Consolidated Financial Statements

CC Acquisition Holding Corp. and Subsidiaries

December 31, 2016 and 2015

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CC Acquisition Holding Corp. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
December 31,

ASSETS	2016	2015
CURRENT ASSETS		
Cash	$ 1,087,741	$ 624,242
Accounts receivable, net of allowances	6,703,815	7,752,429
Other receivables	61,498	95,318
Inventory		
Retail equipment inventory	4,736,566	12,848,555
Retail spare parts, net	1,731,843	1,635,821
Prepaid expenses and other assets	1,494,250	1,080,718
Total current assets	15,815,713	24,037,083
Rental equipment, net	68,219,662	68,384,923
Property and equipment, net	559,380	535,956
Due from related parties	-	22,205
Identifiable finite-lived intangibles, net	196,428	410,714
Goodwill	-	1,796,126
TOTAL ASSETS	$84,791,183	$95,187,007

The accompanying notes are an integral part of these statements.

CC Acquisition Holding Corp. and Subsidiaries
CONSOLIDATED BALANCE SHEETS - CONTINUED
December 31,

LIABILITIES AND STOCKHOLDERS' EQUITY	2016	2015
CURRENT LIABILITIES		
Accounts payable	$ 3,314,321	$ 1,637,304
Accrued employee compensation and benefits	874,458	944,125
Accrued taxes	441,831	626,836
Accrued interest	191,023	136,044
Accrued other expenses	233,219	313,534
Unearned rental revenue	501,371	590,040
Customer deposits	300,711	72,955
Revolving credit facility – short-term	17,456,818	18,076,778
Term loan - short-term	32,500,000	2,000,000
Short-term debt obligations	1,736,286	1,432,178
Capital lease obligations – short-term	18,379	-
Total current liabilities	57,568,417	25,829,794
LONG-TERM LIABILITIES		
Revolving credit facility	-	1,735,550
Term loan	-	32,500,000
Other long-term debt obligations	5,314,330	7,085,399
Due to related parties	1,523,648	-
Deferred tax liabilities	-	121,404
Capital lease obligations – long-term	28,750	-
Total long-term liabilities	6,866,728	41,442,353
TOTAL LIABILITIES	64,435,145	67,272,147
STOCKHOLDERS' EQUITY		
Capital stock, $0.0001 par value, authorized 2,100 shares; issued and outstanding 2,100 shares at December 31, 2016 and 2015	-	-
Paid-in capital	50,897,825	52,897,825
Accumulated deficit	(30,697,890)	(25,159,524)
Accumulated other comprehensive income	156,103	176,559
Total stockholders' equity	20,356,038	27,914,860
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$84,791,183	$95,187,007

The accompanying notes are an integral part of these statements.

CC Acquisition Holding Corp. and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS
December 31,

	2016	2015
Revenues		
Equipment rentals	$20,096,244	$23,285,636
Retail equipment sales	4,823,762	9,126,416
Used rental equipment sales	4,214,183	7,079,591
Retail parts sales	7,665,254	7,284,382
Equipment repairs and maintenance	7,549,712	7,931,738
Transportation	2,404,142	2,141,733
Total revenues	46,753,297	56,849,496
Cost of revenues		
Salaries, payroll taxes and benefits	4,584,106	4,585,194
Depreciation	7,078,421	7,125,369
Retail equipment sales	4,349,998	8,580,532
Used rental equipment sales	2,662,761	5,011,402
Retail parts sales	5,916,118	5,859,782
Equipment repairs and maintenance	4,157,586	4,390,108
Yard operating expenses	1,945,941	1,833,122
Transportation	1,956,704	1,686,736
Total cost of revenues	32,651,635	39,072,245
Gross profit	14,101,662	17,777,251
Selling, general and administrative expenses	12,716,867	13,968,433
Impairment	2,526,478	-
Other depreciation and amortization	330,659	508,303
(Loss) income from operations	(1,472,342)	3,300,515
Other income (expense)		
Other income	59,890	3,915
Interest expense	(4,369,907)	(4,394,062)
Foreign currency exchange	87,662	(687,619)
Total other expense	(4,222,355)	(5,077,766)
Loss before income taxes	(5,694,697)	(1,777,251)
Benefit for income taxes	(156,331)	(268,814)
NET LOSS	$ (5,538,366)	$ (1,508,437)

The accompanying notes are an integral part of these statements.

CC Acquisition Holding Corp. and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
December 31,

	2016	2015
Net loss	$(5,538,366)	$(1,508,437)
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustments	(20,456)	120,933
Total other comprehensive (loss) income	(20,456)	120,933
Total comprehensive loss	$ (5,558,822)	$(1,387,504)

The accompanying notes are an integral part of these statements.

