in Holdings into common stock of the Company. Diluted EPS adjusts basic EPS for the effects of Warrants, Units and Options; only in the periods in which such effect is dilutive.

As part of the initial public offering in March 2007 , the Company issued an Underwriter Purchase Option (“UPO”) to purchase 600,000 Units at an exercise price of $8.80 per unit. Each unit consisted of one share of the Company’s common stock and one warrant. Each warrant entitled the holder to purchase from the Company one share of common stock at an exercise price of $5.00 per share. The UPO expired unexercised on March 4, 2012 .

The weighted average UPO Units that could be converted into 1,200,000 common shares for the year ended December 31, 2011 were not included in the computation of diluted earnings per share because the effects would be anti-dilutive. The weighted average restricted stock outstanding that could be converted into 5,411 , 83,469 and 81,687 common shares for the years ended December 31, 2013 , 2012 and 2011 , respectively, were not included in the computation of diluted earnings per share because the effects would be anti-dilutive. Weighted average options outstanding that could be converted into 55,235 , zero and 107,703 common shares for the years ended December 31, 2013 , 2012 and 2011 , respectively, were not included in the computation of diluted earnings per share because the effects would be anti-dilutive. Weighted average warrants outstanding that could be converted into 72,797 , 89,745 and 114,096 common shares for the years ended December 31, 2013 , 2012 and 2011 , respectively, were outstanding but were not included in the computation of diluted earnings per share because the effects would be anti-dilutive.

As of December 31, 2013 and 2012 , there were 1,213,879 and 1,474,719 stock options, respectively, outstanding which are exercisable at weighted average exercise prices of $4.87 and $5.45 , respectively. As of December 31, 2012 , there were 90,000 privately-issued warrants outstanding, which were exercisable at a weighted average exercise price of $0.01 . The warrants were fully exercised on October 24, 2013.

12. Income Taxes

The Company uses an asset and liability approach, as required by the applicable accounting guidance for financial accounting and reporting of income taxes. Deferred tax assets and liabilities are computed using tax rates expected to apply to taxable income in the years in which those assets and liabilities are expected to be realized. The effect on net deferred tax assets and liabilities resulting from a change in tax rates is recognized as income or expense in the period that the change in tax rates is enacted.

The Company makes certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments are applied in the calculation of certain tax credits and in the calculation of the deferred income tax expense or benefit associated with certain deferred tax assets and liabilities. Significant changes to these estimates may result in an increase or decrease to the Company's tax provision in a subsequent period.

The Company assesses the likelihood that it will be able to recover its deferred tax assets. If recovery is not likely, the Company will increase its provision for income taxes by recording a valuation allowance against the deferred tax assets that are not more likely than not to be realized.

The Company follows the applicable accounting guidance related to the accounting for uncertainty in income taxes. The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits in income tax expense.

The Company files income tax returns in the United States federal jurisdiction and in most state jurisdictions. The Company is subject to U. S. federal and state income tax examinations for years 2010 through 2013, however net operating loss carry-forwards from years prior to 2010 also remain open to examination as part of any year utilized in the future. Coast Crane Ltd. is subject to Canadian income tax examinations for the years 2007 through 2012.

The Company makes certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments are applied in the calculation of certain tax credits and in the calculation of the deferred income tax expense or benefit associated with certain deferred tax assets and liabilities. Significant changes to these estimates may result in an increase or decrease to the Company's tax provision in a subsequent period.

At December 31, 2013, the Company had unused federal net operating loss carry-forwards totaling approximately $143.8 million that begin expiring in 2021. At December 31, 2013, the Company also had unused state net operating loss carry-forwards totaling approximately $77.3 million that expire between 2014 and 2033. The Company had unused federal net operation loss carry-forwards of approximately $138.9 million and unused state net operation loss carry-forwards of approximately $71.5 million at December 31, 2012.

Income tax (benefit) expense consists of the following:

	Year Ended December 31,		
	2013	2012	2011
Current income taxes:			
Federal	$ 28,906	$ 9,049	$ (10,602)
State and local	79,836	161,245	(117,387)
Foreign	53,742	(112,825)	(30,308)
Deferred income taxes:			
Federal	(3,706,199)	(6,452,451)	(10,130,941)
State and local	(1,336,044)	595,132	(1,047,162)
Foreign	(184,367)	100,889	(61,719)
Benefit applied to reduce other identifiable intangibles	—	134,782	622,370
Total income tax (benefit) expense	$ (5,064,126)	$ (5,564,179)	$ (10,775,749)

The Company's current income tax expense for the year ended December 31, 2013 relates primarily to Canadian withholding taxes, New York state audit assessments and Canadian Revenue Agency audit assessments. The Company's deferred income tax benefit for the year ended December 31, 2013 relates primarily to an increase in net operating loss carry-forwards, reduced by an increase in deferred tax liability for rental equipment and other property and equipment.

The Company's current income tax expense for the year ended December 31, 2012 relates primarily to current year state income taxes and prior year income tax true-ups. The Company's deferred income tax benefit for the year ended December 31, 2012 relates primarily to an increase in net operating loss carry-forwards, reduced by an increase in deferred tax liability for rental equipment and property and equipment and a change in the estimated state deferred income tax rate resulting from various state law changes and estimated future apportionment by state.

The Company’s current income tax benefit for the year ended December 31, 2011 relates to a decrease in unrecognized tax benefits. The Company’s deferred income tax benefit for the year ended December 31, 2011 primarily relates to the reduction in deferred tax liability for rental equipment and property and equipment and an increase in net operating loss.

The following table provides a reconciliation between the federal statutory tax rate and the Company’s actual effective tax rate:

	For the Years Ended December 31,		
	2013	2012	2011
Federal statutory rate	35.0 %	35.0 %	35.0 %
State and local taxes	5.5 %	(2.8)%	3.4 %
Stock option shortfalls	(4.5)%	— %	— %
Foreign tax differential	(0.8)%	— %	— %
Canadian withholding taxes	(0.9)%	— %	— %
Adjustments to previously recognized deferred tax assets	— %	(2.1)%	— %
Change in state deferred tax rates resulting from the Coast Acquisition	— %	— %	0.8 %
Uncertain tax positions	— %	— %	— %
Meals, entertainment and other	0.1 %	0.4 %	(0.6)%
Effective income tax rate	34.4 %	30.5 %	38.6 %

The Company's effective tax rate for the year ended December 31, 2013 was lower than the statutory rate primarily due to the impact of the stock option shortfall, Canadian withholding taxes and foreign tax differential.

