FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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ELECTRO RENT CORP

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SIC: **7359** Equipment rental & leasing, nec

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended November 30, 2012

OR

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

For the transition period from to

Commission file number: 0-9061

ELECTRO RENT CORPORATION
(Exact name of registrant as specified in its charter)

California	**95-2412961**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
6060 Sepulveda Boulevard, Van Nuys, California	**91411-2501**
(Address of principal executive offices)	**(Zip Code)**

(818) 787-2100
(Issuer' s telephone number, including area code)

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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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 number of shares outstanding of the registrant' s common stock as of January 4, 2013 was 23,995,626.

Electro Rent Corporation

Quarterly Report on Form 10-Q

For the Quarterly Period Ended November 30, 2012

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EXPLANATORY NOTE

In this report, unless the context indicates otherwise, the terms “Electro Rent,” “Company,” “we,” “us” and “our” refer to Electro Rent Corporation, a California corporation, and its subsidiaries.

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

This report contains 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 (the “Exchange Act”). You can find many (but not all) of these statements by looking for words such as “approximates,” “believes,” “expects,” “anticipates,” “estimates,” “intends,” “plans,” “would,” “may” or other similar expressions in this report. We claim the protection of the safe harbor contained in the Private Securities Litigation Reform Act of 1995. We caution investors that any forward-looking statements presented in this report, or that we may make orally or in writing from time to time, are based on the beliefs of, assumptions made by, and information currently available to, us. Such statements are based on assumptions, and the actual outcome will be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control. Although we believe that our assumptions are reasonable, they are not guarantees of future performance, and some will inevitably prove to be incorrect. As a result, our actual future results may differ from our expectations, and those differences may be material. We are not undertaking any obligation to update any forward-looking statements. Accordingly, investors should use caution in relying on past forward-looking statements, which are based on known results and trends at the time they are made, to anticipate future results or trends.

Factors that could cause or contribute to these differences include, among others, those risks and uncertainties discussed under the sections contained in this Form 10-Q entitled “Part I, Item 2. Management’ s Discussion and Analysis of Financial Condition and Results of Operations,” “Part I, Item 3. Quantitative and Qualitative Disclosures About Market Risk,” and “Part II, Item 1A. Risk Factors” as well as in our Annual Report on Form 10-K for the fiscal year ended May 31, 2012 (including the “Risk Factors” discussed in Item 1A in that document), and our other filings with the Securities and Exchange Commission. The risks included in those documents are not exhaustive, and additional factors could adversely affect our business and financial performance. We operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time, and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

ELECTRO RENT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited) (in thousands, except per share data)

	Three Months Ended November 30,		Six Months Ended November 30,	
	2012	2011	2012	2011
Revenues:				
Rentals and leases	$34,575	$32,912	$68,240	$64,221
Sales of equipment and other revenues	30,617	28,731	55,453	56,072
Total revenues	65,192	61,643	123,693	120,293
Operating expenses:				
Depreciation of rental and lease equipment	14,082	13,374	28,140	25,901
Costs of rentals and leases, excluding depreciation	4,558	4,394	8,930	8,773
Costs of sales of equipment and other revenues	22,164	21,287	40,213	41,291
Selling, general and administrative expenses	14,068	13,149	27,845	26,269
Total operating expenses	54,872	52,204	105,128	102,234
Operating profit	10,320	9,439	18,565	18,059
Gain on bargain purchase, net of deferred taxes	–	188	–	3,382
Interest income, net	137	108	283	207
Income before income taxes	10,457	9,735	18,848	21,648
Income tax provision	4,218	3,716	7,523	7,124
Net income	$6,239	$6,019	$11,325	$14,524
Earnings per share:				
Basic	$0.26	$0.25	$0.47	$0.61
Diluted	$0.26	$0.25	$0.47	$0.60
Shares used in per share calculation:				
Basic	23,988	23,981	23,994	23,981
Diluted	24,225	24,149	24,221	24,139
Cash dividend paid per common share	$0.20	$0.20	$0.20	$0.20

See accompanying notes to condensed consolidated financial statements (unaudited).

ELECTRO RENT CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited) (in thousands, except share numbers)

	November 30, 2012	May 31, 2012
ASSETS		
Cash and cash equivalents	$ 10,017	$9,290
Accounts receivable, net of allowance for doubtful accounts of $466 and $522	36,718	35,915
Rental and lease equipment, net of accumulated depreciation of $215,366 and $204,108	240,993	243,173
Other property, net of accumulated depreciation and amortization of $18,398 and $17,832	13,825	13,871
Goodwill	3,109	3,109
Intangibles, net of accumulated amortization of $1,386 and $1,304	1,119	1,201
Other assets	22,760	23,272
	$ 328,541	$329,831
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Accounts payable	$ 5,811	$8,555
Accrued expenses	13,100	11,870
Accrued dividends	29,186	–
Deferred revenue	6,702	6,904
Deferred tax liability	52,486	54,371
Total liabilities	107,285	81,700
Commitments and contingencies (Note 13)		
Shareholders' equity:		
Preferred stock, $1 par - shares authorized 1,000,000, none issued	–	–
Common stock, no par - shares authorized 40,000,000; issued and outstanding November 30, 2012 - 23,995,626; May 31, 2012 - 23,987,826	36,895	36,179
Retained earnings	184,361	211,952
Total shareholders' equity	221,256	248,131
	$ 328,541	$329,831

See accompanying notes to condensed consolidated financial statements (unaudited).

ELECTRO RENT CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited) (in thousands)

	Six Months Ended November 30, 2012	2011
Cash flows from operating activities:		
Net income	$11,325	$14,524
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28,779	26,542
Remeasurement loss on foreign currency	47	75
Provision for losses on accounts receivable	235	132
Gain on sale of rental and lease equipment	(5,845)	(4,948)
Gain on bargain purchase, net of deferred taxes	–	(3,382)
Stock compensation expense	639	710
Excess tax benefit for share based compensation	(113)	(50)
Deferred income taxes	(1,885)	5,200
Changes in operating assets and liabilities:		
Accounts receivable	(793)	(3,958)
Other assets	596	205
Accounts payable	(1,091)	(1,556)
Accrued expenses	1,300	156
Deferred revenue	(229)	654
Net cash provided by operating activities	32,965	34,304
Cash flows from investing activities:		
Proceeds from sale of rental and lease equipment	14,185	11,152
Cash paid for acquisition	–	(10,625)
Payments for purchase of rental and lease equipment	(35,959)	(53,773)
Payments for purchase of other property	(511)	(475)
Net cash used in investing activities	(22,285)	(53,721)
Cash flows from financing activities:		
Borrowing under bank line of credit	2,000	–
Payment under bank line of credit	(2,000)	–
Minimum tax withholdings on share based compensation	(36)	–
Excess tax benefit for share based compensation	113	50
Payment of dividends	(9,729)	(9,653)
Net cash used in financing activities	(9,652)	(9,603)
Effect of exchange rate changes on cash	(301)	109
Net increase (decrease) in cash and cash equivalents	727	(28,911)
Cash and cash equivalents at beginning of period	9,290	41,441
Cash and cash equivalents at end of period	$10,017	$12,530

See accompanying notes to condensed consolidated financial statements (unaudited).

ELECTRO RENT CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(dollar and share amounts in thousands, except per share amounts)

Note 1: Basis of Presentation

The unaudited condensed consolidated financial statements included herein have been prepared by Electro Rent Corporation, pursuant to the rules and regulations of the United States Securities and Exchange Commission (the "SEC"). The condensed consolidated financial statements include the accounts of Electro Rent Corporation and its wholly owned subsidiaries, Electro Rent, LLC, ER International, Inc., Electro Rent Europe NV, Electro Rent Asia, Inc., Electro Rent (Beijing) Test and Measurement Equipment Rental Co., Ltd., and Electro Rent (Tianjin) Rental Co., Ltd. (collectively "we", "us", or "our") as well as the elimination of all intercompany transactions.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to such SEC rules and regulations. These condensed consolidated financial statements reflect all adjustments, consisting of only normal recurring adjustments, and disclosures that are, in our opinion, necessary for a fair presentation of our financial position and results of operations for the interim periods presented. These condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in our latest Annual Report on Form 10-K filed with the SEC on August 13, 2012.

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosures of contingent assets and liabilities as of the date of these financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and results of operations for interim periods are not necessarily indicative of results to be expected for the full year.

Revenue Recognition

We generate revenues primarily through the rental and leasing of test and measurement equipment ("T&M") and personal-computer related data products equipment ("DP") and through the sale of new and used equipment. Rental revenues comprise short term agreements that can be daily, weekly or monthly. Rental revenues are recognized in the month they are due on the accrual basis of accounting. Our operating lease agreements have varying terms, typically one to three years. Upon lease termination, customers have the option to renew the lease term, purchase the equipment at fair market value, or continue to rent on a month-to-month basis. Our operating leases do not provide for contingent rentals. Revenues related to operating leases are recognized on a straight-line basis over the term of the lease. Negotiated lease early-termination charges are recognized upon receipt. Rentals and leases are primarily billed to customers in advance, and unearned billings are recorded as deferred revenue.

We enter into finance leases as lessor for some of our equipment. Our finance lease agreements contain bargain purchase options and are accounted for as sale-type leases. Revenues from finance leases, which are recorded at the present value of the aggregate future lease payments, less unearned interest, are included in sales of equipment and other revenues in our consolidated statements of operations. Unearned interest is recognized over the life of the finance lease term using the effective interest method. Our finance lease terms vary, and are typically one to three years. The net investment in finance leases, which represents the receivables due from lessees, net of unearned interest, is included in other assets in our condensed consolidated balance sheets. Historically, we have not required security deposits based on our assessed credit risk within our customer bases.

Initial direct costs for operating and finance leases are insignificant.

Sales of new equipment through our resale channel and used equipment from our rental and lease equipment pool are recognized in the period in which the respective equipment is shipped and risk of loss is passed to the customer. In the case of equipment sold to customers that is already on rent or lease to the same party, revenue is recognized at the agreed-upon date when the rent or lease term ends and the risk of loss passes to the customer.

In accordance with accounting guidance, we are acting as the principal with respect to sales of new equipment through our resale agreement, based on several factors, including: (1) We act as the primary obligor by working directly with our customers to define their needs, providing them with options to satisfy such needs, contracting directly with the customer, and, to the extent required, providing customers with instruction on the use of the product and additional technical support once the product is received by the customer. The product manufacturer is not a party to our customer sales agreements, nor is it referenced in the agreements, and therefore has no obligation to our customers with the exception of the manufacturer' s standard warranty on the product. (2) We bear back-end risk of inventory loss with respect to any product return from the customer as the original manufacturer is not required to accept returns of equipment from us. We also bear front-end risk of inventory loss in those cases where we acquire products for resale into our inventory prior to shipment to customers. (3) We have full discretion in setting pricing terms with our customers and to negotiate all such terms ourselves. (4) We assume all credit risk. Accordingly, sales of new equipment through our resale channel are recorded in Sales of Equipment and Other Revenues and the related equipment costs are recorded in Costs of Sales of Equipment and Other Revenues in our consolidated statements of operations.

Other revenues, consisting primarily of billings to customers for delivery and repairs, are recognized in the period in which the respective services are performed.

ELECTRO RENT CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(dollar and share amounts in thousands, except per share amounts)

Operating expenses

Costs of rentals and leases, excluding depreciation, primarily include labor related costs of our operations personnel, supplies, repairs, insurance and warehousing costs associated with our rental and lease equipment, relating to our rentals and leases revenues.

Costs of sales of equipment and other revenues primarily include the cost of new equipment and the carrying value of used equipment sold.

Selling, general and administrative ("SG&A") expenses include sales and marketing expenses, payroll and related benefit costs, insurance expenses, property taxes on our property and rental and lease equipment, legal and professional fees, and administrative overhead. SG&A also includes shipping and handling costs of $984 and $1,955, respectively, for the three and six months ended November 30, 2012 and $1,102 and $2,172, respectively, for the three and six months ended November 30, 2011.