CC Acquisition Holding Corp. and Subsidiaries
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
December 31,

	Capital stock		Paid-in	Accumulated	Accumulated other comprehensive	Total Stockholders'
	Shares	Amount	capital	deficit	income	equity
Balance, January 1, 2015	2,100	-	52,897,825	(23,651,087)	55,626	29,302,364
Foreign currency translation adjustment	-	-	-	-	120,933	120,933
Net loss	-	-	-	(1,508,437)	-	(1,508,437)
Balance, December 31, 2015	2,100	$ -	$52,897,825	$(25,159,524)	$176,559	$27,914,860
Foreign currency translation adjustment	-	-	-	-	(20,456)	(20,456)
Distribution – Intercompany Note	-	-	(2,000,000)	-	-	(2,000,000)
Net loss	-	-	-	(5,538,366)	-	(5,538,366)
Balance, December 31, 2016	2,100	$ -	$50,897,825	$(30,697,890)	$156,103	$20,356,038

The accompanying notes are an integral part of these statements.

CC Acquisition Holding Corp. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
December 31,

	2016	2015
Cash flows from operating activities		
Net loss	$ (5,538,366)	$ (1,508,437)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization of tangible assets	7,194,795	7,309,386
Amortization of loan acquisition costs and other intangibles	614,591	725,428
Gain on sale of rental equipment	(1,551,422)	(2,068,189)
Deferred income taxes	(121,404)	(240,455)
Impairment	2,526,478	-
Changes in operating assets and liabilities		
Accounts receivable, net	893,763	214,612
Other receivables	33,820	54,410
Due from related parties	53,381	(229,698)
Prepaid expenses and other assets	(413,532)	(55,536)
Retail equipment inventory	(1,250,398)	(2,090,590)
Retail spare parts inventory	(95,760)	58,970
Accounts payable and accrued expenses	1,397,009	(453,235)
Unearned rental revenue	(88,669)	(263,586)
Customer deposits	227,756	(276,547)
Total change in operating assets and liabilities	757,370	(3,041,200)
Net cash provided by operating activities	3,882,042	1,176,533
Cash flows from investing activities		
Purchases of rental equipment	(890,859)	(456,175)
Purchases of property and equipment	(200,765)	(193,737)
Accounts receivable from rental equipment sales	154,851	(204,861)
Proceeds from sale of rental equipment	4,214,183	7,079,591
Net cash provided by investing activities	3,277,410	6,224,818
Cash flows from financing activities		
Proceeds from revolving credit facility	43,968,105	50,954,713
Payments on revolving credit facility	(46,722,800)	(56,555,961)
Payments on term loan	(2,000,000)	(2,000,000)
Proceeds from purchase money security interest debt	-	1,171,000
Payments on purchase money security interest debt	(1,466,961)	(1,872,146)
Payments on capital lease obligations	(4,773)	-
Payments on intercompany note – affiliated transactions	(507,528)	-
Net cash used in financing activities	(6,733,957)	(8,302,394)
NET INCREASE (DECREASE) IN CASH	425,495	(901,043)
Effect of exchange rate changes in cash	38,004	607,792
Cash, beginning of year	624,242	917,493
Cash, end of year	$ 1,087,741	$ 624,242

The accompanying notes are an integral part of these statements.

CC Acquisition Holding Corp. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
December 31,

	2016	2015
Supplemental schedule of non-cash investing/financing activities		
Retail equipment inventory transferred to the rental fleet	$ 9,362,387	$ 1,271,595
Equipment purchased directly through debt obligations or capital leases	$ 51,902	$ 927,600
Intercompany note – affiliated transactions	$ 2,000,000	$ -
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 3,914,622	$ 3,449,918
Cash paid (received) for income taxes, net	$ 193,279	$ (107,350)

The accompanying notes are an integral part of these statements.

NOTE A - BUSINESS AND PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of CC Acquisition Holding Corp. and its wholly owned subsidiaries Coast Crane Company and Coast Crane Ltd. (collectively, the Company or Coast Crane). CC Acquisition Holding Corp. is a wholly owned subsidiary of Essex Rental Corp. All intercompany accounts and transactions have been eliminated in consolidation.

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of these consolidated 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, the fair value of interest rate swaps and other financial instruments, and the allocation of common costs between entities of the consolidated group of companies to which the Company belongs.

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.

Revenue Recognition

The Company recognizes revenue, including multiple element arrangements, in accordance with the provisions of applicable accounting guidance. The Company generates 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 years ended December 31, 2016 and 2015, the Company used estimated selling price for the 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. The Company uses estimated selling price for the allocation of consideration to transportation and assembly/disassembly 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, or in arrears for certain Equipment Rental Agreements, 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 days, months or longer. Because the term of the contracts can extend across financial reporting periods, when rentals are billed in advance, the Company defers recognition of revenue and records 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 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 the Company does not anticipate any material changes to current estimates in these areas.

Cash

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. The Company maintained cash deposits in foreign accounts totaling approximately $0.1 million at December 31, 2016 and 2015.

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 sales 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 the receivable will not be recovered. Bad debt expense was approximately $0.2 million and $0.3 million for the years ended December 31, 2016 and 2015, respectively. The allowance for doubtful accounts reserve was approximately $1.5 million and $1.7 million at December 31, 2016 and 2015, respectively.

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 the periods presented.

The Company controls credit risk 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 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 consolidated balance sheet date. The obsolescence reserve was approximately $1.1 million and $1.0 million at December 31, 2016 and 2015, respectively.