The Company's effective tax rate for the year ended December 31, 2012 was lower than the statutory rate primarily due to a change in the estimated state and local tax rates which are expected to apply in future years when the Company's temporary differences are expected to reverse, and adjustments to previously recognized deferred tax assets. The change in the estimated state and local taxes rates is the result of newly enacted state law changes and estimated future apportionment percentages in various states, which are expected to apply in future years when the Company's temporary differences are expected to reverse.

The Company's effective tax rate for the year ended December 31, 2011 was higher than the statutory rate primarily due to state and local taxes. The increase in effective tax rate related to a small increase in the state deferred tax rates at Essex Crane, which was partially offset by an additional state net operating loss valuation allowance. The Essex Crane state deferred rate decreased slightly due to a reduction in forecasted apportionment from higher tax rate states to lower tax rate states.

The tax effects of temporary differences that give rise to deferred tax assets and liabilities are as follows:

	For the Year Ended December 31,	
	2013	2012
Deferred tax assets:		
Federal and state net operating loss carry-forwards	$ 55,825,699	$ 53,906,741
Accrued expenses	3,416,028	4,947,064
Goodwill and other intangibles	2,649,472	4,143,639
Stock based compensation	1,598,285	1,984,934
Accounts receivable	1,095,676	1,328,807
Tax credits and other	596,576	464,040
	65,181,736	66,775,225
Valuation allowance	(798,439)	(551,903)
Total deferred tax assets, net	64,383,297	66,223,322
Deferred tax liabilities:		
Rental equipment, property and equipment and other	(102,373,464)	(109,458,951)
Other deferred tax liabilities	(587)	—
Total deferred tax liabilities	(102,374,051)	(109,458,951)
Net deferred tax liabilities	$ (37,990,754)	$ (43,235,629)

	For the Years Ended December 31,	
	2013	2012
Amounts included in the consolidated balance sheets:		
Current deferred tax assets	$ 2,878,214	$ 3,022,625
Long-term deferred tax liabilities	(40,868,968)	(46,258,254)
Net deferred tax liabilities	$ (37,990,754)	$ (43,235,629)

At December 31, 2013, the Company has federal net operating loss carry-forward totaling approximately $143.8 million that begin expiring on December 31, 2021. The Company recognizes a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion, or all, of a deferred tax asset will not be realized. The Company determined it is more likely than not that it will realize the federal deferred tax assets due to the reversal of federal deferred tax liabilities. The federal deferred tax liabilities significantly exceed the federal deferred tax assets and based on the reversing pattern the Company has concluded that substantially all of the federal deferred tax liabilities are expected to reverse and be a sufficient source of future federal taxable income within the period of time available for existing net operating loss carry-forwards and other federal deferred tax assets. The federal deferred tax liability is of the same character as the differences giving rise to the federal deferred tax assets. Also, if the Company experiences substantial changes in ownership, the net operating loss carry-forwards would be subject to an annual limitation pursuant to Section 382 which may impact the realization of the net operating loss carry-forwards. The Company does not believe that the realization of the prior year net operating loss carry-forwards are impacted by a Section 382 limitation.

The Company also has state net operating loss carry-forwards totaling approximately $77.3 million . The Company increased its valuation allowance related to state net operating loss carry-forwards by $0.2 million during the year ended December 31, 2013. The state deferred tax liabilities significantly exceed the state deferred tax assets and based on the reversing pattern the Company has concluded that substantially all of the state deferred tax liabilities are expected to reverse within the period of time available to fully utilize all State deferred tax assets except for certain State net operating losses, with shorter expirations. Based on the reversing schedule performed on a state by state basis the Company has concluded that a valuation allowance of $0.8 million is required. These states required a valuation allowance because the net operating loss carry-forward periods range from five to fifteen years and are expected to expire before being utilized, based upon the scheduled reversal of the deferred tax liabilities. The Company has had net operating losses in these states in the past and limited apportionment currently in these states. Finally, the Company is not relying upon tax planning strategies as the Company has not identified any tax planning strategies that are prudent, feasible and available.

The following table presents the estimated future net operating loss expiration schedule by date and jurisdiction for each of the subsequent ten years and thereafter as of December 31:

	Jurisdiction	
	Federal	**State**
December 31, 2014	—	1,595,000
December 31, 2015	—	1,267,000
December 31, 2016	—	3,475,000
December 31, 2017	—	6,052,000
December 31, 2018	—	3,658,000
December 31, 2019	—	4,025,000
December 31, 2020	—	2,111,000
December 31, 2021	2,000	8,116,000
December 31, 2022	11,424,000	8,396,000
December 31, 2023	14,238,000	4,924,000
Thereafter	118,105,000	33,685,000
Total	143,769,000	77,304,000

The Company also has remaining excess tax goodwill of approximately $3.1 million as of December 31, 2013 associated with the acquisition of Holdings. The excess tax goodwill will be amortized and deducted on the tax return over the remaining three year term. However, the excess tax goodwill is unrecorded for book purposes and cannot be used as a benefit to the income tax provision until the amortization deductions are realized through the reduction of taxable income in future years. The Company had remaining excess tax goodwill of approximately $3.1 million at December 31, 2012.

The Company had approximately $0.1 million and $0.1 million of unrecognized tax benefits, net of federal income tax benefit, at December 31, 2013 and 2012, respectively, all of which will impact the Company's effective tax rate if recognized.

A reconciliation of the approximate beginning and ending amounts of gross unrecognized tax benefits is as follows:

	Year Ended December 31,	
	2013	2012
Balance at beginning of year	$ 100,000	$ 100,000
Increase for changes to tax positions in prior years, net	—	—
Balance at end of year	$ 100,000	$ 100,000

The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits in income tax expense. To the extent interest is not assessed with respect to uncertain tax positions, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision. The Company had no accrual for interest and penalties for the years ended December 31, 2013, 2012, and 2011 as the Company has significant net operating loss carry-forwards which would be reduced if any payment were due under audit.

13. Stock Based Compensation

The Company may issue up to 1,500,000 shares of common stock pursuant to its 2011 Long-term Incentive Plan to employees, non-employee directors and consultants of the Company. Options to purchase shares of common stock are granted at its market price on the grant date and expire ten years from issuance.