Foreign Currency

The U.S. dollar has been determined to be the functional currency of all foreign subsidiaries. The assets and liabilities of our foreign subsidiaries are remeasured from their local currency to U.S. dollars at current or historic exchange rates, as appropriate. Revenues and expenses are remeasured from any foreign currencies to U.S. dollars using historic or average monthly exchange rates, as appropriate, for the month in which the transaction occurred. Remeasurement gains and losses are included in selling, general and administrative expenses or income taxes, as appropriate. The assets, liabilities, revenues and expenses of our foreign subsidiaries are individually less than 10% of our respective consolidated amounts. The euro, Canadian dollar and Chinese yuan are our primary foreign currencies. Remeasurement gains and losses have not been significant.

We enter into forward contracts to hedge against unfavorable currency fluctuations in our monetary assets and liabilities in our European and Canadian operations. These contracts are designed to minimize the effect of fluctuations in foreign currencies. Such derivative instruments are not designated as hedging instruments and, therefore, are recorded at fair value as a current asset or liability, and any changes in fair value are recorded in our condensed consolidated statements of operations.

The fair value of our foreign exchange forward contracts in the consolidated balance sheets is shown in the table below:

Derivatives Not Designated as Hedging Instruments	Consolidated Balance Sheet Location	November 30, 2012	May 31, 2012
Foreign exchange forward contracts	Other assets	$ –	$ 179
Foreign exchange forward contracts	Accrued expenses	141	–

ELECTRO RENT CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(dollar and share amounts in thousands, except per share amounts)

The table below provides data about the amount of losses and gains recognized in income for derivative instruments not designated as hedging instruments:

Derivatives Not Designated as Hedging Instruments	Location of (Loss) Gain Recognized in Income on Derivatives	Three Months Ended November 30, 2012	Three Months Ended November 30, 2011
Foreign exchange forward contracts	Selling, general and administrative expenses	$ (202)	$ 247

Derivatives Not Designated as Hedging Instruments	Location of (Loss) Gain Recognized in Income on Derivatives	Six Months Ended November 30, 2012	Six Months Ended November 30, 2011
Foreign exchange forward contracts	Selling, general and administrative expenses	$ (390)	$ 241

Other Assets

We include demonstration equipment used in connection with our resale activity of $5,384 and $5,495 as of November 30, 2012 and May 31, 2012, respectively, in other assets for a period of up to two years. Demonstration equipment is recorded at the lower of cost or estimated market value until the units are sold or transferred to our rental and lease equipment pool. Demonstration equipment transferred to our rental and lease equipment pool is depreciated over its remaining estimated useful life.

Other assets consisted of the following:

	November 30, 2012	May 31, 2012
Net investment in sales-type leases	$10,645	$11,681
Demonstration equipment	5,384	5,495
Supplemental executive retirement plan assets	2,784	2,370
Income taxes receivable	659	861
Prepaid expenses and other	3,288	2,865
	$22,760	$23,272

Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board ("FASB") issued guidance on presentation of comprehensive income. The new guidance eliminates the current option to report other comprehensive income ("OCI") and its components in the statement of changes in equity. Instead, an entity will be required to present components of comprehensive income in either (1) a continuous statement of net income or (2) two separate but consecutive statements. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. We adopted this guidance effective June 1, 2012 and elected to disclose comprehensive income in a single continuous statement. Adoption of this guidance had no material impact on our consolidated financial position, results of operations or cash flows.

In September 2011, the FASB issued guidance to simplify how an entity tests goodwill for impairment. The amendments in the update provide for an option to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. An entity that adopts this option will no longer be required to calculate the fair value of a reporting unit (Step 1) unless the entity determines, based on a qualitative assessment, that it is more likely than not that the fair value of the reporting unit is less than its carrying amount. We adopted this guidance effective June 1, 2012 with no material impact on our consolidated financial position, results of operations or cash flows.

ELECTRO RENT CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(dollar and share amounts in thousands, except per share amounts)

In July 2012, the FASB issued guidance to simplify how an entity tests indefinite-lived intangible assets other than goodwill for impairment and permitting an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative impairment test. This guidance is effective for annual and interim impairment tests performed for fiscal years beginning after December 15, 2011. The guidance for the qualitative process became effective for our first quarter of fiscal 2013, and had no material impact on our consolidated financial position, results of operations or cash flows.

Other Comprehensive Income

Comprehensive income is equivalent to net income for all periods presented.

Reclassifications

During the quarter ended November 30, 2012, we expanded the presentation of our costs of revenues to separately present costs associated with each of the revenue streams presented in the condensed consolidated statements of operations, to comply with the applicable income statement disclosure requirements for public companies. Accordingly, the previously reported statement of operations line item captioned “costs of revenues other than depreciation of rental and lease equipment” has been replaced with separate line items for “costs of rentals and leases, excluding depreciation” and “costs of sales of equipment and other revenues”.

Further, in order to more closely align activity related to our rental and lease operations, including revenues and the expenses associated with providing those revenues, we have reclassified certain expenses previously included in selling, general and administrative expenses to costs of rentals and leases, excluding depreciation, which resulted in a reduction to previously reported selling, general and administrative expenses of $2,780 and $5,553, respectively, for the three and six months ended November 30, 2011. These reclassified costs primarily include direct expenses of supporting our rental and lease operations, including labor related costs of our operations personnel, supplies, repairs, and insurance and warehousing costs associated with our rental and lease equipment.

Note 2: Cash and Cash Equivalents

We consider highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. Cash equivalents consisted primarily of AAA-rated money market funds in all periods presented.

Note 3: Fair Value Measurements

We measure certain financial assets and liabilities at fair value on a recurring basis, including cash equivalents, supplemental executive retirement plan assets and liabilities, and foreign currency derivatives. The fair value of financial assets and liabilities can be determined based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, as follows:

Level 1 – Observable inputs, such as quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or through corroboration with observable market data; and

Level 3 – Unobservable inputs, for which there is little or no market data for the assets or liabilities, such as those that may be used with internally-developed valuation models.

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ELECTRO RENT CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(dollar and share amounts in thousands, except per share amounts)

Our assets and liabilities measured at fair value on a recurring basis were determined as follows:

	At November 30, 2012			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance
Assets				
Money market funds	$53	$–	$–	$53
Supplemental executive retirement plan	2,784	–	–	2,784
Total assets measured at fair value	$2,837	$–	$–	$2,837
Liabilities				
Foreign exchange forward contracts	–	141	–	141
Total liabilities measured at fair value	$–	$141	$–	$141

	At May 31, 2012			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance
Assets				
Money market funds	$2,507	$–	$–	$2,507
Supplemental executive retirement plan	2,370	–	–	2,370
Foreign exchange forward contracts	–	179	–	179
Total assets measured at fair value	$4,877	$179	$–	$5,056

The fair value measures for our money market funds and supplemental executive retirement plan asset, which include money market and mutual funds, were derived from quoted market prices in active markets and are included in Level 1 inputs. Foreign currency forward contracts were valued based on observable market spot and forward rates as of our reporting date and are included in Level 2 inputs.

Note 4: Acquisitions

Equipment Management Technology, Inc.

On August 24, 2011, pursuant to an Asset Purchase Agreement ("APA"), we completed the purchase of certain assets and the assumption of specified post-closing liabilities of Equipment Management Technology, Inc., a Nevada Corporation ("EMT"), for cash consideration of $10,673. EMT, headquartered in Las Vegas, Nevada, was a provider of electronic test and measurement ("T&M") equipment. We acquired EMT in order to facilitate growth in our T&M business. EMT had previously filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Nevada. The sale was approved by the Bankruptcy Court on August 11, 2011, and the related sale order was issued on August 12, 2011. At closing, $500 was deposited into an escrow account for any post-closing adjustments that reduce the purchase price. We have accounted for the acquisition of EMT as a business combination in accordance with the applicable accounting guidance.

At August 31, 2011, we completed our estimates of the fair value of rental and lease equipment and deferred revenue. Due to the timing of the acquisition, we completed our evaluation of intangible assets and accounts receivable in our second quarter ending November 30, 2011. We acquired gross accounts receivable of $972, of which an estimated $430 is not expected to be collected, resulting in a fair value of $542. Under the accounting guidance, a bargain purchase gain results if the fair value of the purchase consideration is less than the net fair value of the assets acquired

ELECTRO RENT CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(dollar and share amounts in thousands, except per share amounts)

and liabilities assumed. We recorded a bargain purchase gain of $3,194, net of deferred taxes, related to our acquisition of EMT at August 31, 2011. We believe that we were able to negotiate a bargain purchase price as a result of our access to the liquidity necessary to complete the transaction and EMT’ s recurring losses and bankruptcy filing.

The following table provides the estimated fair values of the assets acquired and liabilities assumed as of the date of acquisition.

Total cash consideration	$ 10,673
Preliminary purchase price allocation:	
Accounts receivable	542
Rental and lease equipment	15,896
Deferred tax liability	(2,092)
Deferred revenue	(479)
Net assets acquired	13,867
Bargain purchase gain, net of deferred taxes of $2,092	$(3,194)

The bargain purchase gain is classified separately in our condensed consolidated statements of operations.

Acquisition-related transaction costs of $55 were accounted for as expenses in the periods in which the costs were incurred and are included in our selling, general and administrative expenses during fiscal 2012.

The acquisition of EMT was an asset purchase, and EMT’ s operations were integrated with ours immediately after the acquisition date. Revenues and income before income taxes from the acquired assets included in our consolidated statements of operations were $5,232 and $2,862, respectively, for fiscal 2012.

During the second and third quarters of fiscal 2012, we increased the bargain purchase gain by a total of $396 ($241, net of deferred tax), consisting of (i) $140, representing the estimated fair value of customer relationships acquired, (ii) $273, of post-closing adjustments, which were disbursed from the escrow funds in accordance with the APA, offset by (iii) $17, representing the final determination of assets acquired and other components of the purchase price. These adjustments are not considered material, and therefore are not included in the purchase price allocation table presented above.

Supplemental pro forma information reflecting the acquisition of EMT as if it occurred on June 1, 2010 was not practicable because we were not able to obtain reliable historical financial information for 2010 and 2011, primarily due to a deterioration of the organization and controls leading up to and following EMT’ s February 2011 bankruptcy filing.

Note 5: Equity Incentive Plan

Our 2005 Equity Incentive Plan (the “Equity Incentive Plan”) authorizes our Board of Directors to grant incentive and non-statutory stock option grants, stock appreciation rights, restricted stock awards, restricted stock units, performance unit awards and performance share awards covering a maximum of 1,000 shares of our common stock. The Equity Incentive Plan replaced our prior stock option plans, under which there are no outstanding options. Pursuant to the Equity Incentive Plan, we have granted incentive and non-statutory options to directors, officers and key employees at prices not less than 100% of the fair market value on the day of grant. In addition, we have granted restricted stock and restricted stock units to directors, officers and key employees. The Equity Incentive Plan provides for a variety of vesting dates. All outstanding options expired in October 2011.

ELECTRO RENT CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(dollar and share amounts in thousands, except per share amounts)

Restricted Stock Units

A restricted stock unit represents the right to receive one share of our common stock, provided that the vesting conditions are satisfied. The following table represents restricted stock unit activity for the six months ended November 30, 2012:

	Restricted Stock Units	Weighted - Average Grant Date Fair Value
Nonvested at June 1, 2012	203	$ 13.82
Granted	73	17.11
Vested	(109)	12.87
Forfeited/canceled	(11)	12.88
Nonvested at November 30, 2012	156	$ 16.10

We granted 14 and 73 restricted stock units during the three and six months ended November 30, 2012, respectively, and 16 and 101 restricted stock units during the three and six months ended November 30, 2011. As of November 30, 2012, we have unrecognized share-based compensation cost of approximately $2,007 associated with restricted stock unit awards. This cost is expected to be recognized over a weighted-average period of approximately 1.8 years.

Accounting for Share Based Payments

Accounting guidance requires all share-based payments to employees, including grants of employee stock options, restricted stock and restricted stock units, to be recognized as compensation expense in the consolidated financial statements based on their fair values. Compensation expense is recognized over the period that an employee provides service in exchange for the award, approximately 3 years.