Rental Equipment

Rental equipment is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method with zero salvage value over the estimated useful lives of the equipment, which range from five to 20 years. Projects with costs in excess of $20,000 for equipment improvements that extend the useful lives or enhance an equipment's capabilities are capitalized in the period they are incurred and depreciated using the straight-line method over the lesser of the remaining estimated useful life of the underlying asset or seven 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 each of the years ended December 31, 2016 and 2015, the Company capitalized rental equipment maintenance expenditures of approximately $0.1 million.

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 with zero salvage value over the assets' estimated useful lives, which are as follows:

Asset description	Estimated useful life
Buildings	30 years
Building improvements	10 years
Office equipment	7 years
Automobiles, trucks, trailers and yard equipment	4 - 5 years
Information systems and software	3 years
Machinery, furniture and fixtures	4 - 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 $0.2 million during each of the years ended December 31, 2016 and 2015, 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 $30,000 and $0 for the years ended December 31, 2016 and 2015, respectively associated with the development of cloud based servers at Coast Crane. 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.

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 straight-line method over the remaining period of the debt, which is not materially different from the effective interest method, and 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 in 2010. 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.

The Company evaluates 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 had recorded goodwill of $1.8 million assigned to its equipment rentals, equipment distribution and parts and service reporting units.

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 the reporting unit with goodwill. Due to a decline in market conditions in 2016, the Company lowered its cash flow projections for future years. The results of the quantitative goodwill impairment tests at December 31, 2016, indicated that the fair value of the reporting units with goodwill was less than their carrying values and goodwill was impaired. Additionally, the Company estimated the implied fair value and determined that goodwill was fully impaired and recorded an impairment charge in the accompanying consolidated statements of operations of approximately $1.8 million. There was no goodwill impairment recorded during the year ended December 31, 2015.

Identifiable finite-lived intangible assets consist of customer relationships and trademarks obtained in the acquisition of Coast Crane's assets in 2010. The customer relationship intangible and trademark assets are both being amortized on a straight-line basis over their estimated useful lives of seven years and five 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 intangibles, the Company assesses the carrying value of these assets if such facts and circumstances suggest that they may be impaired. During the year ended December 31, 2016, the Company concluded that due to (i) reductions in the fleet appraised value, (ii) continuing losses, (iii) reductions in revenues and (iv) the relative values for which the Company was being considered for sale; performing an analysis related to the impairment of its long-lived assets was warranted. As a result of the undiscounted cash flow analysis performed, an analysis of values as provided by a third party independent equipment appraiser engaged by a prospective lender and marketplace transactions available to the Company, the Company concluded that certain of its crawler crane assets were impaired and recorded an impairment charge of approximately $0.7 million in the accompanying consolidated statements of operations for the year ended December 31, 2016. The Company determined that there was no impairment during the year ended December 31, 2015.

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 term loan portion of its revolving credit facility with the objective of either capping the interest rate on a targeted amount of its floating rate debt or converting a targeted amount of its floating rate date 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.

Income Taxes

The Company uses an asset and liability approach 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 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 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.

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.

Allocation of Common Costs

Essex Rental Corp. and Essex Crane Rental Corp. incur expenses that benefit all companies within the consolidated group of companies, including Essex Crane, Coast Crane Company, Coast Crane Ltd. and Essex Rental Corp. Management reviews these expenses on an annual basis and allocates the expenses to the company that benefits from the expense.

Subsequent Events

The Company evaluated its December 31, 2016 consolidated financial statements for subsequent events through May 5, 2017, the date the consolidated financial statements were available to be issued. The Company is not aware of any subsequent events that would require recognition or disclosure in the consolidated financial statements other than as follows:

Recently Issued and Adopted Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board ("FASB") issued guidance related to Business Combinations. This pronouncement clarifies the framework for determining whether an integrated set of assets and activities meets the definition of a business. The revised framework establishes a screen for determining whether an integrated set of assets and activities is a business and narrows the definition of a business, which is expected to result in fewer transactions being accounted for as business combinations. Acquisitions of integrated sets of assets and activities that do not meet the definition of a business are accounted for as asset acquisitions. This pronouncement is effective for fiscal years, and for interim periods within those fiscal years,

beginning after December 15, 2017, with early adoption permitted for transactions that have not been reported in previously issued (or available to be issued) financial statements.

In November 2016, the FASB guidance related to the accounting for Restricted Cash. This pronouncement will require companies to include restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The pronouncement will require a disclosure of a reconciliation between the statement of financial position and the statement of cash flows when the balance sheet includes more than one line item for cash, cash equivalents, restricted cash, and restricted cash equivalents. Entities with material restricted cash and restricted cash equivalents balances will be required to disclose the nature of the restrictions. This pronouncement is effective for reporting periods beginning after December 15, 2018, with early adoption permitted, and will be applied retrospectively to all periods presented.

In March 2016, the FASB guidance related to Improvements to Employee Share-Based Payment Accounting, which amends Accounting Standards Codification ("ASC") Topic 718, Compensation – Stock Compensation. This pronouncement simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. This guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company is currently evaluating the impact of adopting the new standard on its consolidated financial statements.