The Company may issue up to 1,575,000 shares of common stock pursuant to its 2008 Long-term Incentive Plan to employees, non-employee directors and consultants of the Company. Options to purchase shares of common stock are granted at its market price on the grant date and expire ten years from issuance.

Stock Options

Stock options granted to employees have a 10 year life and vest one-third annually beginning one year from the date of issue. The Company calculates stock option compensation expense based on the grant date fair value of the award and recognizes expense on a straight-line basis over the three year service period of the award. The Company has granted to certain key members of management options to purchase 75,000 shares at $3.02 per share, 100,000 shares at $4.30 per share, 423,750 shares at $5.58 per share, 485,969 shares at $6.45 per share, and 565,000 shares at $4.50 per share on grant dates of November 15, 2013 , June 18, 2013 , January 14, 2011 , March 18, 2010 , and December 18, 2008 , respectively.

The fair values of the stock options granted are estimated at the date of grant using the Black-Scholes option pricing model. The model is sensitive to changes in assumptions which can materially affect the fair value estimate. The Company’s method of estimating expected volatility for the December 18, 2008 and March 18, 2010 option grants were based on the volatility of its peers since the Company only had operations for a short period of time as of the grant date. The Company’s method of estimating the expected volatility for the January 14, 2011 , June 18, 2013 and November 17, 2013 option grants were based on the volatility of its own common shares outstanding. The expected dividend yield was estimated based on the Company’s expected dividend rate over the term of the options. The expected term of the options was based on management’s estimate, and the risk-free rate is based on U.S. Treasuries with a term approximating the expected life of the options.

Based on the results of the model, the weighted average fair value of the stock options granted were $1.95 , $2.79 , $3.19 , $3.76 and $2.54 per share for the options granted on November 15, 2013 , June 18, 2013 , January 14, 2011 , March 18, 2010 , and December 18, 2008 , respectively, using the following assumptions:

	Grant Date				
	2013 (1)	2013 (2)	2011	2010	2008
Expected dividend yield	—%	—%	—%	—%	—%
Risk-free interest rate	1.71%	1.33%	2.31%	2.79%	1.43%
Expected volatility	72.71%	74.98%	60.00%	61.00%	61.00%
Expected life of option	6 years	6 years	6 years	6 years	6 years
Grant date fair value	$ 146,246	$ 278,589	$ 1,351,763	$ 1,827,243	$ 1,434,671

(1) Stock options granted on November 15, 2013
(2) Stock options granted on June 18, 2013

On November 11, 2013 and May 31, 2013, the Company entered into separation agreements with its former Chief Executive Officer and Chief Financial Officer, respectively. In accordance with the terms of the separation agreements, and as permitted under the terms of the applicable option awards, the Company agreed that options awarded to the former executives of the Company on December 18, 2008 and January 14, 2011 , to the extent vested, will remain exercisable until the ten year anniversary of the applicable grant date, instead of expiring 90 days following the date employment was terminated, as provided in the option award agreements. As a result of the modification, the Company incurred additional non-cash stock compensation expense of approximately $0.9 million during the year ended December 31, 2013. Additionally, the separation agreements resulted in the forfeiture of 403,353 vested options issued under the March 18, 2010 option grant and 32,487 unvested options issued under the January 14, 2011 option grant.

The table below summarizes the stock option activity for the years ending December 31, 2013 , 2012 and 2011 :

	Stock Options	
	Common Shares Subject to Options	Weighted Average Exercise Price
Balance at December 31, 2010	1,050,969	$ 5.40
Granted	423,750	5.58
Exercised	—	—
Expired/forfeited	—	—
Balance at December 31, 2011	1,474,719	5.45
Granted	—	—
Exercised	—	—
Expired/forfeited	—	—
Balance at December 31, 2012	1,474,719	5.45
Granted	175,000	3.73
Exercised	—	—
Expired/forfeited	(435,840)	6.39
Balance at December 31, 2013	1,213,879	$ 4.87

The following table summarizes information regarding options outstanding and exercisable at December 31, 2013 :

	Options Outstanding (1)				Options Exercisable (2)			
	Options	Weighted Average Remaining Contractual Term (Years)		Weighted Average Exercise Price	Options	Weighted Average Remaining Contractual Term (Years)		Weighted Average Exercise Price
2008 Options Grant	565,000	4.97	$	4.50	565,000			
2010 Options Grant	82,616	6.22		6.45	82,616			
2011 Options Grant	391,263	7.04		5.58	250,013			
2013 Options Grant	175,000	9.65		3.73	—			
	1,213,879	6.40	$	4.87	897,629	5.66	$	4.98
Vested and expected to vest as of December 31, 2013	1,213,879	6.40	$	4.87				

(1)The aggregate intrinsic value of options outstanding that are vested and expected to vest as of December 31, 2013 is $18,750 calculated using the Company's closing share price of $3.27 .

(2)The aggregate intrinsic value of options exercisable as of December 31, 2013 is zero calculated using the Company's closing share price of $3.27 .

There were 1,474,719 options outstanding at December 31, 2012 and 2011 with weighted average exercise prices of $5.45 . There were 1,030,230 and 726,989 options exercisable at December 31, 2012 and 2011 , respectively, with weighted average exercise prices of $5.26 and $4.93 , respectively.

Restricted Shares of Common Stock

On November 15, 2013 , the Company granted to a key member of management 50,000 shares of restricted common stock with an aggregate grant date fair value of $0.2 million . One-third of the restricted shares are scheduled to vest on June 30, 2014 , June 30, 2015 and June 30, 2016 , respectively, and as such, no shares were vested as of December 31, 2013 .

On June 18, 2013 , the Company granted to a key member of management 67,500 shares of restricted common stock with an aggregate grant date fair value of $0.3 million . One-third of the restricted shares are scheduled to vest on May 20, 2014 , May 20, 2015 and May 20, 2016 , respectively, and as such, no shares were vested as of December 31, 2013 .

On January 3, 2011 , the Company granted to certain employees 166,943 shares of restricted common stock with an aggregate grant date fair value of $0.9 million . One half of these restricted shares vested on January 3, 2012 and the remainder vested on January 3, 2013 , and as such, 166,943 and 83,474 shares were vested as of December 31, 2013 and 2012, respectively.