Forfeitures are estimated at the date of grant based on historical experience. We use the market price of our common stock on the date of grant to calculate the fair value of each grant of restricted stock and restricted stock units.

We recorded $350 and $639 of stock-based compensation as part of selling, general and administrative expenses for the three and six months ended November 30, 2012, respectively, compared to $384 and $710 for the three and six months ended November 30, 2011, respectively.

We receive a tax deduction for certain stock option exercises during the period the options are exercised, generally for the excess of the fair value of our common stock at the date of exercise over the exercise price of the options, and dividends paid on vested restricted stock units. Excess tax benefits are realized tax benefits from tax deductions for exercised options in excess of the deferred tax asset attributable to stock compensation costs for such options. The total excess tax benefit realized from stock option exercises, shares issued and dividend payments for vested restricted stock units for the six months ended November 30, 2012 and 2011 was $113 and $50, respectively. Cash received from stock option exercises was $0 for each of the six month periods ended November 30, 2012 and 2011.

Note 6: Goodwill and Intangibles

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in a business combination. Intangible assets resulting from the acquisitions of entities accounted for using the purchase method of accounting are recorded at the estimated fair value of the assets acquired. Identifiable intangible assets consist of purchased customer relationships and trade names.

Our goodwill and intangibles at November 30, 2012 are the result of our acquisition of EMT on August 24, 2011, Telogy on March 31, 2010, and Rush Computer Rentals, Inc. on January 31, 2006.

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(dollar and share amounts in thousands, except per share amounts)

The changes in carrying amount of goodwill and other intangible assets for the six months ended November 30, 2012 were as follows:

	Balance as of June 1, 2012 (net of amortization)	Additions	Amortization	Balance as of November 30, 2012
Goodwill	$ 3,109	$ –	$ –	$ 3,109
Trade name	411	–	–	411
Customer relationships	790	–	(82)	708
	$ 4,310	$ –	$ (82)	$ 4,228

Goodwill is not deductible for tax purposes.

We evaluate the recoverability of goodwill and indefinite-lived intangible assets annually as of May 31, and whenever events or changes in circumstances indicate to us that the carrying amount may not be recoverable. There were no conditions that indicated any impairment of goodwill or identifiable intangible assets as of May 31, 2012.

Intangible assets with finite useful lives are amortized over their respective estimated useful lives. The following table provides a summary of our intangible assets:

	November 30, 2012			
	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trade name	–	$ 411	$ –	$ 411
Customer relationships	3-8 years	2,094	(1,386)	708
		$ 2,505	$ (1,386)	$ 1,119

	May 31, 2012			
	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trade name	–	$ 411	$ –	$ 411
Customer relationships	3-8 years	2,094	(1,304)	790
		$ 2,505	$ (1,304)	$ 1,201

Amortization expense related to intangible assets was $41 for both the three months ended November 30, 2012 and 2011, respectively, and $82 and $70 for the six months ended November 30, 2012 and 2011, respectively.

Amortization expense for customer relationships is included in selling, general and administrative expenses. The following table provides estimated future amortization expense related to intangible assets as of November 30, 2012:

Year ending May 31,	Future Amortization
2013 (remaining)	$ 82
2014	164
2015	129

2016	118
2017	118
Thereafter	97
	$ 708

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Note 7: Borrowings

On November 29, 2012, we entered into a sixth amendment to our commercial credit agreement ("Credit Agreement Amendment") with Union Bank, N.A. ("Union Bank"). The Credit Agreement Amendment amends the commercial credit agreement dated September 29, 2008 (the "Commercial Credit Agreement"), pursuant to which the lender provides us with a revolving line of credit. The Credit Agreement Amendment amends our Commercial Credit Agreement with Union Bank by (i) increasing the permitted maximum aggregate outstanding principal amount under the Commercial Credit Agreement from $25,000 to $50,000; (ii) extending the term and maturity date of the Commercial Credit Agreement from October 1, 2015 to November 30, 2015; (iii) deleting the quick ratio financial covenant; (iv) amending the amounts and payment dates of the annual commitment fees such that we agree to pay a $25 commitment fee on November 30, 2012, a $50 commitment fee on November 30, 2013 and a $50 commitment fee on November 30, 2014; (v) amending the minimum tangible net worth financial covenant; and (vi) replacing the positive net earnings financial covenant with an EBITDA financial covenant. We are in compliance with all loan covenants at November 30, 2012.

During the six months ended November 30, 2012, we borrowed and repaid $2,000 under the Commercial Credit Agreement. On December 19, 2012 we borrowed $23,000 from the credit facility with Union Bank to fund the quarterly and special dividend we paid on December 21, 2012.

Note 8: Supplemental Cash Flow Information

Non-Cash Investing and Financing Activities

We had rental equipment purchases, not yet paid for, totaling $3,672 and $5,513 as of November 30, 2012 and 2011, respectively, all of which amounts were subsequently paid. During the six months ended November 30, 2012 and 2011, we transferred $1,001 and $460, respectively, of demonstration equipment, included in other assets, to rental and lease equipment. As of November 30, 2012, we recorded $29,186 of dividends declared and not yet paid as accrued dividends and a reduction of retained earnings. There was no accrual as of November 30, 2011.

Supplemental Disclosures of Cash Paid (Refunded)

	Six months ended November 30,	
	2012	2011
Interest	$ 2	$ 8
Income taxes	$ 8,500	$ (1,196)

Note 9: Sales-Type Leases

We have certain customer leases providing bargain purchase options, which are accounted for as sales-type leases. Interest income is recognized over the life of the lease using the effective interest method.

The initial acceptance of customer finance arrangements is based on an in-depth review of each customer' s credit profile, including review of third party credit reports, customer financial statements and bank verifications. We monitor the credit quality of our sales-type lease portfolio based on payment activity that drives the finance lease receivable aging. This credit quality is assessed on a monthly basis. Our historical losses on finance lease receivables are insignificant, and therefore we do not have a specific allowance for credit losses.

The minimum lease payments receivable and the net investment included in other assets for such leases were as follows:

	November 30, 2012	May 31, 2012
Gross minimum lease payments receivable	$ 11,175	$12,284
Less – unearned interest	(530)	(603)
Net investment in sales-type lease receivables	$ 10,645	$11,681

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The following table provides estimated future minimum lease payments receivable related to sales-type leases:

Year ending May 31,	
2013 (remaining)	$3,821
2014	5,097
2015	1,899
2016	237
2017	121
	$11,175

Note 10: Segment Reporting and Related Disclosures

Accounting guidance establishes reporting standards for an enterprise' s operating segments and related disclosures about its products, services, geographic areas and major customers. Operating segments are defined as components of an enterprise for which separate financial information is available that is regularly evaluated by the chief operating decision maker in deciding how to allocate resources and in assessing performance. In order to determine our operating segments, we considered the following: an operating segment is a component of an enterprise (i) that engages in business activities from which it may earn revenues and incur expenses, (ii) whose operating results are regularly reviewed by the enterprise' s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (iii) for which discrete financial information is available. In accordance with this guidance, we have identified two operating segments: the rental, lease and sale of T&M equipment and the rental, lease and sale of data products ("DP") equipment.

Although we have separate operating segments for T&M and DP equipment, these two segments are aggregated into a single reportable segment because they have similar economic characteristics and qualitative factors. The T&M and DP segments have similar long-term average gross margins, and both rent, lease and sell electronic equipment to large corporations, purchase directly from major manufacturers, configure and calibrate the equipment, and ship directly to customers. Additionally, DP segment revenues are less than 10% of total company revenues, and are not considered material.

Our equipment pool, based on acquisition cost, consisted of $419,543 of T&M equipment and $36,816 of DP equipment at November 30, 2012 and $409,686 of T&M equipment and $37,595 of DP equipment at May 31, 2012.

Revenues for these product groups were as follows for the three months ended November 30, 2012 and 2011:

	T&M	DP	Total
2012			
Rentals and leases	$30,435	$4,140	$34,575
Sales of equipment and other revenues	29,944	673	30,617
	$60,379	$4,813	$65,192
2011			
Rentals and leases	$28,651	$4,261	$32,912
Sales of equipment and other revenues	28,113	618	28,731
	$56,764	$4,879	$61,643

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Revenues for these product groups were as follows for the six months ended November 30, 2012 and 2011:

	T&M	DP	Total
2012			
Rentals and leases	$60,040	$8,200	$68,240
Sales of equipment and other revenues	54,091	1,362	55,453
	$114,131	$9,562	$123,693
2011			
Rentals and leases	$55,253	$8,968	$64,221
Sales of equipment and other revenues	54,829	1,243	56,072
	$110,082	$10,211	$120,293

No single customer accounted for more than 10% of total revenues during the six months ended November 30, 2012 and 2011.

Selected country information is presented below:

	Three Months Ended November 30,		Six Months Ended November 30,	
	2012	2011	2012	2011
Revenues: (1)				
U.S.	$56,428	$53,490	$105,542	$103,577
Other (2)	8,764	8,153	18,151	16,716
Total	$65,192	$61,643	$123,693	$120,293

	As of	
	November 30, 2012	May 31, 2012
Net Long-Lived Assets: (3)		
U.S.	$205,078	$207,449
Other (2)	49,740	49,595
Total	$254,818	$257,044

(1) Revenues by country are based on the location of shipping destination, and not whether the order originates in the United States parent or a foreign subsidiary.

(2) Other consists of foreign countries that each individually account for less than 10% of the total revenues or assets.

(3) Net long-lived assets include rental and lease equipment and other property, net of accumulated depreciation and amortization. Subsequent to the issuance of the May 31, 2012 consolidated financial statements, we determined that, for geographic disclosure purposes, the previously reported amount of net long-lived assets as of May 31, 2012 should not have included goodwill and intangibles (which totaled $4,310 at that date) and, accordingly, such amount has been excluded from the May 31, 2012 balance displayed in the table above.

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(dollar and share amounts in thousands, except per share amounts)

Note 11: Computation of Earnings Per Share

The following is a reconciliation of the denominator used in the computation of basic and diluted earnings per share for the three and six months ended November 30, 2012 and 2011:

	Three Months Ended November 30,		Six Months Ended November 30,	
	2012	2011	2012	2011
Denominator:				
Denominator for basic earnings per share - weighted average common shares outstanding	23,988	23,981	23,994	23,981
Dilutive effect of restricted stock	237	168	227	158
Diluted shares used in per share calculation	24,225	24,149	24,221	24,139
Net income	$6,239	$6,019	$11,325	$14,524
Earnings per share:				
Basic	$0.26	$0.25	$0.47	$0.61
Diluted	$0.26	$0.25	$0.47	$0.60

Note 12: Income Taxes

We recognize a liability or asset for the deferred tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. These temporary differences will result in taxable or deductible amounts in future years when reported amounts of the assets or liabilities are recovered or settled. The deferred tax assets are periodically reviewed for recoverability.

Accounting guidance for uncertain tax positions prescribes a recognition threshold that a tax position is required to meet before being recognized in the financial statements and provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition issues.

We recognize the tax impact from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax impact recognized in the financial statements from such a position is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. We recognize interest, penalties and foreign currency gains and losses with respect to uncertain tax positions as components of our income tax provision. Accrued interest and penalties are included within accrued expenses in the consolidated balance sheet. Significant judgment is required in the identification of uncertain tax positions and in the estimation of penalties and interest on uncertain tax positions. During the second quarter of fiscal 2011, we effectively settled our remaining uncertain tax positions, and derecognized $4,515 of previously recognized uncertain tax positions, and the related deferred tax asset, and $1,396 for interest and penalties previously recognized.

We are subject to taxation in the U.S., as well as various states and foreign jurisdictions. We have substantially settled all income tax matters for the United States federal jurisdiction for years through fiscal 2009. Major state jurisdictions have been examined through fiscal years 2004 and 2005, and foreign jurisdictions have not been examined for their respective maximum statutory periods.