In February 2016, the FASB issued guidance that requires a lessee to record a right of use asset and a corresponding lease liability on the balance sheet for all leases with terms longer than 12 months. The guidance is effective for all interim and annual reporting periods beginning after December 15, 2019. Early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is in the process of evaluating the impact of this guidance on the Company's financial statements and disclosures.

In July 2015, the FASB issued guidance for the measurement of inventory to more closely align the measurement of inventory in GAAP with the measurement of inventory in International Financial Reporting Standards. Under the guidance, inventory is measured at the lower of cost or net realizable value. The guidance clarifies that net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The guidance is effective for fiscal years beginning after December 15, 2016, and interim reporting periods within those years (early adoption is permitted for financial statements that have not been previously issued). Adoption of this guidance is not expected to have a material impact on the Company's consolidated financial results.

In April 2015, the FASB issued guidance for the presentation of debt issuance costs on an entity's balance sheet. The guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from that debt liability, consistent with the presentation of a debt discount. The guidance is effective for fiscal years beginning after December 15, 2015, and interim reporting periods within those years (early adoption is permitted for financial statements that have not been previously issued). Adoption of this guidance did not have a material impact on the Company's consolidated financial results and debt facilities are presented net of debt issuance costs of approximately $67,000 and $466,000 as of December 31, 2016 and 2015, respectively.

In May 2014, the FASB issued guidance to clarify the principles for recognizing revenue. This guidance includes the required steps to achieve the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In July 2015, the FASB delayed the effective date of the guidance to provide adequate time for effective implementation. This guidance is now effective for

fiscal years and interim periods beginning after December 15, 2018. Early adoption is permitted no earlier than the original effective date of fiscal years beginning after December 15, 2016. We expect to adopt this guidance when effective, and the impact on our financial statements is not currently estimable.

NOTE C – GOING CONCERN

Through the date of these financial statements, management evaluated conditions and events that raise substantial doubt about an entity's ability to continue as a going concern within one year after the release of these financial statements. As all customer deposits are automatically swept to pay down the Company's indebtedness, the Company's operations are funded using the Company's revolving credit facility. The revolving credit facility is set to mature on August 14, 2017. The terms of the revolving credit facility also include provisions that require the Company to meet certain milestones with respect to selling the Company and pay off the balances owed under the revolving credit facility. If we are unable to meet the milestones, are unable to refinance our revolving credit facility or are otherwise unable to use our revolving credit facility to fund operations, we would not have the ability to pay bills as they come due, which raises substantial doubt about the Company's ability to continue as a going concern.

On April 19, 2017, the Essex Rental Corp. entered into a Stock Purchase Agreement (the "SPA") between Essex Rental Corp. and Maxim Crane ("Maxim") pursuant to which Maxim will acquire the Company. Pursuant to the stock purchase agreement, Maxim will acquire all of the issued and outstanding shares of Coast's parent company, CC Acquisition Holding Corp., for $72.5 million, subject to closing date working capital and other adjustments. The sale has been approved by Essex's Board of Directors and is expected to close in the second quarter of 2017. The transaction is subject to customary closing conditions and the approval of Essex stockholders. A special meeting of Essex stockholders to approve the sale will be held on or around June 5, 2017.

NOTE D - RENTAL EQUIPMENT

Rental equipment consists of the following at December 31:

	2016	2015
Rental equipment	$103,196,028	$98,324,700
Less accumulated depreciation	(34,976,366)	(29,939,777)
Rental equipment, net	$68,219,662	$68,384,923

The Company's depreciation expense related to rental equipment was approximately $7.0 million in each of the years ended December 31, 2016 and 2015, 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, 2016, are as follows:

2017	$3,073,837
2018	11,000
Total minimum rental revenue	$3,084,837

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2016	2015
Buildings and improvements	$ 468,177	$ 468,161
Automobiles, trucks, trailers and yard equipment	1,916,266	1,704,992
Information systems and software	1,473,341	1,473,163
Machinery, furniture and fixtures	56,995	56,943
Construction in progress	29,579	-
Total property and equipment	3,944,358	3,703,259
Less accumulated depreciation	(3,384,978)	(3,167,303)
Property and equipment, net	$ 559,380	$ 535,956

The amount of costs incurred and capitalized for projects not yet completed was approximately $30,000 and $0 as of December 31, 2016 and 2015, respectively. The Company's depreciation expense related to property and equipment was approximately $0.2 million and $0.3 million for the years ended December 31, 2016 and 2015, respectively.

Depreciation expense 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.