The table below summarizes the restricted shares activity for the years ending December 31, 2013 , 2012 and 2011 :

	Restricted Shares	
	Common Shares Subject to Grants	Weighted Average Fair Value
Balance at December 31, 2010	—	$ —
Granted	166,943	5.55
Vested	—	—
Expired/forfeited	—	—
Balance at December 31, 2011	166,943	5.55
Granted	—	—
Vested	(83,474)	5.55
Expired/forfeited	—	—
Balance at December 31, 2012	83,469	5.55
Granted	117,500	3.73
Vested	(83,469)	5.55
Expired/forfeited	—	—
Balance at December 31, 2013	117,500	$ 3.73

The Company recorded approximately $1.4 million , $1.5 million and $2.0 million of non-cash compensation expense associated with stock options and restricted shares in selling, general and administrative expenses for the years ended December 31, 2013 , 2012 and 2011 , respectively. There was approximately $0.7 million and $0.5 million of total unrecognized compensation cost as of December 31, 2013 and 2012 , respectively, related to non-vested stock option and restricted share awards. The remaining cost is expected to be recognized ratably over the remaining respective vesting periods.

14. Common Stock and Warrants

In October 2008 our Board of Directors authorized a stock and warrant repurchase program, under which the Company may purchase, from time to time, in open market transactions at prevailing prices or through privately negotiated transactions as conditions permit, up to $12.0 million of the Company’s outstanding common stock and warrants. The Company’s stock repurchase program was suspended in May 2010 in conjunction with the launching of the cashless exercise warrant offer. Repurchases of our common stock and warrants were funded with cash flows of the business.

In November 2010 , in conjunction with the issuance of the unsecured promissory notes, the Company issued 90,000 warrants entitling the holders to purchase from the Company one share of common stock at an exercise price of $0.01 . The warrants were fully exercised on October 24, 2013 . The fair value of the warrants on the issuance date was $0.3 million . See Note 7 for further discussion.

The Company issued 43,715 and 56,868 shares of common stock for services provided by the members of the Strategic Planning and Finance Committee of the Board of Directors during the years ended December 31, 2013 and 2012 . The Company also issued 83,469 and 83,474 shares of restricted common stock to the employees of Coast Crane during the years ended December 31, 2013 and 2012 . The Company withheld 29,489 and 12,616 common shares to cover the employees tax obligation related to the restricted shares issuance for the years ended December 31, 2013 and 2012 . The Company issued 90,000 shares of common stock upon the exercise of warrants in exchange for cash proceeds of $900 during the year ended December 31, 2013 . The Company issued 3,955,603 shares of common stock upon the exercise of warrants in exchange for cash proceeds of approximately $19.8 million during the year ended December 31, 2011 .

15. Segment Information

The Company has identified three reportable segments: equipment rentals, equipment distribution, and parts and service. These segments are based upon how management of the Company allocates resources and assesses performance. The equipment rental segment includes rental, transportation, used rental equipment sales and repairs of rental equipment. There were no sales between segments for any of the periods presented. Selling, general, and administrative expenses as well as all other income and expense items below gross profit are not generally allocated to our reportable segments.

We do not compile discrete financial information by our segments other than the information presented below. The following table presents information about our reportable segments related to revenues and gross profit:

	For The Years Ended December 31,		
	2013	2012	2011
Segment revenues			
Equipment rentals	$ 64,945,446	$ 71,231,291	$ 53,907,588
Equipment distribution	11,211,876	4,087,127	14,206,479
Parts and service	19,380,113	22,942,436	21,470,912
Total revenues	$ 95,537,435	$ 98,260,854	$ 89,584,979
Segment gross profit			
Equipment rentals	$ 15,815,361	$ 14,922,405	$ 6,143,055
Equipment distribution	1,046,151	16,059	1,607,733
Parts and service	5,326,310	6,393,656	5,346,450
Total gross profit	$ 22,187,822	$ 21,332,120	$ 13,097,238

The following table presents information about our reportable segments related to total assets:

	December 31,	
	2013	2012
Segment identified assets		
Equipment rentals	$ 307,371,099	$ 328,177,713
Equipment distribution	5,150,140	2,001,273
Parts and service	5,261,391	6,593,538
Total segment identified assets	317,782,630	336,772,524
Non-segment identified assets	14,993,106	17,295,086
Total assets	$ 332,775,736	$ 354,067,610

The Company operates primarily in the United States. Our sales to international customers for the years ended December 31, 2013 , 2012 and 2011 were 9.6% , 12.2% and 5.5% of total revenues, respectively. Sales to customers in Canada represented 8.4% , 10.1% and 4.7% of total revenues for the years ended December 31, 2013 , 2012 and 2011 , respectively. No one customer accounted for more than 10% of our revenues on an overall or segmented basis except as described below. Within the equipment distribution segment and for the year ended December 31, 2013 , one customer individually accounted for approximately 25.3% of revenues on a segmented basis. Four customers individually accounted for approximately 14.2% , 13.8% , 12.6% and 11.6% of revenues on a segmented basis within the equipment distribution segment and for the year ended December 31, 2012 . Three customers individually accounted for approximately 14.7% , 12.6% and 10.4% of equipment distribution revenues on a segmented basis for the year ended December 31, 2011 . The concentration of revenues from these customers within the equipment distribution segment is directly attributable to the large dollar value of individual transactions and the small number of individual transactions.

The Company maintains assets in Canada associated with our Coast Crane Ltd. subsidiary. Total assets located in Canada at December 31, 2013 totaled approximately $4.5 million , including long-lived assets totaling approximately $3.5 million . At December 31, 2012 , total assets located in Canada totaled approximately $7.2 million , including long-lived assets totaling approximately $5.8 million .

16. Commitments, Contingencies and Related Party Transactions

The Company leases real estate and office equipment under operating leases which continue through 2018. The Company's rent expense under non-cancelable operating leases totaled $2.6 million , $1.8 million and $1.9 million for the years ended December 31, 2013 , 2012 and 2011 , respectively.