Note 13: Commitments and Contingencies

We are subject to legal proceedings and business disputes involving ordinary routine legal proceedings and claims incidental to our business. The ultimate legal and financial liability with respect to such matters generally cannot be estimated with certainty and requires the use of estimates in recording liabilities for potential litigation settlements or awards against us. Estimates for losses from litigation are made after consultation with outside counsel. If estimates of potential losses increase or the related facts and circumstances change in the future, we may be required to record either more or less litigation expense. We are not involved in any pending or threatened legal proceedings that we believe could reasonably be expected to have a material adverse effect on our financial condition, results of operations or cash flows.

ELECTRO RENT CORPORATION
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Note 14: Subsequent Events

On November 29, 2012, our Board of Directors declared a regular quarterly cash dividend of $0.20 per common share and a special dividend of $1.00 per common share. Both dividends were paid on December 21, 2012 to our shareholders of record as of December 10, 2012. The total cost of the dividend was $29,186, of which $6,186 was funded from our cash on hand and $23,000 was funded by borrowing from our line of credit pursuant to the Commercial Credit Agreement with Union Bank.

Item 2. Management' s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion addresses our financial condition as of November 30, 2012 and May 31, 2012, the results of our operations for the three and six months ended November 30, 2012 and 2011, respectively, and cash flows for the six month periods ended November 30, 2012 and 2011, respectively. This discussion should be read in conjunction with Management' s Discussion and Analysis of Financial Condition and Results of Operations in Item 7 and the Risk Factors in Item 1A of our Annual Report on Form 10-K for the fiscal year ended May 31, 2012, to which you are directed for additional information.

Overview

We are one of the largest global organizations devoted to the rental, lease and sale of new and used electronic T&M equipment. We purchase that equipment from leading manufacturers such as Agilent and Tektronix primarily for use by our customers in the aerospace, defense, telecommunications, electronics, industrial and semiconductor industries.

In addition, although it represents only approximately 7%, 8% and 13% of our revenues in fiscal 2012, 2011 and 2010, respectively, we believe our DP division is one of the largest rental businesses in the United States for personal computers and servers from manufacturers including Dell, Hewlett Packard and Toshiba.

In fiscal 2010, we became a reseller for Agilent ("Agilent"), the largest T&M equipment manufacturer in North America, which provides us with the exclusive right to sell Agilent' s more complex T&M equipment to small and medium size customers (who previously purchased directly from Agilent) in the United States and Canada through January 31, 2014. We do not currently have reseller agreements with any other manufacturers for equipment similar to that included in our Agilent reseller agreement. In addition, we sell used equipment from a variety of manufacturers that was previously in our rental and lease pool.

We have a focused sales strategy, using a direct sales force to meet our customers' needs in our T&M equipment rental, lease and sales business. We have a large technical sales force that consists primarily of field engineers and applications engineers, each of whom specialize in all the products and services offered by our company. Our sales force is usually assigned to specific territories, and identifies potential customers through coordinated efforts with our marketing organization. Our marketing organization is staffed by professionals with many years of industry-related experience. As our customers have a wide range of requirements for equipment, our sales force is able to leverage our extensive knowledge of the test and measurement equipment environment to determine the right product to rent, lease or sell to the customer to meet the customer' s specific needs.

Our sales force also specializes in configuring new Agilent equipment to sell to our customers that is tailored to the customer' s need. These configurations typically start with a base model, which is frequently upgraded through an extensive list of options in order to perform the customer' s specific test or measurement. Once the configuration is determined, it serves as the basis for our orders to Agilent, who builds the product accordingly. We order equipment from Agilent once the customer has placed an order with us. Equipment is typically shipped directly to the customer by Agilent at our request. Occasionally, equipment is shipped to our warehouse prior to delivery to the customer. Inventory held for sale is immaterial and is therefore included in other assets in our consolidated balance sheets. Each order and sales invoice is subject to our standard sales terms and conditions, which include provisions covering equipment delivery delays and warranty services.

On August 24, 2011, we completed the acquisition of certain assets (including accounts receivable and rental equipment but excluding certain designated assets) and the assumption of specified post-closing liabilities of Equipment Management Technology, Inc., for $10.7 million in cash, of which $0.5 million was deposited into an escrow account for any post-closing adjustments. The purchase price was reduced by $0.3 million in fiscal 2012 reflecting the final determination of the post-closing adjustment of the purchase price in accordance with the asset purchase agreement with EMT. (See Note 4 to the condensed consolidated financial statements (unaudited) included in this Form 10-Q.)

In recent years, our financial results were impacted by competitive pressure on rental rates due in large part to the recession in the U.S. and our major international markets. During fiscal 2012, we experienced a modest improvement in our T&M and DP rental rates and a significant increase in our equipment on rent, in part due to our acquisition of EMT at the end of the first quarter of fiscal 2012, while maintaining a high utilization rate, in particular in our North American and European operations. In addition, our rental revenues have benefited from our expanded sales force and integration and cross training of our new resale organization and existing T&M sales force. As a result of these continued improvements, and sales of T&M equipment in connection with our resale channel, we experienced strong growth in revenues for fiscal 2012. During fiscal 2012, our operating profit modestly declined reflecting our significant investment in broadening and strengthening our sales and sales support organizations, as well as our administrative infrastructure, necessary to support our increased sales and rental demand and to better focus on future growth opportunities. During the six months ended November 30, 2012, our revenues increased compared to the six months ended November 30, 2011, as we continued to experience strong rental and lease growth and increased sales of used equipment, while our sales of new equipment declined. Our new equipment sales were affected by changes in the U.S. national budgetary policy and continuing uncertainty in the economy, including the telecommunications and national defense sectors, causing delays in our customers' procurement decisions. As a result, many customers have chosen to rent equipment or delay all significant procurement decisions as they contemplate how to operate going forward. Our operating profit modestly increased for the six months ended November 30, 2012, as compared to the six months ended November 30, 2011, as growth in our rental and lease revenues and used equipment sales offset declines in our sales of new equipment. We experienced a moderate increase in our selling, general and administrative expenses as a result of our infrastructure investment which began in fiscal 2011 and continued throughout fiscal 2012 and the first six months of fiscal 2013 in support of expected growth in our sales of new and used equipment, as well as growth in our rental and lease business.

Economic uncertainty continues to impact our customers and competitors, resulting in more stringent credit requirements and reduced access to capital. We will continue to focus on remaining profitable in the current conditions, as well as being prepared for the possibility that recessionary trends may return in future periods.

For the six months ended November 30, 2012, 88% of our rental and lease revenues were derived from T&M equipment, compared to 86% for the prior year period. We have experienced growth in our T&M rental and lease revenues, due to increased demand, our acquisition of EMT, and the integration of our new resale organization and existing T&M sales force, while our DP rental and lease revenues declined.

For the first six months of fiscal 2013, rental revenues were 90% of our rental and lease revenues, compared to 91% for the first six months of fiscal 2012. Although both our rental and lease revenues have increased, our lease revenues have grown at a faster rate, primarily due to the lease revenues acquired from EMT, which revenues were included for only three of the six months ended November 30, 2011 while being included for the entire six months ended November 30, 2012. Rental and lease revenues declined in our DP segment.

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To maximize our overall profit from the rental, leasing, and sales of equipment, we manage our equipment pool on an on-going basis by controlling the timing, pricing and mix of our purchases and sales of equipment. We acquire new and used equipment to meet current technological standards and current and anticipated customer demand, and we sell our used equipment where we believe that is the most lucrative option. We employ a complex equipment management strategy and our proprietary PERFECT™ software to adjust our equipment pool and pricing on a dynamic basis in order to maximize equipment availability, utilization and profitability. We manage each specific equipment class based on a separate assessment of that equipment' s historical and projected life cycle and numerous other factors, including the U.S. and global economy, interest rates and new product launches. If we do not accurately predict market trends, or if demand for the equipment we supply declines, we can be left with equipment that we are unable to rent or sell for a profit. We assess the carrying value of the equipment pool on a quarterly basis or more frequently when factors indicating potential impairment are present.

Profitability and Key Business Trends

Comparing the first six months of fiscal 2013 to the first six months of fiscal 2012, our revenues increased by 2.8% from $120.3 million to $123.7 million, our operating profit increased 2.8% from $18.1 million to $18.6 million and our net income decreased by 22.0% from $14.5 million to $11.3 million. Our net income for the six months ended November 30, 2011 included a bargain purchase gain, net of deferred taxes, of $3.4 million, as a result of our acquisition of EMT.

Our rental and lease revenues increased $4.0 million, or 6.3%, from $64.2 million for the first six months of fiscal 2012 to $68.2 million for the first six months of fiscal 2013. Our rental and lease revenues increased, in part, due to an increase of $1.5 million in rental and lease revenues from the equipment acquired from EMT in August 2011, and $3.7 million due to increased rental and lease demand, in particular in our North American and foreign operations, and the integration of our new resale organization and existing T&M sales force. These increases were partially offset by a decline in rental and lease rates and foreign currency rates, resulting in a decrease in rental and lease revenues of $0.6 million and $0.6 million, respectively.

Our sales of equipment and other revenues decreased $0.6 million, or 1.1%, from $56.1 million for the first six months of fiscal 2012 to $55.5 million for the first six months of fiscal 2013. Our sales of equipment and other revenues decreased due to a decline in new equipment sales of $3.8 million as our customers that traditionally purchase new equipment delayed procurement decisions due to changes in our U.S. national budgetary policy and uncertainty in the global economy, which more than offset an increase in used equipment sales of $2.9 million, resulting from our increased sales and marketing efforts in this area.

Some of our key profitability measurements are presented below for the six months ended November 30, 2012 and 2011:

	Fiscal 2013	Fiscal 2012
Net income per diluted common share (EPS)	$ 0.47	$ 0.60
Net income as a percentage of average assets	6.9 %	9.3 %
Net income as a percentage of average equity	9.8 %	12.2 %

Our net income includes a bargain purchase gain, net of deferred taxes, of $3.4 million for the six months ended November 30, 2011, as a result of our acquisitions of EMT. For the six months ended November 30, 2012, our operating profit increased 2.8%, or $0.5 million, compared to the six months ended November 30, 2011. Our rental and lease business contributed an additional $1.6 million in operating profit, including $1.0 million in connection with the equipment acquired from EMT, resulting from a) a $4.0 million increase in rental and lease revenues, b) an offsetting increase in depreciation expense of $2.2 million, or 8.6%, due to a higher average rental equipment pool, and c) an offsetting increase in our costs of rentals and leases, excluding depreciation, of $0.2 million, or 1.8%. In spite of a decrease of $0.6 million, sales of equipment and other revenues contributed an additional $0.5 million in operating profit, as an increase in our higher margin used equipment sales more than offset a decline in sales of our lower margin new equipment. Our selling, general and administrative expenses increased by $1.6 million, or 6.0%, for the six months ended November 30, 2012 compared to the six months ended November, 2011, primarily due to the broadening and strengthening of our sales organization in support of our new and used equipment sales, higher rental demand, and future growth opportunities. Finally, a decline in our foreign currency rates reduced our operating profit by $0.5 million.

The average amount of our equipment on rent, based on acquisition cost, increased to $248.2 million and $245.2 million for the three and six months ended November 30, 2012, respectively, compared to $238.4 million and $230.2 million, respectively, for the same periods last year, an increase of 4.1% and 6.5%, respectively. The average acquisition cost of equipment on lease increased to $33.9 million and $33.6 million for the three and six months ending November 30, 2012, respectively, compared to $32.5 million and $30.9 million, respectively, for the same periods last year, an increase of 4.1% and 8.8%, respectively. The increase in our average equipment on rent and lease was due, in part, to the acquisition of EMT during the six months ended November 30, 2011 as well as strengthening demand in our worldwide operations.

Average rental rates for our T&M and DP segments combined increased by 0.6% for the three months ending November 30, 2012 compared to November 30, 2011, while average rental rates decreased 1.7% for the six months ending November 30, 2012 compared to the prior year period. Average utilization for our T&M equipment pool, based on average acquisition cost of equipment on rent and lease compared to the average total equipment pool, decreased marginally from 69.7% to 67.2% for the three months ended November 30, 2011 and 2012, respectively, while average utilization slightly declined from 69.0% to 66.8% for the six months ended November 30, 2011 and 2012, respectively. The average utilization of our DP equipment pool, based on the same method of calculation, decreased from 38.4% to 37.3% for the three months ended November 30, 2011 and 2012, respectively, while average utilization decreased from 40.8% to 37.0% for the six months ending November 30, 2011 and 2012, respectively.