NOTE F - GOODWILL

The changes in the carrying amount of goodwill and accumulated impairment losses for the years ended December 31, 2016 and 2015 are as follows:

	Rental Segment	Parts & Service Segment	Distribution Segment	Total
Balance as of January 1, 2015				
Goodwill	$1,371,292	$381,278	$43,556	$1,796,126
Accumulated impairment losses	-	-	-	-
Goodwill recognized during the period	-	-	-	-
Balance as of December 31, 2015				
Goodwill	$1,371,292	$381,278	$43,556	$1,796,126
Accumulated impairment losses	-	-	-	-

Impairment recognized during the period	$(1,371,292)	$(381,278)	$(43,556)	$(1,796,126)
Balance as of December 31, 2016	-	-	-	-

The goodwill within the Company's operating segments was tested during the fourth quarter subsequent to the annual forecasting process. Due to declines in equipment utilization and equipment values driven by slowing construction activity and values being considered for the sale of the Company, operating profits and cash flow projections were lowered and the earnings forecast was revised. In December 2016, a $1.8 million impairment loss was recognized in total. The Company determines the fair value of its reporting units utilizing discounted cash flows and incorporates assumptions it believes marketplace participants would utilize.

NOTE G - LOAN ACQUISITION COSTS

The loan acquisition costs are being amortized over the remaining term of the Coast Crane Revolving Credit Facility. Loan acquisition costs have been presented as a reduction to debt amounts outstanding as of December 31, 2016 and December 31, 2015 in the accompanying Consolidated Balance Sheets.

Loan acquisition costs consist of the following at December 31:

	2015	2014
Gross carrying amount	$ 2,126,361	$ 2,126,361
Less accumulated amortization	(2,045,442)	(1,643,690)
Foreign currency translation	(14,264)	(16,831)
Loan acquisition costs, net	$ 66,655	$ 465,840

The Company's loan acquisition costs amortized to interest expense was approximately $0.4 million for each of the years ended December 31, 2016 and 2015.

Estimated future amortization expense related to loan acquisitions costs at December 31, 2016, are as follows for the year ending December 31:

2017	$ 66,655
Total	$ 66,655

NOTE H - INTANGIBLE ASSETS

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:

	2016		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Customer relationship intangible	$1,500,000	$(1,303,572)	$196,428
Trademark	600,000	(600,000)	-
Total intangible assets	$2,100,000	$(1,903,572)	$196,428

	2015		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Customer relationship intangible	$1,500,000	$ (1,089,286)	$ 410,714
Trademark	600,000	(600,000)	-
Total intangible assets	$2,100,000	$ (1,689,286)	$ 410,714

The Company's amortization expense associated with other intangible assets was approximately $0.2 million and $0.3 million for the years ended December 31, 2016 and 2015, respectively.
The following table presents the estimated future amortization expense related to intangible assets as of December 31, 2016:

2017	$ 196,428
Total	$ 196,428

NOTE I - REVOLVING CREDIT FACILITY

The Company's revolving credit facilities and other debt obligations consist of the following at December 31 (amounts shown net of loan acquisition costs):

	Principal outstanding at December 31,		Weighted-average interest rate	Maturity date ranges
	2016	2015		
Revolving credit facility – short-term	$17,456,818	$18,076,778	6.50%	Within 1 year
Revolving credit facility	-	1,735,550		
Term loan	-	32,500,000		
Term loan - short term	32,500,000	2,000,000	6.50%	Within 1 year
Purchase money security interest debt	5,314,330	7,085,399	5.71%	January 2018 - April 2022
Purchase money security interest debt - short-term	1,736,286	1,432,178	5.71%	Within 1 year
Total	$57,007,434	$62,829,905		

Aggregate payments of principal on debt obligations outstanding as of December 31, 2016 for each of the next five years and thereafter based on contractual installment payment terms and maturities are as follows:

2017	$51,759,759
2018	1,704,070
2019	2,814,690
2020	333,377
2021	353,550
Thereafter	108,643
Total	$57,074,089

Coast Crane Revolving Credit Facility

On March 12, 2013, Coast Crane entered into a Second Amended and Restated Credit Agreement, previously defined as the "Coast Crane Revolving Credit Facility" to extend the maturity date to March 12, 2017. The amendment also provides for a $40.0 million term loan and reduces 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 provides for scheduled quarterly term loan payments to reduce the term loan principal outstanding by $0.5 million each quarter beginning on June 30, 2013. The amounts borrowed under the term loan which are repaid or prepaid may not be reborrowed. Substantially all of the Company's assets serve as collateral for the Company's obligations under the Coast Crane Revolving Credit Facility.

The Coast Crane Revolving Credit Facility provides certain limitations on net capital expenditures as well as a fixed charge coverage ratio requirement of not less than 1.20 to 1.00. The Coast Crane Revolving Credit Facility also limits the amount of certain additional indebtedness, including secured purchase money indebtedness, that Coast Crane can incur to $10.0 million.

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 $5.0 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 $0.8 million, (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) $2.0 million 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 $4.0 million to $15.0 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.

On September 9, 2016, the Company entered into a Third Amendment to its Second Amended and Restated Credit Agreement. The Third Amendment provides for a waiver of the previously disclosed defaults resulting from Coast Crane's breach of certain delivery and financial reporting requirements contained within the Coast Crane Credit Facility, and a cessation of default interest as of September 1, 2016. The Third Amendment also provides for the issuance by Coast Crane of a twelve-month, non-interest bearing $2 million unsecured subordinated promissory note to Essex Crane in settlement of intercompany transfers, and provides for the ability of Coast Crane, at its option, to purchase certain cranes from ECRC for a purchase price not to exceed $1 million.