Future minimum lease payments for the Company's non-cancellable operating leases at December 31, 2013 are as follows:

2014	$	1,867,198
2015		1,576,409
2016		708,100
2017		210,000
2018 and thereafter		157,500
Total	$	4,519,207

Since December 2010, the Company occupies office space at 500 Fifth Avenue, 50 th Floor, New York, NY 10110, provided by Hyde Park Real Estate LLC, an affiliate of Laurence S. Levy, our Chairman of the Board of Directors. Such affiliate has agreed that it will make such office space, as well as certain office and administrative services, available to the Company, as may be required by the Company from time to time. Effective January 1, 2012, the Company has agreed to pay such entity $7,688 per month for such services with terms of the arrangement being reconsidered from time to time. Prior to December 2010, the Company maintained an office at 461 Fifth Avenue, 25 th Floor, New York, New York pursuant to an agreement with ProChannel Management LLC, also an affiliate of Laurence S. Levy. The Company's statements of operations for the years ended December 31, 2013 , 2012 and 2011 include $0.1 million , $0.1 million and $0.1 million , respectively, of rent expense related to these agreements.

In November 2010 , the Company entered into an agreement with the holders of certain Coast Crane indebtedness pursuant to which such holders agreed, in consideration of the assumption of such indebtedness by the Company, to exchange such indebtedness of $5.2 million for unsecured promissory notes issued by the Company in the aggregate principal amount of $5.2 million plus the receipt of up to 90,000 warrants to purchase Essex common stock at $0.01 per share. The warrants were exercised in full on October 24, 2013 . The holders of the unsecured promissory notes were related parties to the Company as they owned a significant amount of the Company's outstanding shares of common stock at the time of the transaction.

The Company maintains reserves for personal property taxes. These reserves are based on a variety of factors including: duration of rental in each county jurisdiction, tax rates, rental contract terms, customer filings, tax-exempt nature of projects or jurisdictions, statutes of limitations and potential related penalties and interest. Additionally, most customer rental contracts contain a provision that provides that personal property taxes are an obligation to be borne by the lessee. Where provided in the rental contract, management will invoice the customer for any personal property taxes paid by the Company. An estimated receivable has been provided in connection with this liability, net of an estimated allowance. This customer receivable has been presented as other receivables in current assets while the property tax reserve has been included in accrued taxes.

Management estimated the gross personal property taxes liability and related contractual customer receivable of the Company to be approximately $3.3 million and $2.0 million , respectively, at December 31, 2013 . Management estimated the gross personal property taxes liability and related contractual customer receivable of the Company to be approximately $3.0 million and $2.0 million , respectively, at December 31, 2012 .

The Company is subject to a number of claims and proceedings that generally arise in the normal conduct of business. The Company believes that any liabilities ultimately resulting from these claims will not, individually or in the aggregate, have a material adverse effect on our financial position, results of operations or cash flows.

17. 401(k) Profit Sharing Plan and Medical Benefits

The Company has a defined contribution plan under Section 401(k) of the Internal Revenue Code available to all eligible employees. The plan requires the Company to match 100% of the first 3% of a participant's contributions and match 50% of the next 2% of a participant's contributions thereby totaling a maximum matching of 4% if an employee contributes 5% of their compensation. These contributions vest immediately upon contribution. The Company's 401(k) contributions were $0.6 million for each of the years ended December 31, 2013, 2012 and 2011, respectively.

The Company provides medical benefits to its employees and their dependents and is self-insured for Essex Crane employees for annual individual claims of up to $90,000 at which time a stop loss insurance policy covers any excess.

18. Concentrations

A substantial portion of purchases of rental equipment, new equipment and majority of spare parts come from five vendors. The loss of one or more of these vendors is not expected to have a material negative impact on operations as there are other manufacturers and sources from which the Company may acquire rental equipment and spare parts, if necessary.

19. Summarized Quarterly Financial Data (Unaudited)

The following is a summary of our unaudited quarterly financial results of operations for the years ended December 31, 2013 and 2012:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2013				
Total revenues	$ 25,064,454	$ 25,213,755	$ 22,808,138	$ 22,451,088
Gross profit	5,722,769	6,363,017	5,456,249	4,645,787
Loss from operations	(642,332)	(208,219)	(517,208)	(1,860,773)
Loss before benefit for income taxes	(3,269,003)	(3,404,904)	(2,932,722)	(5,102,094)
Net loss	(2,163,250)	(1,931,972)	(1,902,604)	(3,646,771)
Basic net loss per share (1)	$ (0.09)	$ (0.08)	$ (0.08)	$ (0.15)
Diluted net loss per share (1)	$ (0.09)	$ (0.08)	$ (0.08)	$ (0.15)

(1) Due to the method used in calculating per share data, the summation of the quarterly per share data may not necessarily total to the per share data computed for the entire year.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2012				
Total revenues	$ 23,738,185	$ 27,190,839	$ 24,140,235	$ 23,191,595
Gross profit	3,404,099	5,326,583	6,359,896	6,241,542
Loss from operations	(3,910,260)	(1,528,334)	(587,264)	(903,285)
Loss before benefit for income taxes	(6,798,963)	(4,475,267)	(3,291,549)	(3,651,355)
Net loss	(4,696,342)	(2,891,997)	(2,059,626)	(3,004,990)
Basic net loss per share (1)	$ (0.19)	$ (0.12)	$ (0.08)	$ (0.12)
Diluted net loss per share (1)	$ (0.19)	$ (0.12)	$ (0.08)	$ (0.12)

(1) Due to the method used in calculating per share data, the summation of the quarterly per share data may not necessarily total to the per share data computed for the entire year.

20. Subsequent Events

On February 21, 2014, Coast Crane and Coast Crane Ltd. entered into a First Amendment to the Second Amended and Restated Credit Agreement. The purpose of the First Amendment is to amend the mandatory prepayment provision to exclude proceeds received from permitted equipment asset sales and to waive an event of default that occurred as a result of permitted equipment asset sales and the failure to apply proceeds to the term loan under the Coast Crane Credit Agreement. In addition, the First Amendment amends the borrowing base calculation as it relates to new equipment inventory, and creates a progressive new equipment inventory cap based on a leverage ratio.