As of November 30, 2012 and 2011, our unfilled orders for T&M equipment relating to our resale channel were $7.2 million and $16.2 million, respectively. The decline in backlog for fiscal 2013 is primarily due to shorter manufacturing lead time and a reduction in new sales orders, reflecting lower demand.

Results of Operations

Reclassification

The previously reported "costs of revenues other than depreciation of rental and lease equipment" have been changed to separately present "costs of rentals and leases, excluding depreciation" and "costs of sales of equipment and other revenues". In addition, we have reclassified certain expenses previously included in selling, general and administrative expenses to costs of rentals and leases, excluding depreciation. These reclassified costs primarily include direct expenses of supporting our rental and lease operations, including labor related costs of our operations personnel, supplies, repairs, and insurance and warehousing costs associated with our rental and lease equipment. These changes and reclassifications have been applied retrospectively and resulted in a reduction of previously reported selling, general and administrative expenses, and an increase in cost of rentals and leases, excluding depreciation, of $2.8 million and $5.6 million for the three and six months ended November 30, 2011, respectively. (See Note 1 to our condensed consolidated financial statements included in this Form 10-Q for further discussion).

Comparison of Three Months Ended November 30, 2012 and November 30, 2011

Revenues

Total revenues for the three months ended November 30, 2012 and 2011 were $65.2 million and $61.6 million, respectively. The 5.8% increase in total revenues was due to a 5.1% increase in rental and lease revenues and 6.6% increase in sales of equipment and other revenues.

Rental and lease revenues for the three months ended November 30, 2012 were $34.6 million, compared to $32.9 million for the same period of the prior fiscal year. This increase is due to an increase in T&M rental and lease demand, in particular in North American operations, due in part to the acquisition of EMT, and the integration of our resale organization and T&M sales force, which began in the first quarter of fiscal 2012, providing additional rental opportunities to an expanding customer base, and higher demand from our customers in lieu of new equipment purchases. This increase was partially offset by a decline in rental and lease revenues in our DP business, due to a decrease in demand.

Sales of equipment and other revenues increased to $30.6 million for the second quarter of fiscal 2013 from $28.7 million in the prior year quarter. Sales of used equipment, including finance leases, increased to $7.8 million for the three months ended November 30, 2012, compared to $5.7 million for the prior year period, while sales of new equipment decreased to $21.1 million for the three months ended November 30, 2012 compared to $21.7 million for the prior year period.

Operating Expenses

Depreciation of rental and lease equipment increased in the second quarter of fiscal 2013 to $14.1 million, or 40.7% of rental and lease revenues, from $13.4 million, or 40.6% of rental and lease revenues, in the second quarter of fiscal 2012. The increased depreciation expense in fiscal 2013 was due to a higher average rental and lease equipment pool. The depreciation ratio, as a percentage of rental and lease revenues, was essentially flat as a moderate increase in rental rates and demand for leases nearly offset a decline in utilization rates.

Costs of rentals and leases, excluding depreciation, which primarily includes labor related costs of our operations personnel, supplies, repairs, and insurance and warehousing costs associated with our rental and lease equipment, increased slightly to $4.6 million for the three months ended November 30, 2012 compared to $4.4 million for the three months ended November 30, 2011. This expense remains relatively stable as our rental and lease business does not significantly fluctuate from period to period, and our existing infrastructure is capable of handling moderate changes in rental and lease activity.

Costs of sales of equipment and other revenues, which primarily includes the cost of equipment sales, increased to $22.2 million in the second quarter of fiscal 2013 from $21.3 million in the same period of fiscal 2012. Related to equipment sales, costs of sales and other revenues decreased as a percentage of sales of equipment to 76.7% in the second quarter of fiscal 2013 from 77.8% in the second quarter of fiscal 2012. This decrease is due to a decline in sales of new T&M equipment, which generally carry a lower margin than used equipment sales, while higher margin used equipment sales increased. Our sales margin percentage is expected to fluctuate depending on the mix of used and new equipment sales. Our sales margin is also impacted by competition, economic uncertainty, changes in U.S. governmental policies, and customer requirements and funding.

Selling, general and administrative expenses increased 7.0% to $14.1 million in the second quarter of fiscal 2013 compared to $13.1 million in the second quarter of fiscal 2012. As a percentage of total revenues, selling, general and administrative expenses increased to 21.6% in the second quarter of fiscal 2013 from 21.3% in the second quarter of fiscal 2012. Our selling, general and administrative expenses increased primarily due to the broadening and strengthening of our sales and sales support organizations, as well as our administrative infrastructure, necessary to support our sales and rental demand and to better focus on future growth opportunities.

Gain on Bargain Purchase

We recorded a gain on bargain purchase, net of deferred taxes, of $0.2 million during the three months ended November 30, 2011 compared to $0 for the six months ended November 30, 2012, related to our acquisition of EMT in August 2011. The gain on bargain purchase, net of deferred taxes, resulted from the excess of the net fair value of the assets acquired and liabilities assumed in the EMT acquisition over the respective purchase price. We believe that we were able to negotiate a bargain purchase price as a result of our access to the liquidity necessary to complete the transaction, and the recurring losses and bankruptcy filing of EMT.

Income Tax Provision

Our effective tax rate was 40.3% in the second quarter of fiscal 2013, compared to 38.2% in the second quarter of fiscal 2012. The increase during the three months ended November 30, 2012 is due to an increase in certain foreign losses for which we have a valuation allowance, and a bargain purchase gain, net of deferred taxes, of $0.2 million for the three months ended November 30, 2011, related to our purchase of EMT on August 24, 2011. Bargain purchase gains are recorded net of deferred taxes and are treated as permanent differences, resulting in a lower effective tax rate in the period recorded.

Comparison of Six Months Ended November 30, 2012 and November 30, 2011

Revenues

Total revenues for the six months ended November 30, 2012 and 2011 were $123.7 million and $120.3 million, respectively. The 2.8% increase in total revenues was due to a 6.3% increase in rental and lease revenues offset by a 1.1% decrease in sales of equipment and other revenues.

Rental and lease revenues for the six months ended November 30, 2012 were $68.2 million, compared to $64.2 million for the same period of the prior fiscal year. This increase is due to an increase in T&M rental and lease demand, in particular in North American operations, due in part to the acquisition of EMT, and the integration of our resale organization and T&M sales force, which began in the first quarter of fiscal 2012, providing additional rental opportunities to an expanding customer base, and higher demand from our customers in lieu of new equipment purchases. This increase was partially offset by a decline in rental and lease revenues in our DP business, due to a decrease in demand.

Sales of equipment and other revenues decreased to $55.5 million for the first six months of fiscal 2013 from $56.1 million in the same period of the prior fiscal year. Sales of used equipment, including finance leases, increased to $14.1 million for the six months ended November 30, 2012, compared to $11.1 million of the prior year period, while sales of new equipment decreased to $38.2 million for the six months ended November 30, 2012 compared to $42.0 million of the same prior year period.

Operating Expenses

Depreciation of rental and lease equipment increased in the first six months of fiscal 2013 to $28.1 million, or 41.2% of rental and lease revenues, from $25.9 million, or 40.3% of rental and lease revenues, in the first six months of fiscal 2012. The increased depreciation expense in fiscal 2013 was due to a higher average rental and lease equipment pool. The depreciation ratio, as a percentage of rental and lease revenues, increased due to moderate declines in rental and utilization rates, offset, in part, by increased demand for leases.

Costs of rentals and leases, excluding depreciation, which primarily includes labor related costs of our operations personnel, supplies, repairs, and insurance and warehousing costs associated with our rental and lease equipment, increased slightly to $8.9 million for the six months ended November 30, 2012 compared to $8.8 million for the six months ended November 30, 2011. This expense remains relatively stable as our rental and lease business does not significantly fluctuate from period to period, and our existing infrastructure is capable of handling moderate changes in rental and lease activity.

Costs of sales of equipment and other revenues, which primarily include the cost of equipment sales, decreased to $40.2 million in the first six months of fiscal 2013 from $41.3 million in the same period of fiscal 2012. Related to equipment sales, costs of sales and other revenues decreased as a percentage of sales of equipment and other revenues to 76.9% in the first six months of fiscal 2013 from 77.7% in the first six months of fiscal 2012. This decrease is due to a decline in sales of new T&M equipment, which generally carry a lower margin than used equipment sales, while the higher margin used equipment sales increased. Our sales margin percentage is expected to fluctuate depending on the mix of used and new equipment sales. Our sales margin is also impacted by competition, economic uncertainty, changes in U.S. national budgetary policies, and customer requirements and funding.

Selling, general and administrative expenses increased 6.0% to $27.8 million in the first six months of fiscal 2013 compared to $26.3 million in the first six months of fiscal 2012. As a percentage of total revenues, selling, general and administrative expenses increased to 22.5% in the first six months of fiscal 2013 from 21.8% in the six months of fiscal 2012. Our selling, general and administrative expenses increased primarily due to the broadening and strengthening of our sales and sales support organizations, as well as our administrative infrastructure, necessary to support our sales and rental demand and to better focus on future growth opportunities.

Gain on Bargain Purchase

We recorded a gain on bargain purchase, net of deferred taxes, of $3.4 million during the six months ended November 30, 2011 compared to $0 for the six months ended November 30, 2012, related to our acquisition of EMT in August 2011. The gain on bargain purchase, net of deferred taxes, resulted from the excess of the net fair value of the assets acquired and liabilities assumed in the EMT acquisition over the respective purchase price. We believe that we were able to negotiate a bargain purchase price as a result of our access to the liquidity necessary to complete the transaction, and the recurring losses and bankruptcy filing of EMT.

Income Tax Provision

Our effective tax rate was 39.9% in the first six months of fiscal 2013, compared to 32.9% in the first six months of fiscal 2012. The increase during the six months ended November 30, 2012 is due to an increase in certain foreign losses for which we have a valuation allowance and therefore we do not receive a tax benefit, and a bargain purchase gain, net of deferred taxes, of $3.4 million for the six months ended November 30, 2011, related to our purchase of EMT on August 24, 2011. Bargain purchase gains are recorded net of deferred taxes and are treated as permanent differences, resulting in a lower effective tax rate in the period recorded.

Liquidity and Capital Resources

Capital Expenditures

Our primary capital requirements have been purchases of rental and lease equipment. We generally purchase equipment throughout the year to replace equipment that has been sold and to maintain adequate levels of rental equipment to meet existing and expected customer demands. To meet T&M rental demand, support areas of potential growth for both T&M and DP equipment and to keep our equipment pool technologically up-to-date, we made payments for the purchase of $36.0 million of rental and lease equipment during the first six months of fiscal 2013 compared to $53.8 million during the first six months of fiscal 2012, a decline of 33.1% from the unusually high payment level of the prior year which reflected continued recovery from the economic downturn.

Dividends

During the first six months of fiscal 2013 and 2012 we paid dividends of $0.40 per common share, or $0.80 per annum, amounting to an aggregate of $9.7 million for fiscal 2013 and 2012, respectively. On December 21, 2012, we paid a quarterly dividend of $0.20 per common share and a special dividend of $1.00 per common share. We expect to continue paying a quarterly dividend in future quarters, although the amount and timing of dividends, if any, will be made at the discretion of our board of directors in each quarter, subject to compliance with applicable law.