On March 13, 2017, the Company entered into a Fourth Amendment to its Second Amended and Restated Credit Agreement. The Fourth Amendment provided for: extension of the maturity date of the Coast Crane Credit Facility from March 12, 2017 to May 29, 2017; removal of the liquidity reserve; extension of the date by which audited financial statements are to be delivered to May 29, 2017; reduction in the amount of EBITDA required under the minimum EBITDA covenant to $7.3 million; and removal of the option of the Company to elect LIBOR based borrowings and interest at the Prime Rate plus a margin of 4.75%. The amendment also provides requirements for certain milestones with respect to the Company's execution of strategic alternatives that would result in repayment of amounts outstanding under the Credit Facility. The Company paid a 75 basis point fee on loans and commitments outstanding under the Credit Facility at execution of the amendment and will be incurring an additional 50 basis point fee on May 12, 2017 or upon earlier repayment of the loan.

On April 19, 2017, the Company entered into a Fifth Amendment to its Second Amended and Restated Credit Agreement. The Fifth Amendment provides for: an extension of the maturity date of the Coast Crane Credit Facility from May 29, 2017 to August 14, 2017 and reduced revolving loan commitments from $35.0 million to $25.0 million. The Fifth Amendment also extended the milestones with respect to the Company's execution of strategic alternatives as provided for under the Fourth Amendment. The Company paid a 25 basis point fee on loans and commitments outstanding under the Credit Facility and will occur two additional 25 basis point fees on each of June 15th and July 14th, should amounts outstanding under the Credit Facility not be repaid in full by those dates. In addition, the Company will also incur a 200 basis point fee upon default of the Coast Crane Credit Agreement or on August 14, 2017.

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 the Base rate plus 4.75%. 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%. As of December 31, 2016 and 2015, there were no amounts outstanding under letters of credit. Interest on the revolving loans and fees on the letter of credit accommodations are 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, 2016, the applicable Base rate and unused line commitment fee were 3.75% and 0.50%, respectively. At December 31, 2015, the applicable LIBOR rate, Base rate, and unused line commitment fee were 0.54%, 3.50% and 0.50%, respectively.

The maximum amount that could be borrowed under the revolving loans under the Coast Crane Revolving Credit Facility was approximately $25.0 million as of December 31, 2016 and $35.0 million as of December 31, 2015. Coast Crane's available borrowing under the Coast Crane Revolving Credit Facility was approximately $0.6 million and $5.9 million as of December 31, 2016 and December 31, 2015, respectively, after certain lender reserves of $14.1 million and $8.8 million as of December 31, 2016 and December 31, 2015, respectively. 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, 2016 and December 31, 2015, the outstanding balance on the term loan portion of the Coast Crane Revolving Credit Facility was $32.5 million and $34.5 million, respectively. As of December 31, 2015, $2.0 million of the outstanding balance is 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.

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.

The Coast Crane Revolving Credit Facility includes a subjective acceleration clause and requires the Company to maintain a traditional lock-box for Coast Crane and a springing lock-box for Coast Crane Ltd.

Purchase Money Security Interest Debt

As of December 31, 2016, the Company's purchase money security interest debt consisted of the financing of fifteen pieces of equipment. Five of these debt obligations accrue interest at LIBOR plus 5.38% per annum with interest payable in arrears. Ten of the debt obligations accrue interest at rates that range from 3.59% to 6.90%. The obligations are secured by the equipment purchased and have maturity dates that range from September 2017 to April 2022. As these loans are amortizing, approximately $1.7 million of the total $7.1 million in principal payments is due prior December 31, 2017 and as such, this amount is classified as a current liability in the accompanying Consolidated Balance Sheets as of December 31, 2016.

As of December 31, 2015, the Company's purchase money security interest debt consisted of the financing of fifteen pieces of equipment. Five of these debt obligations accrued interest at LIBOR plus 5.38% per annum with interest payable in arrears. Ten of the debt obligations accrued interest at rates that ranged from 3.59% to 6.90%. The obligations are secured by the equipment purchased and have maturity dates that ranged from September 2017 to April 2022. As these loans are amortizing, approximately $1.4 million of the total $8.5 million in principal payments was due prior December 31, 2016 and as such, this amount was classified as a current liability in the accompanying Consolidated Balance Sheets as of December 31, 2015.

NOTE J - DERIVATIVES AND HEDGING ACTIVITIES

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 caps as part of its interest rate risk management strategy.

Interest Rate Cap

On October 8, 2014, the Company entered into an interest rate cap agreement with one of the lenders of its Coast Crane Revolving Credit Facility to limit its exposure to interest rate fluctuations. The cap agreement has a notional principal amount of $40.0 million and matured June 17, 2016. Under the agreement, the Company's exposure to increases in three-month LIBOR was limited to a maximum three-month LIBOR of 2.50%. The interest rate swap was not designated as a cash flow hedge. The change in fair value for the interest rate cap for the year ended 2015 was an unrealized loss of approximately $7,000, which was reported within interest expense of other income (expense) in the consolidated statement of operations. The fair value of the interest rate cap as of December 31, 2015 was $0. The inputs used to calculate the fair value of the interest rate cap are classified within Level 2 of the fair value hierarchy.