The Coast Crane Credit Agreement provides for a revolving loan and letter of credit facility (the “Coast Crane Facility”), in the maximum aggregate principal amount of $35,000,000 with a $2,000,000 aggregate principal sublimit for letters of credit and a subfacility for revolving loans to Coast Crane Ltd. of up to $10,000,000 . The Coast Crane Credit Agreement also provides for a term loan (the “Term Loan”), in the maximum principal amount of $40,000,000 with mandatory principal repayments of $500,000 per quarter beginning on June 30, 2013. Coast Crane and Coast Crane Ltd. may borrow, repay and reborrow under the Coast Crane Facility. Coast Crane’s ability to borrow under the Coast Crane Facility is subject to, among other things, a borrowing base which is calculated as the sum of (a) 85% of eligible Coast Crane accounts, (b) the lesser of 50% of eligible Coast Crane inventory and $5 million , (c) the lesser of (i) 95% of the lesser of (x) the Net Orderly Liquidation Value and (y) the invoice cost, of U.S. Eligible New Sale Equipment Inventory and (ii) the U.S. Eligible New Sale Equipment Inventory Cap (as hereinafter defined) and (d) 85% of the net orderly liquidation value of eligible other equipment, less reserves established by the lenders and the liquidity reserve. Coast Crane Ltd.’s ability to borrow under the Coast Crane Facility is subject to among other things, a borrowing base which is calculated as the sum of (a) 85% of eligible Coast Crane Ltd. accounts, (b) the lesser of 50% of eligible Coast Crane Ltd. inventory and $750,000 , (c) the lesser of (i) 95% of the lesser of (x) the net orderly liquidation value and (y) the invoice cost, of eligible new Coast Crane Ltd. equipment and (ii) $2,000,000 and (d) 85% of the net orderly liquidation value of eligible other Coast Crane Ltd. equipment, less reserves established by the lenders and the liquidity reserve.

The U.S. Eligible New Sale Equipment Inventory Cap shall mean the U.S. Eligible New Sale Equipment Inventory Cap in effect from time to time determined based upon the applicable leverage ratio then in effect. The U.S. Eligible New Sale Equipment Inventory Cap is adjusted from $4 million to $15 million based on the applicable leverage ratio then in effect and also based on the amount of U.S. Eligible New Sale Equipment Inventory that is under a written agreement to be sold to a customer.

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ESSEX RENTAL CORP

Date:	March 13, 2014	By:	/s/ Nicholas J. Matthews
			Nicholas J. Matthews, Chief Executive Officer

Pursuant to the requirements of the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signatures	Title	Date
/s/ Laurence S. Levy Laurence S. Levy	Chairman	March 13, 2014
/s/ Edward Levy Edward Levy	Director	March 13, 2014
/s/ Daniel H. Blumenthal Daniel H. Blumenthal	Director	March 13, 2014
/s/ John G. Nestor John G. Nestor	Director	March 13, 2014
/s/ William W. Fox William W. Fox	Director	March 13, 2014
/s/ Ronald Schad Ronald Schad	Director	March 13, 2014
/s/ Nicholas J. Matthews Nicholas J. Matthews	Chief Executive Officer (Principle Executive Officer) and Director	March 13, 2014
/s/ Kory M. Glen Kory M. Glen	Chief Financial Officer (Principle Financial Officer and Principle Accounting Officer)	March 13, 2014

Exhibit 10.31

AMENDED AND RESTATED PROMISSORY NOTE

$[________] December 31, 2013

FOR VALUE RECEIVED , pursuant to the terms of this Promissory Note (the " **Promissory Note** "), Essex Rental Corp. (the " **Maker** ") promises to pay to the order of [________] (the " **Holder** ") at the Holder's address set forth in Section 18 hereof or at the Holder's option, at such other place as may be designated, in writing, from time to time by the Holder, the principal sum of [________] dollars ($[________]), together with interest, in lawful money of the United States of America, payable as provided below.

1. The principal portion of this Promissory Note shall bear interest at the rate of 18% per annum (the " **Original Interest Rate** "), subject to adjustment in accordance with Section 2 hereof. Interest under this Promissory Note shall be calculated on the basis of a 360 day year for the actual number of days elapsed. In no event shall the interest charged hereunder exceed the maximum interest rate permitted by law.

2. Accrued but unpaid interest on this Promissory Note shall be due and payable annually in arrears on December 31 st of each year (each an " **Interest Payment Date** ") until the Maker's obligations hereunder shall have been satisfied in full. In the event that the Maker shall fail to pay all or any portion of the accrued and unpaid interest on the applicable Interest Payment Date, the interest rate then in effect shall be increased by 100 bps for the 12 month period commencing on the date immediately following such Interest Payment Date; provided , however , that if the Maker shall pay the accumulated amount of accrued and unpaid interest at any time outstanding prior to the Maturity Date (as defined below), the interest rate in effect from and after such payment date shall revert to the Original Interest Rate; provided , further , if all or any part of this Promissory Note or any other amount due and payable hereunder is not paid when due on the Maturity Date (whether by reason of acceleration or otherwise), such unpaid amount shall, to the maximum extent permitted by applicable law, for each day during the period from the date of the Maturity Date until it shall be paid in full, accrue interest at an interest rate equal to 1800 basis points.

3. The entire principal balance, plus all accrued and unpaid interest outstanding hereunder shall be due and payable on the earlier of (i) October 31, 2016, or (ii) the date any indebtedness evidenced by this Promissory Note and all other sums due under this Promissory Note shall become due and payable pursuant to Section 8 hereof (such earlier date, the " **Maturity Date** ").

4. Unless otherwise specified by Holder, all payments with respect to any outstanding indebtedness hereunder will be applied first to reimburse Holder for any expenses, costs, fees, and disbursements (including attorneys' fees and disbursements) incurred and due hereunder, second to the payment of accrued interest, and third (to the extent that the amount of such payment exceeds the amount of all such accrued interest) to the payment of principal. If any amount under this Promissory Note becomes due and payable on a Saturday, Sunday, or other day on which banks are closed or may be permitted to close in New York City, the maturity of such payment shall be extended to the next succeeding Business Day. " **Business Days** " shall mean any days other than a Saturday, Sunday, or a day on which banks in New York City are closed or may be closed.

5. The Maker may prepay without premium or penalty of any kind all or any portion of the outstanding principal amount due under this Promissory Note, on any date or dates prior to the Maturity Date, provided, that such payment is accompanied by all accrued and unpaid interest on the principal so prepaid up to and including the date of such prepayment. Upon or promptly following the consummation of any Senior Debt Refinancing, the Maker shall pay from the proceeds thereof all of the outstanding principal amount of this Note (together with all accrued and unpaid interest thereon) provided that, and only to the extent that, the terms and conditions of the Senior Debt Refinancing permit the Maker and its subsidiaries to use the proceeds of the Senior Debt Refinancing for such purpose. The term " **Senior Debt Refinancing** " means any replacement, modification or other refinancing of the credit facility available to Essex Crane Rental Corp. pursuant to the Loan Agreement (as defined in Section 8(e) below).