Cash and Cash Equivalents

The balance of our cash and cash equivalents was $10.0 million at November 30, 2012, an increase of $0.7 million from May 31, 2012. Outside our normal operations and equipment purchases, we use our cash to pay dividends to shareholders and to take advantage of strategic acquisitions and new customer opportunities. Since the beginning of fiscal 2010 we have returned $58.3 million in cash to our shareholders, increasing our annual dividend rate from $0.60 per common share to $0.80 per common share in fiscal 2012. We have also made payments of $34.7 million in connection with two acquisitions and invested heavily in new equipment to take advantage of key new customer opportunities. On December 19, 2012, we used $6.2 million of our cash and borrowed $23.0 million against our credit facility with Union Bank to pay the quarterly dividend of $0.20 per common share and the special dividend of $1.00 per common share on December 21, 2012. We expect that the level of our cash needs may increase as we pay dividends in future quarters, or if we decide to buy back our common stock, increase equipment purchases in response to demand, finance another acquisition, or pursue other opportunities. Given our growth record achieved since fiscal 2000, and our available line of credit of which we have $27.0 million remaining that we may borrow as of January 3, 2013, we believe that we have ample access to borrowing capacity and that our cash flow from operations and ability to borrow will allow us to continue funding our current and future growth. We may seek to expand our borrowing capacity in order to ensure sufficient resources to quickly respond to strategic growth opportunities.

Cash Flows and Credit Facilities

During the first six months of fiscal 2013 and 2012, net cash provided by operating activities was $33.0 million and $34.3 million, respectively. The decrease in operating cash flow for fiscal 2013 was primarily attributable to income tax payments of $8.5 million, compared to a refund of $1.2 million for the prior year period, which was partially offset by increases in our working capital and income, after giving effect to non-cash items, for fiscal 2013.

During the first six months of fiscal 2013 and 2012, net cash used in investing activities was $22.3 million and $53.7 million, respectively. The decline in cash used in investing activities for the first six months of fiscal 2013 was due, in part, to a decrease in payments for purchases of rental and lease equipment to $36.0 million for the six months ended November 30, 2012 compared to $53.8 million for the six months ended November 30, 2011, an increase in the proceeds from sale of rental and lease equipment to $14.2 million for fiscal 2013 compared to $11.2 million for the first six months of fiscal 2012, and cash paid for the acquisition of EMT of $10.7 million in fiscal 2012.

Net cash flows used in financing activities were $9.7 million and $9.6 million for the first six months of fiscal 2013 and 2012, respectively. These funds used were primarily composed of payments for dividends of $9.7 million for the first six months of fiscal 2013 and 2012, respectively.

We have a $50.0 million revolving bank line of credit, subject to certain restrictions, to meet equipment acquisition needs as well as working capital and general corporate requirements. We borrowed and repaid $2.0 million on our line of credit during the first six months of fiscal 2013. We borrowed $23.0 million on December 19, 2012 on our line of credit to fund the quarterly and special dividend that we paid on December 21, 2012. There are no other bank borrowings outstanding or off balance sheet financing arrangements at November 30, 2012.

We believe that cash and cash equivalents, cash flows from operating activities, proceeds from the sale of equipment and our borrowing capacity will be sufficient to fund our operations for at least the next twelve months.

Contractual Obligations

Our contractual obligations have not changed materially from those included in our Annual Report on Form 10-K for the fiscal year ended May 31, 2012.

Critical Accounting Policies and Estimates

The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On a regular basis, we review these estimates, including those related to asset lives and depreciation methods, impairment of long-lived assets including rental and lease equipment, goodwill and definite lived intangible assets, allowance for doubtful accounts and income taxes, and adjust them as appropriate. These estimates are based on our historical experience and on various other assumptions we believe to be reasonable under the circumstances.

These determinations, even though inherently subjective and subject to change, affect the reported amounts of our assets, liabilities and expenses. While we believe that our estimates are based on reasonable assumptions and judgments at the time they are made, some of our assumptions, estimates and judgments will inevitably prove to be incorrect. As a result, actual outcomes will likely differ from our accruals, and those differences−positive or negative−could be material.

We identified certain critical accounting policies that affect certain of our more significant estimates and assumptions used in preparing our consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended May 31, 2012. We have not made any material changes to these policies as previously disclosed.

Revenue Recognition - Principal Agent Considerations: In accordance with accounting guidance, we are acting as the principal with respect to sales of new equipment through our resale agreement, based on several factors, including: (1) We act as the primary obligor by working directly with our customers to define their needs, providing them with options to satisfy such needs, contracting directly with the customer, and, to the extent required, providing customers with instruction on the use of the product and additional technical support once the product is received by the customer. The product manufacturer is not a party to our customer sales agreements, nor is it referenced in the agreements, and therefore has no obligation to our customers with the exception of the manufacturer' s standard warranty on the product. (2) We bear back-end risk of inventory loss with respect to any product return from the customer as the original manufacturer is not required to accept returns of equipment from us. We also bear front-end risk of inventory loss in those cases where we acquire products for resale into our inventory prior to shipment to customers. (3) We have full discretion in setting pricing terms with our customers and to negotiate all such terms ourselves. (4) We assume all credit risk. Accordingly, sales of new equipment through our resale channel are recorded in Sales of Equipment and Other Revenues and the related equipment costs are recorded in Costs of Sales of Equipment and Other Revenues in our consolidated statements of operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

During the first six months of fiscal 2013, there were no material changes in the information regarding market risk contained in our Annual Report on Form 10-K for the fiscal year ended May 31, 2012.

Item 4. Controls and Procedures.

As of November 30, 2012, the end of the period covered by this report, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective.

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected.

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PART II–OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. As of the date of this report, we are not a party to any material litigation, other than ordinary routine legal proceedings and claims incidental to our business.

Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the discussion of various risks and uncertainties contained in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended May 31, 2012. We believe those risk factors are the most relevant to our business and could cause our results to differ materially from the forward-looking statements made by us. However, those are not the only risk factors that we face. Additional risks that we do not consider material, or of which we are not currently aware, may also have an adverse impact on us. Our business, financial condition, and results of operations could be seriously harmed if any of these risks or uncertainties actually occurs or materializes. In that event, the market price for our common stock could decline, and our shareholders may lose all or part of their investment.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit No.	Document Description	Incorporation by Reference
10.1	Sixth Amendment to Commercial Credit Agreement between Electro Rent Corporation and Union Bank, N.A.	Incorporated by reference from the Registrant' s Current Report on Form 8-K filed on November 29, 2012
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer	Filed herewith.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer	Filed herewith.
32.1*	Section 1350 Certification by Chief Executive Officer	Filed herewith.
32.2*	Section 1350 Certification by Chief Financial Officer	Filed herewith.
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.

* This certification is being furnished solely to accompany this report pursuant to 18 U.S.C. 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934 and is not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto 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, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, and otherwise are not subject to liability under those sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

ELECTRO RENT CORPORATION

Date: January 9, 2013

/s/ Craig R. Jones

Craig R. Jones
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer and duly authorized to sign this report on behalf of the company)

EXHIBIT 31.1

Rule 13a-14(a)/15d-14(a) Certification
By Principal Executive Officer

I, Daniel Greenberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Electro Rent Corporation;

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

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

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

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

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

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

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

5. The registrant' s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):

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

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

Date: January 9, 2013

/s/ Daniel Greenberg

Daniel Greenberg
Chief Executive Officer

EXHIBIT 31.2

Rule 13a-14(a)/15d-14(a) Certification
By Principal Financial Officer

I, Craig R. Jones, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Electro Rent Corporation;

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

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

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

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

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

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

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

5. The registrant' s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):

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

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

Date: January 9, 2013

/s/ Craig R. Jones

Craig R. Jones
Chief Financial Officer

EXHIBIT 32.1

Section 1350 Certification
By Principal Executive Officer

I, Daniel Greenberg, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the quarterly report on Form 10-Q of Electro Rent Corporation (the "Company") for the quarter ended November 30, 2012 fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934, and the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission upon request.

Date: January 9, 2013

/s/ Daniel Greenberg

Daniel Greenberg
Chief Executive Officer

EXHIBIT 32.2

Section 1350 Certification
By Principal Financial Officer

I, Craig R. Jones, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the quarterly report on Form 10-Q of Electro Rent Corporation (the "Company") for the quarter ended November 30, 2012 fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934, and the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission upon request.

Date: January 9, 2013

/s/ Craig R. Jones

Craig R. Jones
Chief Financial Officer

Goodwill and Intangibles (Details) (USD $) In Thousands, unless otherwise specified	3 Months Ended		6 Months Ended	
	Nov. 30, 2012	Nov. 30, 2011	Nov. 30, 2012	Nov. 30, 2011
Changes in carrying amount of goodwill and other intangible assets				
Goodwill, Beginning Balance			$ 3,109	
Goodwill, Additions				
Goodwill, Ending Balance	3,109		3,109	
Amortization	(41)	(41)	(82)	(70)
Customer relationships, Ending Balance	708		708	
Goodwill and other intangible assets, Beginning balance			4,310	
Goodwill and other intangible assets, Additions				
Goodwill and other intangible assets, Ending balance	4,228		4,228	
Customer relationships [Member]				
Changes in carrying amount of goodwill and other intangible assets				
Customer relationships, Beginning Balance			790	
Customer relationships, Additions				
Amortization			(82)	
Customer relationships, Ending Balance	708		708	
Trade name [Member]				
Changes in carrying amount of goodwill and other intangible assets				
Trade name, Beginning balance			411	
Trade name, Additions				
Trade name, Ending balance	$ 411		$ 411	

Segment Reporting and Related Disclosures (Details) (USD $) In Thousands, unless otherwise specified	3 Months Ended		6 Months Ended	
	Nov. 30, 2012	Nov. 30, 2011	Nov. 30, 2012	Nov. 30, 2011
Revenues from rental, lease and sale segment				
Rentals and leases	$ 34,575	$ 32,912	$ 68,240	$ 64,221
Sales of equipment and other revenues	30,617	28,731	55,453	56,072
Total revenues	65,192	61,643	123,693	120,293
T&M [Member]				
Revenues from rental, lease and sale segment				
Rentals and leases	30,435	28,651	60,040	55,253
Sales of equipment and other revenues	29,944	28,113	54,091	54,829
Total revenues	60,379	56,764	114,131	110,082
DP [Member]				
Revenues from rental, lease and sale segment				
Rentals and leases	4,140	4,261	8,200	8,968
Sales of equipment and other revenues	673	618	1,362	1,243
Total revenues	$ 4,813	$ 4,879	$ 9,562	$ 10,211

Sales-Type Leases (Details) (USD $) In Thousands, unless otherwise specified	Nov. 30, 2012	May 31, 2012
Minimum lease payments receivable and the net investment		
Gross minimum lease payments receivable	$ 11,175	$ 12,284
Less - unearned interest	(530)	(603)
Net investment in sales-type lease receivables	$ 10,645	$ 11,681

Basis of Presentation (Details Textual) (USD $) In Thousands, unless otherwise specified	3 Months Ended		6 Months Ended		
	Nov. 30, 2012	Nov. 30, 2011	Nov. 30, 2012	Nov. 30, 2011	May 31, 2012
Basis of Presentation (Additional Textual) [Abstract]					
Assets, liabilities, revenues and expenses of foreign subsidiaries			less than 10% of consolidated amounts		
Demonstration equipment	$ 5,384		$ 5,384		$ 5,495
Shipping and handling cost	984	1,102	1,955	2,172	
Reduction in selling, general and administrative expenses		$ 2,780		$ 5,553	
Maximum [Member]					
Basis of Presentation (Textual) [Abstract]					
Operating lease agreements Period			3 years		
Finance lease agreements Period			3 years		
Period for demonstration equipment included in other assets			2 years		
Minimum [Member]					
Basis of Presentation (Textual) [Abstract]					
Operating lease agreements Period	1 year				
Finance lease agreements Period	1 year				

Goodwill and Intangibles (Tables)	6 Months Ended Nov. 30, 2012

Goodwill and Intangibles [Abstract]

Changes in carrying amount of goodwill and other intangible assets

	Balance as of June 1, 2012 (net of amortization)	Additions	Amortization	Balance as of November 30, 2012
Goodwill	$ 3,109	$ —	$ —	$ 3,109
Trade name	411	—	—	411
Customer relationships	790	—	(82)	708
	$ 4,310	$ —	$ (82)	$ 4,228

Amortization of Intangible assets with finite useful lives

	November 30, 2012			
	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trade name	—	$ 411	$ —	$ 411
Customer relationships	3-8 years	2,094	(1,386)	708
		$ 2,505	$ (1,386)	$ 1,119