Summary

The weighted average interest rate of the Company's total debt outstanding, including the impact of the interest rate cap was 6.40% and 5.36% at December 31, 2016 and 2015, respectively.

NOTE K - 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, 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.

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 $57.1 million and $63.3 million as of December 31, 2016 and 2015, 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 the interest rate cap and 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.

The following table presents information related to nonrecurring fair value measurements for the year ended December 31, 2016:

		Fair Value Measurements at End of the Reporting Period			
Description	December 31, 2016	Quoted Prices in Active Markets for Identical Assets (1)	Significant Other Observable Inputs (2)	Significant Unobservable Inputs (Level 3)	Total Gains (Losses)
Nonrecurring fair value measurements:					
Long-lived assets held and used (a)	$ 68,219,662		$ 68,219,662	$ -	$ (730,352)
Goodwill (b)	$ -		$ -	$ -	$ (1,796,126)
Total nonrecurring fair value measurements	$ 68,219,662		$ 68,219,662	$ -	$ (2,526,478)

(a) Long-lived assets held and used comprised of rental equipment with a carrying amount of $68.9 million were written down to their fair value of $68.2 million, resulting in an impairment charge of $0.7 million, which was included in earnings for the period.

(b) Goodwill with a carrying amount of $1.8 million was written down to its implied fair value of $0, resulting in an impairment charge of $1.8 million, which was included in earnings for the period.

NOTE L - 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 U.S. federal jurisdiction and in most state jurisdictions. Income tax returns are filed on a consolidated basis with Essex Rental Corp., Essex Crane Rental Corp. and Essex Finance Corp. when possible; however, the information contained herein relates only to Coast Crane and Coast Crane Ltd. Income tax amounts are allocated to the appropriate entity within the consolidated group of companies to which Coast Crane Company and Coast Crane Ltd. belong based on each entity's contribution to consolidated federal taxable income. The Company is subject to U. S. federal and state income tax examinations for years 2013 through 2016. Coast Crane Ltd. is subject to Canadian income tax examinations for the years 2012 through 2015.

At December 31, 2016, the Company had unused federal net operating loss carryforwards totaling approximately $62.5 million that begin expiring in 2031. At December 31, 2016, the Company also had unused state net operating loss carryforwards totaling approximately $0.4 million that expire between 2016 and 2034. The Company had unused federal net operating loss carryforwards of approximately $59.3 million and unused state net operating loss carryforwards of approximately $0.4 million at December 31, 2015.

Income tax benefit consists of the following:

	2016	2015
Current income taxes:		
Federal, state and local	$ 17,140	$ 21,108
Foreign	-	(110,683)
Deferred income taxes		
Federal	(250,701)	50,381
State and local	(25,532)	11,230
Foreign	102,762	(240,850)
Total income tax benefit	$(156,331)	$(268,814)

The Company's current income tax benefit for the year ended December 31, 2016 relates primarily to an increase in net operating loss carryforwards, reduced by an increase in the valuation allowance. The Company's deferred income tax benefit for 2016 relates primarily to an increase in net operating loss carryforwards, reduced by an increase in the valuation allowance.

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

	2016	2015
Federal statutory rate	35.0%	35.0%
State and local taxes	0.3	(1.1)
Meals, entertainment and other	0.0	(0.5)
Fines and penalties	-	(0.5)
Impact of foreign tax rate differential	(0.2)	(3.4)
Capital gain on disposal	0.3	0.9
Canadian income tax audit	-	11.5
Canadian withholding taxes	(0.3)	(1.2)
Canada net operating loss adjustment	(0.3)	-
Foreign taxes	0.1	0.4
Untaxable portion of foreign currency translation	0.1	(2.4)
Nondeductible interest	(0.9)	-
Valuation allowance	(31.4)	(23.6)
Effective income tax rate	2.7%	15.1%

The Company's income tax benefit for the year ended December 31, 2016 was lower than the statutory rate due to the impact of the valuation allowance.

The Company's income tax benefit for the year ended December 31, 2015, relates primarily to the finalization of the income tax audit in Canada. The Company was audited for three tax years; March 31, 2010, November 23, 2010 and December 31, 2010. The Company received audit adjustments pertaining to these tax periods in 2013. On August 2, 2013, the Company appealed the audit adjustments due to incorrect assumptions made by the Canadian Revenue Agency. The appeal was settled favorably with notices of reassessment on July 21, 2015 and July 24, 2015. In addition, the Canadian Revenue Agency concluded there were additional favorable adjustments. In 2013, the Company recorded tax expense of approximately $50,000 which was an estimate of the amount they would have to pay the Canadian Revenue Agency. However, the final tax benefit determined by Appeals was in the amount of approximately $52,000. As a result, the tax benefit recorded for the period ending December 31, 2015 was approximately $102,000. In addition, the Company's deferred income tax benefit for 2015 relates primarily to an increase in net operating loss carryforwards, reduced by an increase in the valuation allowance.