6. The amount and date of each repayment of principal thereof shall be recorded by Holder on Schedule I attached hereto or a continuation thereof, and any such recordations shall constitute *prima facie* evidence of the information so recorded, absent manifest error; provided , however , that the failure of Holder to make any such recordations (or any error made in such recordations) shall not in any manner affect the obligation of Maker to repay the outstanding principal balance hereunder and all accrued and unpaid interest thereon.

7. All payments by the Maker of principal of, or interest on, any indebtedness evidenced by this Promissory Note and all other sums due under this Promissory Note shall be made free and clear of and without deduction for any setoff or counterclaims, or any taxes, fees, or other charges of any nature whatsoever imposed by any taxing authorities.

8. If one or more of the following events (individually, an " **Event of Default** ", and collectively, " **Events of Default** ") shall occur and be continuing, whether such occurrences shall be (i) voluntary, (ii) involuntary, or (iii) effected by

operation of law or pursuant to or in compliance with any judgment, decree, or order of any court or any order, rule, or regulation of any administrative or governmental body:

(a) default shall be made in the due and punctual payment of the principal of, and interest on, this Promissory Note on the Maturity Date;

(b) any representation or warranty to the Holder contained in this Promissory Note or (ii) set forth in that certain Agreement, dated as of October 29, 2010, between and among [________], [________], [________], [________], [________], and the Maker (the " **Debt Exchange Agreement** "), in each case, shall be false in any material respect on or as of the date when made or deemed made;

(c) the Maker shall breach any covenant or agreement made herein and any such breach shall continue unremedied for a period of more than ten (10) days after written notice thereof from the Holder to the Maker;

(d) (i) the Maker shall commence any case, proceeding, or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to the Maker or seeking to adjudicate the Maker as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to the Maker or its debts, or (B) seeking appointment of a receiver, trustee, custodian, or other similar official for the Maker or for all or any substantial part of its assets, or the Maker shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Maker any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) the Maker shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clauses (i) or (ii) above; or (iv) the Maker shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; and

(e) any "Event of Default" under (i) that certain Third Amended and Restated Credit Agreement, dated as of March 15, 2013, between and among Essex Crane Rental Corp., as borrower, Essex Holdings, LLC, as guarantor, and the agents and lenders party thereto (as may be amended from time to time, the " **Loan Agreement** "), or (ii) any credit facility to be entered into by the Maker or any of its affiliates in connection with the Bid (as defined in the Debt Exchange Agreement), in each case, shall have occurred and be continuing;

then, (i) if such event is an Event of Default specified in paragraph (d) above with respect to the Maker, automatically any indebtedness evidenced by this Promissory Note and all other sums due under this Promissory Note shall immediately become due and payable, and (ii) if such event is any other Event of Default, the Holder shall have the right, exercisable at its absolute and sole discretion at any time thereafter, upon written notice thereof to the Maker, to declare any indebtedness evidenced by this Promissory Note and all other sums due under this Promissory Note to be due and payable forthwith, whereupon the same shall become immediately due and payable without presentment, demand, protest, or notice of any kind whatsoever, all of which are hereby expressly waived by the Maker. Time for payment extended by law shall be included in the computation of interest.

9. The Maker hereby represents, warrants, and agrees that:

(a) this Promissory Note is a valid and binding obligation of the Maker, enforceable against the Maker in accordance with and subject to its terms (except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law);

(b) it will make indefeasible payment in full of all amounts due under this Promissory Note as and when due hereunder in accordance with and subject to the terms of this Promissory Note, without claiming or asserting any discount, defense, breach of warranty, breach of contract, setoff, counterclaim, or other right with respect to any of the contracts or arrangements entered into with or by the Holder or any of its affiliates;

(c) the obligations represented by this Promissory Note are and shall be for all purposes and times absolute irrespective of any setoff, claim, counterclaim, defense, or other right which the Maker may have against anyone for any reason whatsoever;

(d) the Guarantor (as defined in the Loan Agreement) and the Borrower (as defined in the Loan Agreement) have current capacity pursuant to Section 9.11 of the Loan Agreement to make a distribution to the Maker for purposes of paying the entire principal balance, plus all accrued and unpaid interest outstanding hereunder, as well as all other amounts due and payable hereunder, in each case, as if such amounts were due and payable on and as of the date hereof.

10. The Maker hereby covenants that it will cause to be promptly and duly taken, executed, acknowledged, or delivered all such further acts, conveyances, documents, and assurances as the Holder may from time to time reasonably request in order to carry out the intent and purposes of this Promissory Note. To the maximum extent permitted by law, the Maker hereby waives the benefit of any law or regulation to the extent inconsistent with any of the terms and conditions hereof.

11. No failure by the Holder hereof to exercise, and no delay in exercising, any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by such Holder of any right or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right or remedy. The rights and remedies of the Holder hereof as herein specified are cumulative and not exclusive of any other rights or remedies which such Holder may otherwise have.

12. No modification, rescission, waiver, forbearance, release or amendment of any provision of this Promissory Note shall be made, except by a written agreement duly executed by the Maker and the Holder.

13. This Promissory Note is made in the State of New York and shall be governed by and construed in accordance with the laws of said State, without regard to conflict of laws principles. Any dispute arising out of or relating to this Promissory Note shall be resolved exclusively by state or federal courts sitting in New York County, State of New York. The Maker and the Holder hereby irrevocably submit to the jurisdiction of any such court and waive any objection to such jurisdiction, including, without limitation, the defenses of inconvenient forum and lack of personal jurisdiction.

14. Maker hereby waives presentment, protest, notice of dishonor, and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Promissory Note.

15. The Maker and, by its acceptance hereof, the Holder and each of their successors and assigns hereby irrevocably and unconditionally waive trial by jury in any legal action and/or proceeding arising on, out of or by reason of this Promissory Note, or any document entered into or in connection herewith or therewith.