	May 31, 2012			
	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trade name	—	$ 411	$ —	$ 411
Customer relationships	3-8 years	2,094	(1,304)	790
		$ 2,505	$ (1,304)	$ 1,201

Estimated future amortization expense related to intangible assets

Year ending May 31,	Future Amortization
2013 (remaining)	$ 82
2014	164
2015	129
2016	118
2017	118
Thereafter	97
	$ 708

Segment Reporting and Related Disclosures (Details Textual) (USD $) In Thousands, unless otherwise specified	6 Months Ended		
	Nov. 30, 2012 Customer Segment	Nov. 30, 2011 Customer	May 31, 2012
Segment Reporting and Related Disclosures (Additional Textual) [Abstract]			
Number of Operating segment	2		
Minimum percentage of revenue accounted for major customer	10.00%		
Number of major customer accounted	0	0	
Goodwill and other intangible assets	$ 4,228		$ 4,310
T&M [Member]			
Segment Reporting and Related Disclosures (Textual) [Abstract]			
Equipment pool, based on acquisition cost	419,543		409,686
DP [Member]			
Segment Reporting and Related Disclosures (Textual) [Abstract]			
Equipment pool, based on acquisition cost	$ 36,816		$ 37,595

Goodwill and Intangibles (Details Textual) (USD $) In Thousands, unless otherwise specified	3 Months Ended		6 Months Ended	
	Nov. 30, 2012	Nov. 30, 2011	Nov. 30, 2012	Nov. 30, 2011
Goodwill and Intangibles (Textual) [Abstract]				
Amortization expense of intangible assets	$ 41	$ 41	$ 82	$ 70
EMT [Member]				
Goodwill and Intangibles (Textual) [Abstract]				
Date of Acquisition			Aug. 24, 2011	
Telogy [Member]				
Goodwill and Intangibles (Textual) [Abstract]				
Date of Acquisition			Mar. 31, 2010	
Rush Computer Rentals, Inc. [Member]				
Goodwill and Intangibles (Textual) [Abstract]				
Date of Acquisition			Jan. 31, 2006	

Equity Incentive Plan (Details) (USD $) In Thousands, except Per Share data, unless otherwise specified	3 Months Ended	6 Months Ended	3 Months Ended	6 Months Ended
	Nov. 30, 2011	Nov. 30, 2011	Nov. 30, 2012 Restricted Stock Units [Member]	Nov. 30, 2012 Restricted Stock Units [Member]
Summary of restricted stock unit activity				
Nonvested, Restricted Stock Units, beginning balance				203
Granted, Restricted Stock Units	16	101	14	73
Vested, Restricted Stock Units				109
Forfeited/canceled, Restricted Stock Units				11
Nonvested, Restricted Stock Units, ending balance			156	156
Nonvested, Weighted Average Grant Date Fair Value, beginning balance				$ 13.82
Granted, Weighted Average Grant Date Fair Value				$ 17.11
Vested, Weighted Average Grant Date Fair Value				$ 12.87
Forfeited/canceled, Weighted Average Grant Date Fair Value				$ 12.88
Nonvested, Weighted Average Grant Date Fair Value, ending balance			$ 16.10	$ 16.10

Income Taxes (Details Textual) (USD $) In Thousands, unless otherwise specified	6 Months Ended	
	Nov. 30, 2012	Nov. 30, 2011
Income Taxes (Textual) [Abstract]		
Tax impact realization likelihood percentage	50.00%	
Deferred tax assets unrealized currency losses		$ 4,515
Interest and penalties		$ 1,396

Sales-Type Leases (Details 1) (USD $) In Thousands, unless otherwise specified	May 31, 2012
Estimated future minimum lease payments receivable related to sales-type leases	
2013 (remaining)	$ 3,821
2014	5,097
2015	1,899
2016	237
2017	121
Total	$ 11,175

Acquisitions	6 Months Ended Nov. 30, 2012
Acquisitions [Abstract]	
Acquisitions	

Note 4: Acquisitions

Equipment Management Technology, Inc.

On August 24, 2011, pursuant to an Asset Purchase Agreement ("APA"), we completed the purchase of certain assets and the assumption of specified post-closing liabilities of Equipment Management Technology, Inc., a Nevada Corporation ("EMT"), for cash consideration of $10,673. EMT, headquartered in Las Vegas, Nevada, was a provider of electronic test and measurement ("T&M") equipment. We acquired EMT in order to facilitate growth in our T&M business. EMT had previously filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Nevada. The sale was approved by the Bankruptcy Court on August 11, 2011, and the related sale order was issued on August 12, 2011. At closing, $500 was deposited into an escrow account for any post-closing adjustments that reduce the purchase price. We have accounted for the acquisition of EMT as a business combination in accordance with the applicable accounting guidance.

At August 31, 2011, we completed our estimates of the fair value of rental and lease equipment and deferred revenue. Due to the timing of the acquisition, we completed our evaluation of intangible assets and accounts receivable in our second quarter ending November 30, 2011. We acquired gross accounts receivable of $972, of which an estimated $430 is not expected to be collected, resulting in a fair value of $542. Under the accounting guidance, a bargain purchase gain results if the fair value of the purchase consideration is less than the net fair value of the assets acquired and liabilities assumed. We recorded a bargain purchase gain of $3,194, net of deferred taxes, related to our acquisition of EMT at August 31, 2011. We believe that we were able to negotiate a bargain purchase price as a result of our access to the liquidity necessary to complete the transaction and EMT's recurring losses and bankruptcy filing.

The following table provides the estimated fair values of the assets acquired and liabilities assumed as of the date of acquisition.

Total cash consideration	$ 10,673
Preliminary purchase price allocation:	
Accounts receivable	542
Rental and lease equipment	15,896
Deferred tax liability	(2,092)
Deferred revenue	(479)
Net assets acquired	13,867
Bargain purchase gain, net of deferred taxes of $2,092	$(3,194)

The bargain purchase gain is classified separately in our condensed consolidated statements of operations.

Acquisition-related transaction costs of $55 were accounted for as expenses in the periods in which the costs were incurred and are included in our selling, general and administrative expenses during fiscal 2012.

The acquisition of EMT was an asset purchase, and EMT's operations were integrated with ours immediately after the acquisition date. Revenues and income before income taxes from the acquired assets included in our consolidated statements of operations were $5,232 and $2,862, respectively, for fiscal 2012.

During the second and third quarters of fiscal 2012, we increased the bargain purchase gain by a total of $396 ($241, net of deferred tax), consisting of (i) $140, representing the estimated fair value of customer relationships acquired, (ii) $273, of post-closing adjustments, which were disbursed from the escrow funds in accordance with the APA, offset by (iii) $17, representing the final determination of assets acquired and other components of the purchase price. These adjustments are not considered material, and therefore are not included in the purchase price allocation table presented above.

Supplemental pro forma information reflecting the acquisition of EMT as if it occurred on June 1, 2010 was not practicable because we were not able to obtain reliable historical financial information for 2010 and 2011, primarily due to a deterioration of the organization and controls leading up to and following EMT's February 2011 bankruptcy filing.

Borrowings (Details) (USD $) In Thousands, unless otherwise specified	1 Months Ended				6 Months Ended		
	Nov. 30, 2014	Nov. 30, 2013	Dec. 31, 2012	Nov. 30, 2012	Nov. 30, 2012	Nov. 29, 2012	Sep. 29, 2008
Maximum [Member]							
Borrowings (Textual) [Abstract]							
Maturity date of Commercial Credit Agreement					Nov. 30, 2015		
Commercial Credit Agreement [Member]							
Borrowings (Textual) [Abstract]							
Maximum aggregate outstanding principal amount under Commercial Credit Agreement						$ 50,000	$ 25,000
Commitment Fees	50	50		25			
Borrowed and Repaid					2,000		
Borrowed			$ 23,000				

Computation of Earnings Per Share (Tables)	6 Months Ended Nov. 30, 2012
Computation of Earnings Per Share [Abstract]	
Reconciliation of the denominator used in the computation of basic and diluted earnings per share	

	Three Months Ended November 30,		Six Months Ended November 30,	
	2012	2011	2012	2011
Denominator:				
Denominator for basic earnings per share - weighted average common shares outstanding	23,988	23,981	23,994	23,981
Dilutive effect of restricted stock	237	168	227	158
Diluted shares used in per share calculation	24,225	24,149	24,221	24,139
Net income	$6,239	$6,019	$11,325	$14,524
Earnings per share:				
Basic	$0.26	$0.25	$0.47	$0.61
Diluted	$0.26	$0.25	$0.47	$0.60

Segment Reporting and Related Disclosures (Tables)	6 Months Ended Nov. 30, 2012
Segment Reporting and Related Disclosures [Abstract]	
Revenues from rental, lease and sale segment	

	T&M	DP	Total
2012			
Rentals and leases	$30,435	$4,140	$34,575
Sales of equipment and other revenues	29,944	673	30,617
	$60,379	$4,813	$65,192
2011			
Rentals and leases	$28,651	$4,261	$32,912
Sales of equipment and other revenues	28,113	618	28,731
	$56,764	$4,879	$61,643

	T&M	DP	Total
2012			
Rentals and leases	$60,040	$8,200	$68,240
Sales of equipment and other revenues	54,091	1,362	55,453
	$114,131	$9,562	$123,693
2011			
Rentals and leases	$55,253	$8,968	$64,221
Sales of equipment and other revenues	54,829	1,243	56,072
	$110,082	$10,211	$120,293

Revenues from external customers and long-lived assets, by geographical areas

	Three Months Ended November 30,		Six Months Ended November 30,	
	2012	2011	2012	2011
Revenues: (1)				
U.S.	$56,428	$53,490	$105,542	$103,577
Other (2)	8,764	8,153	18,151	16,716
Total	$65,192	$61,643	$123,693	$120,293

	As of	
	November 30, 2012	May 31, 2012
Net Long-Lived Assets: (3)		
U.S.	$ 205,078	$207,449
Other (2)	49,740	49,595
Total	$ 254,818	$257,044

Supplemental Cash Flow Information (Details) (USD $) In Thousands, unless otherwise specified	6 Months Ended	
	Nov. 30, 2012	Nov. 30, 2011
Supplemental Disclosures of Cash Paid (Refunded)		
Interest	$ 2	$ 8
Income taxes	$ 8,500	$ (1,196)

Basis of Presentation (Details) (Foreign exchange forward contracts [Member], Derivatives Not Designated as Hedging Instruments [Member], USD $) In Thousands, unless otherwise specified	May 31, 2012 Other assets [Member]	Nov. 30, 2012 Accrued expenses [Member]
Fair value of foreign exchange forward contracts		
Foreign exchange forward contracts other assets	$ 179	
Foreign exchange forward contracts accrued expenses		$ 141

Basis of Presentation (Details 1) (Foreign exchange forward contracts [Member], Selling, General and Administrative Expenses [Member], USD $) In Thousands, unless otherwise specified	3 Months Ended		6 Months Ended	
	Nov. 30, 2012	Nov. 30, 2011	Nov. 30, 2012	Nov. 30, 2011
Foreign exchange forward contracts [Member] | Selling, General and Administrative Expenses [Member]				
Gains and losses recognized in income for derivative instruments				
Gains and losses recognized in income for derivative instruments	$ 202	$ 247	$ (390)	$ 241

Fair Value Measurements

Fair Value Measurements	6 Months Ended Nov. 30, 2012

Fair Value Measurements [Abstract]

Fair Value Measurements

Note 3: Fair Value Measurements

We measure certain financial assets and liabilities at fair value on a recurring basis, including cash equivalents, supplemental executive retirement plan assets and liabilities, and foreign currency derivatives. The fair value of financial assets and liabilities can be determined based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, as follows:

Level 1 – Observable inputs, such as quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or through corroboration with observable market data; and

Level 3 – Unobservable inputs, for which there is little or no market data for the assets or liabilities, such as those that may be used with internally-developed valuation models.