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

	2016	2015
Deferred tax assets		
Federal and state net operating loss carryforward	$ 24,959,359	$ 24,027,650
Accrued expenses	901,488	364,055
Goodwill and other intangibles	408,856	378,483
Inventory	-	352,601
Accounts receivable	648,093	724,555
Total gross deferred tax assets	26,917,796	25,847,344
Valuation allowance	(11,466,783)	(9,617,727)
Total deferred tax assets, net	15,451,013	16,229,617
Deferred tax liabilities		
Rental equipment and property and equipment and other	(15,451,013)	(16,351,021)
Total deferred tax liabilities	(15,451,013)	(16,351,021)
Net deferred tax assets	$ -	$ (121,404)

	2016	2015
Amounts included in the consolidated balance sheet		
Long-term deferred tax liabilities	$ -	$ 121,404

At December 31, 2016, the Company has federal net operating loss carryforwards totaling approximately $62.5 million that begin expiring on December 31, 2031. 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 majority of the federal deferred tax assets due to the reversal of federal deferred tax liabilities. The federal deferred tax liabilities do not exceed the federal deferred tax assets and based on the reversing pattern, the Company has concluded that it needs a partial valuation allowance on the 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 carryforwards would be subject to an annual limitation pursuant to Section 382 which may impact the realization of the net operating loss carryforwards. The Company does not believe that the realization of the prior year net operating loss carryforwards are impacted by a Section 382 limitation.

The Company also has state deferred tax assets in the amount of $2.6 million. The Company increased its valuation allowance related to state net operating loss carry-forwards during the year ended December 31, 2016.

The Company had no uncertain tax positions at December 31, 2016 and 2015, or for the years then ended. 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 or penalties for the years ended December 31, 2016 and 2015, as the Company has significant net operating loss carryforwards, which would be reduced if any payment were due under audit.

The Company is generally subject to federal and state examination for the years 2012 through 2016.

NOTE M - STOCK COMPENSATION

Essex Rental Corp. grants key members of management, including certain individuals who provide services that benefit Coast Crane, options to purchase shares of common stock and restricted shares of common stock. Stock compensation expense recorded at Essex Rental Corp. related to these stock options and restricted shares was approximately $495,000 and $567,000 for the years ended December 31, 2016 and 2015, respectively. Management has concluded that the allocation of stock compensation expense to Coast Crane for the members of management that provided services to Coast Crane would not result in a material difference from the results of operations as reflected in the accompanying consolidated financial statements. As such, these expenses have not been allocated to Coast Crane and are, instead, recorded at Essex Rental Corp.

NOTE N - COMMITMENTS, CONTINGENCIES AND RELATED PARTY TRANSACTIONS

The Company leases real estate and office equipment under operating leases which continue through 2021. The Company's rent expense under non-cancelable operating leases totaled approximately $2.4 million and $2.3 million for the years ended December 31, 2016 and 2015, respectively.

Future minimum lease payments for the Company's non-cancellable operating leases at December 31, 2016, including operating leases are as follows:

2017	$2,016,275
2018	1,956,813
2019	1,400,484
2020	790,429
2021	130,253
Total	$6,294,254

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 the Company's financial position, results of operations or cash flows.

As of December 31, 2016, the Company had amounts due to related parties of approximately $1.5 million. On September 9, 2016, the Company issued a twelve-month, non-interest bearing $2.0 million unsecured subordinated promissory note to Essex Crane in settlement of intercompany transfers. The note was treated as a distribution and was recorded as a reduction to Additional Paid in Capital on the accompanying Consolidated Balance Sheet. As of December 31, 2016, approximately $1.5 million remained outstanding.

As of December 31, 2015, the Company had amounts due from related parties of approximately $22,000. The amounts were receivable and payable to Essex Crane Rental Corp., respectively, and relate primarily to payroll and related expenses for shared corporate employees and other shared expenses, such as rent and insurance.

Essex Rental Corp. and Essex Crane Rental Corp. incur expenses that benefit all companies within the consolidated group of companies, including Essex Crane, Coast Crane Company, Coast Crane Ltd. and Essex Rental Corp. No allocations of these expenses have been made to Coast Crane or Coast Crane Ltd. as management believes that such allocations would not result in a material difference from the results of operations as reflected in the accompanying financial statements. As such, these expenses, which totaled approximately $2.0 million in 2016 and $2.8 million in 2015, were recorded by the companies in the consolidated group that incurred the expenses, a portion of which benefits other companies.

NOTE O - 401(k) PROFIT SHARING PLAN

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 match of 4% if an employee contributes 5% of their compensation. These contributions vest immediately upon contribution. Company 401(k) contributions were approximately $0.2 million and $0.3 million for the years ended December 31, 2016 and 2015, respectively.

NOTE P - CONCENTRATIONS

A substantial portion of purchases of rental equipment, new equipment and majority of spare parts come from five vendors. The loss of any 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.