16. The Maker agrees to pay all collection and other expenses, court costs, and reasonable attorneys' fees and disbursements (whether or not litigation is commenced) which may be incurred in connection with the collection or enforcement of this Promissory Note

17. The Maker agrees to indemnify the Holder and to hold the Holder and any of its officers, directors, employees, or agents harmless from any loss, expense, cost, fees, or disbursements (including attorneys' fees and disbursements) which such Holder may sustain or incur as a consequence of a default by the Maker whether in the payment when due of the principal amount of or interest on this Promissory Note. The indemnity provisions of this Section 18 shall survive termination of this Promissory Note.

18. Any notice called for hereunder shall be deemed properly given if (a) sent by certified mail, return receipt requested, (b) personally delivered, (c) sent by a nationally recognized courier service providing receipt of delivery, (d) sent by facsimile, to the address or facsimile number set forth below, or such other address or facsimile number as either the Maker or Holder may designate by providing written notice to the other party in accordance with this Section 18:

If to the **Maker** :

Essex Rental Corp.
1110 Lake Cook Road, Suite 220
Buffalo Grove, IL 60089
Facsimile No.: (847) 215-6502

Attn: Chief Financial Officer

Facsimile No.: (847) 215-6535

With a copy to:

Katten Muchin Rosenman LLP
575 Madison Avenue
New York, NY 10022
Attn: Todd J. Emmerman
Facsimile No.: (212) 894-5873

If to the **Holder** :

[________]

With a copy to:

Akin Gump Strauss Hauer & Feld LLP
One Bryant Park
New York, NY 10036
Attn: Douglas A. Rappaport
Facsimile No.: (212) 872-1002

20. Any provision hereof which may be held invalid or unenforceable under any applicable law shall not affect the validity or enforceability of any other provision hereof, and to this extent the provisions hereof shall be severable.

21. Except as expressly provided herein, this Promissory Note may not be amended or otherwise modified except by a written instrument signed by the Maker and the Holder.

22. This Promissory Note is a registered promissory note as follows:

(a) the Maker shall cause to be kept at the Maker's principal office a register for the registration and transfer of the Promissory Note (the " **Note Register** "). The names and addresses of the Holders, the transfer of this Promissory Note, and the names and addresses of the transferees of this Promissory Note shall be registered in the Note Register.

(b) the Person in whose name this Promissory Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes of this Promissory Note and the Maker shall not be affected by any notice to the contrary, until due presentment of this Promissory Note for registration of transfer so provided in this Section 22. Payment of or on account of the principal, interest, and any other amount paid on this registered Promissory Note shall be made to (or based upon the written order of) such registered holder.

(c) Upon surrender of this Promissory Note for registration of transfer or exchange (and in the case of a surrender for registration of transfer, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder or its attorney duly authorized in writing and accompanied by the address for notices of each transferee of this Promissory Note or part thereof), the Maker shall duly execute and deliver, at such Maker's expense, one or more new promissory notes (as requested by the holder thereof) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of this surrendered Promissory Note. Each such new promissory note shall be payable to such person as such holder may request and shall be substantially in the form of this Promissory Note. Each such new promissory note shall be dated the date of this surrendered Promissory Note.

[Signature Page Follows]

IN WITNESS WHEREOF , the Maker has executed this Amended and Restated Promissory Note as of the date first written above.

MAKER:

ESSEX RENTAL CORP.

By: ______________________________
Name:
Title:

Exhibit 10.31

By countersigning this Amended and Restated Promissory Note, the undersigned Holder hereby (i) represents that Holder has not sold, assigned or transferred the Promissory Note, dated November 29, 2010, made by the Maker in favor of the Holder (the " **Original Note** ") or granted any interest or participation therein to any third party, and (ii) acknowledges and agrees that (A) this Amended and Restated Promissory Note amends and restates the Original Note and is made and accepted in replacement of the Original Note, (B) all indebtedness formerly evidenced by the Original Note and unpaid on the date hereof shall now be evidenced by this Amended and Restated Promissory Note, and (C) as of the date hereof, the Original Note shall no longer evidence any outstanding indebtedness.

HOLDER:

[________]

By: ________________________________
Name:
Title:

Exhibit 10.31

Schedule I

PAYMENTS OF PRINCIPAL

Amount of Principal Paid or Prepaid	Unpaid Principal Balance	Notation Made By

Exhibit 21

Name of Subsidiary	State of Incorporation/Organization	Names Under Which Subsidiary Conducts Business
Essex Crane Rental Corp.	Delaware	Essex Crane Rental Corp.
Essex Holdings, LLC	Delaware	Essex Holdings, LLC
Essex Finance Corp.	Delaware	Essex Finance Corp.
CC Acquisition Holding Corp.	Delaware	CC Acquisition Holding Corp.
Coast Crane Company	Delaware	Coast Crane Company
Coast Crane Ltd.	British Columbia	Coast Crane Ltd.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We have issued our reports dated March 13, 2014, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of Essex Rental Corp. and Subsidiaries on Form 10-K for the year ended December 31, 2013. We hereby consent to the incorporation by reference of said reports in the Registration Statement of Essex Rental Corp. and Subsidiaries on Forms S-3 (File No. 333-138452, effective June 18, 2009 and File No. 333-171387, effective February 10, 2012) and Form S-8 (File No. 333-161322, effective August 13, 2009 and File No. 333-185567, effective December 19, 2012).

/s/ Grant Thornton LLP

Chicago, Illinois
March 13, 2014

Exhibit 31.1

**CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Nicholas J. Matthews, certify that:

1. I have reviewed this annual report on Form 10-K of Essex Rental Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such internal control and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent function):

   a. all significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 13, 2014

By: /s/ Nicholas J. Matthews
Nicholas J. Matthews
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Kory M. Glen, certify that:

1. I have reviewed this annual report on Form 10-K of Essex Rental Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such internal control and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent function):

   a. all significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 13, 2014

By: /s/ Kory M. Glen
Kory M. Glen
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Essex Rental Corp. (the "Company") on Form 10-K for the year ended December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Nicholas J. Matthews, Chief Executive Officer of the Company, and Kory M. Glen, Chief Financial Officer of the Company, each certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated:	March 13, 2014	By:	/s/ Nicholas J. Matthews
			Nicholas J. Matthews Chief Executive Officer (Principal Executive Officer)
Dated:	March 13, 2014	By:	/s/ Kory M. Glen
			Kory M. Glen Chief Financial Officer (Principal Financial Officer)