Our assets and liabilities measured at fair value on a recurring basis were determined as follows:

	At November 30, 2012			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance
Assets				
Money market funds	$ 53	$ —	$ —	$53
Supplemental executive retirement plan	2,784	—	—	2,784
Total assets measured at fair value	$ 2,837	$ —	$ —	$2,837
Liabilities				
Foreign exchange forward contracts	—	141	—	141
Total liabilities measured at fair value	$ —	$ 141	$ —	$141

	At May 31, 2012			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance
Assets				
Money market funds	$ 2,507	$ —	$ —	$2,507

Supplemental executive retirement plan	2,370	—	—	2,370
Foreign exchange forward contracts	—	179	—	179
Total assets measured at fair value	$ 4,877	$ 179	$ —	$5,056

The fair value measures for our money market funds and supplemental executive retirement plan asset, which include money market and mutual funds, were derived from quoted market prices in active markets and are included in Level 1 inputs. Foreign currency forward contracts were valued based on observable market spot and forward rates as of our reporting date and are included in Level 2 inputs.

Basis of Presentation (Details 2) (USD $) In Thousands, unless otherwise specified	Nov. 30, 2012	May 31, 2012
Summary of other assets		
Net investment in sales-type leases	$ 10,645	$ 11,681
Demonstration equipment	5,384	5,495
Supplemental executive retirement plan assets	2,784	2,370
Income taxes receivable	659	861
Prepaid expenses and other	3,288	2,865
Total other assets	$ 22,760	$ 23,272

Goodwill and Intangibles (Details 1) (USD $) In Thousands, unless otherwise specified	6 Months Ended Nov. 30, 2012	12 Months Ended May 31, 2012
Amortization of Intangible assets with finite useful lives		
Gross Carrying Amount	2,505	2,505
Accumulated Amortization	(1,386)	(1,304)
Customer relationships, Net Carrying Amount	708	
Net Carrying Amount	1,119	1,201
Trade name [Member]		
Amortization of Intangible assets with finite useful lives		
Trade names, Gross Carrying Amount	411	411
Customer relationships [Member]		
Amortization of Intangible assets with finite useful lives		
Customer Relationships, Gross Carrying Amount	2,094	2,094
Accumulated Amortization	(1,386)	(1,304)
Customer relationships, Net Carrying Amount	708	790
Customer relationships [Member] | Maximum [Member]		
Amortization of Intangible assets with finite useful lives		
Estimated Useful Life	8 years	8 years
Customer relationships [Member] | Minimum [Member]		
Amortization of Intangible assets with finite useful lives		
Estimated Useful Life	3 years	3 years

Subsequent Events (Details Textual) (USD $) In Thousands, except Per Share data, unless otherwise specified	6 Months Ended		
	Nov. 30, 2012	Nov. 29, 2012	Nov. 30, 2011
Subsequent Events (Textual) [Abstract]			
Quarterly cash dividend per common share	$ 0.20		
Special dividend per common share	$ 1.00		
Dividend declared date	Nov. 29, 2012		
Dividend payable date	Dec. 21, 2012		
Accrued dividends	$ 29,186	$ 29,186	$ 0
Dividend funded from cash on hand		6,186	
Dividend funded by borrowing		$ 23,000	

Condensed Consolidated Statements of Operations (Unaudited) (USD $) In Thousands, except Per Share data, unless otherwise specified	3 Months Ended		6 Months Ended	
	Nov. 30, 2012	Nov. 30, 2011	Nov. 30, 2012	Nov. 30, 2011
Revenues:				
Rentals and leases	$ 34,575	$ 32,912	$ 68,240	$ 64,221
Sales of equipment and other revenues	30,617	28,731	55,453	56,072
Total revenues	65,192	61,643	123,693	120,293
Operating expenses:				
Depreciation of rental and lease equipment	14,082	13,374	28,140	25,901
Costs of rental and lease, excluding depreciation	4,558	4,394	8,930	8,773
Costs of sales of equipment and other revenues	22,164	21,287	40,213	41,291
Selling, general and administrative expenses	14,068	13,149	27,845	26,269
Total operating expenses	54,872	52,204	105,128	102,234
Operating profit	10,320	9,439	18,565	18,059
Gain on bargain purchase, net of deferred taxes		188		3,382
Interest income, net	137	108	283	207
Income before income taxes	10,457	9,735	18,848	21,648
Income tax provision	4,218	3,716	7,523	7,124
Net income	$ 6,239	$ 6,019	$ 11,325	$ 14,524
Earnings per share:				
Basic	$ 0.26	$ 0.25	$ 0.47	$ 0.61
Diluted	$ 0.26	$ 0.25	$ 0.47	$ 0.60
Shares used in per share calculation:				
Basic	23,988	23,981	23,994	23,981
Diluted	24,225	24,149	24,221	24,139
Cash dividend paid per common share	$ 0.20	$ 0.20	$ 0.20	$ 0.20

Supplemental Cash Flow Information (Details Textual) (USD $) In Thousands, unless otherwise specified	Nov. 30, 2012	Nov. 29, 2012	Nov. 30, 2011	6 Months Ended Nov. 30, 2012 Rental and lease equipment [Member]	12 Months Ended May 31, 2012 Rental and lease equipment [Member]	6 Months Ended Nov. 30, 2012 Demonstration Equipment [Member]	12 Months Ended May 31, 2012 Demonstration Equipment [Member]
Supplemental Cash Flow Information (Textual) [Abstract]							
Accounts payable related to acquired rental and lease equipment				$ 3,672	$ 5,513		
Transferred demonstration equipment to rental and lease equipment during the period						1,001	460
Supplemental Cash Flow Information (Additional Textual) [Abstract]							
Accrued Dividend	$ 29,186	$ 29,186	$ 0				

Basis of Presentation	6 Months Ended Nov. 30, 2012
Basis of Presentation [Abstract]	
Basis of Presentation	

Note 1: Basis of Presentation

The unaudited condensed consolidated financial statements included herein have been prepared by Electro Rent Corporation, pursuant to the rules and regulations of the United States Securities and Exchange Commission (the "SEC"). The condensed consolidated financial statements include the accounts of Electro Rent Corporation and its wholly owned subsidiaries, Electro Rent, LLC, ER International, Inc., Electro Rent Europe NV, Electro Rent Asia, Inc., Electro Rent (Beijing) Test and Measurement Equipment Rental Co., Ltd., and Electro Rent (Tianjin) Rental Co., Ltd. (collectively "we", "us", or "our") as well as the elimination of all intercompany transactions.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to such SEC rules and regulations. These condensed consolidated financial statements reflect all adjustments, consisting of only normal recurring adjustments, and disclosures that are, in our opinion, necessary for a fair presentation of our financial position and results of operations for the interim periods presented. These condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in our latest Annual Report on Form 10-K filed with the SEC on August 13, 2012.

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosures of contingent assets and liabilities as of the date of these financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and results of operations for interim periods are not necessarily indicative of results to be expected for the full year.

Revenue Recognition

We generate revenues primarily through the rental and leasing of test and measurement equipment ("T&M") and personal-computer related data products equipment ("DP") and through the sale of new and used equipment. Rental revenues comprise short term agreements that can be daily, weekly or monthly. Rental revenues are recognized in the month they are due on the accrual basis of accounting. Our operating lease agreements have varying terms, typically one to three years. Upon lease termination, customers have the option to renew the lease term, purchase the equipment at fair market value, or continue to rent on a month-to-month basis. Our operating leases do not provide for contingent rentals. Revenues related to operating leases are recognized on a straight-line basis over the term of the lease. Negotiated lease early-termination charges are recognized upon receipt. Rentals and leases are primarily billed to customers in advance, and unearned billings are recorded as deferred revenue.

We enter into finance leases as lessor for some of our equipment. Our finance lease agreements contain bargain purchase options and are accounted for as sale-type leases. Revenues from finance leases, which are recorded at the present value of the aggregate future lease payments, less unearned interest, are included in sales of equipment and other revenues in our consolidated statements of operations. Unearned interest is recognized over the life of the finance lease term using the effective interest method. Our finance lease terms vary, and are typically one to three years. The net investment in finance leases, which represents the receivables due from lessees, net of unearned interest, is included in other assets in our condensed consolidated balance sheets. Historically, we have not required security deposits based on our assessed credit risk within our customer bases.

Initial direct costs for operating and finance leases are insignificant.

Sales of new equipment through our resale channel and used equipment from our rental and lease equipment pool are recognized in the period in which the respective equipment is shipped and risk of loss is passed to the customer. In the case of equipment sold to customers that is already on rent or lease to the same party, revenue is recognized at the agreed-upon date when the rent or lease term ends and the risk of loss passes to the customer.

In accordance with accounting guidance, we are acting as the principal with respect to sales of new equipment through our resale agreement, based on several factors, including: (1) We act as the primary obligor by working directly with our customers to define their needs, providing them with options to satisfy such needs, contracting directly with the customer, and, to the extent required, providing customers with instruction on the use of the product and additional technical support once the product is received by the customer. The product manufacturer is not a party to our customer sales agreements, nor is it referenced in the agreements, and therefore has no obligation to our customers with the exception of the manufacturer's standard warranty on the product. (2) We bear back-end risk of inventory loss with respect to any product return from the customer as the original manufacturer is not required to accept returns of equipment from us. We also bear front-end risk of inventory loss in those cases where we acquire products for resale into our inventory prior to shipment to customers. (3) We have full discretion in setting pricing terms with our customers and to negotiate all such terms ourselves. (4) We assume all credit risk. Accordingly, sales of new equipment through our resale channel are recorded in Sales of Equipment and Other Revenues and the related equipment costs are recorded in Costs of Sales of Equipment and Other Revenues in our consolidated statements of operations.

Other revenues, consisting primarily of billings to customers for delivery and repairs, are recognized in the period in which the respective services are performed.

Operating expenses

Costs of rentals and leases, excluding depreciation, primarily include labor related costs of our operations personnel, supplies, repairs, insurance and warehousing costs associated with our rental and lease equipment, relating to our rentals and leases revenues.

Costs of sales of equipment and other revenues primarily include the cost of new equipment and the carrying value of used equipment sold.

Selling, general and administrative ("SG&A") expenses include sales and marketing expenses, payroll and related benefit costs, insurance expenses, property taxes on our property and rental and lease equipment, legal and professional fees, and administrative overhead. SG&A also includes shipping and handling costs of $984 and $1,955, respectively, for the three and six months ended November 30, 2012 and $1,102 and $2,172, respectively, for the three and six months ended November 30, 2011.

Foreign Currency

The U.S. dollar has been determined to be the functional currency of all foreign subsidiaries. The assets and liabilities of our foreign subsidiaries are remeasured from their local currency to U.S. dollars at current or historic exchange rates, as appropriate. Revenues and expenses are remeasured from any foreign currencies to U.S. dollars using historic or average monthly exchange rates, as appropriate, for the month in which the transaction occurred. Remeasurement gains and losses are included in selling, general and administrative expenses or income taxes, as appropriate. The assets, liabilities, revenues and expenses of our foreign subsidiaries are individually less than 10% of our respective consolidated amounts. The euro, Canadian dollar and Chinese yuan are our primary foreign currencies. Remeasurement gains and losses have not been significant.

We enter into forward contracts to hedge against unfavorable currency fluctuations in our monetary assets and liabilities in our European and Canadian operations. These contracts are designed to minimize the effect of fluctuations in foreign currencies. Such derivative instruments are not designated as hedging instruments and, therefore, are recorded at fair value as a current asset or liability, and any changes in fair value are recorded in our condensed consolidated statements of operations.

The fair value of our foreign exchange forward contracts in the consolidated balance sheets is shown in the table below:

Derivatives Not Designated as Hedging Instruments	Consolidated Balance Sheet Location	November 30, 2012	May 31, 2012
Foreign exchange forward contracts	Other assets	$ —	$ 179
Foreign exchange forward contracts	Accrued expenses	141	—

The table below provides data about the amount of losses and gains recognized in income for derivative instruments not designated as hedging instruments:

Derivatives Not Designated as Hedging Instruments	Location of (Loss) Gain Recognized in Income on Derivatives	Three Months Ended November 30, 2012	Three Months Ended November 30, 2011
Foreign exchange forward contracts	Selling, general and administrative expenses	$ (202)	$ 247

Derivatives Not Designated as Hedging Instruments	Location of (Loss) Gain Recognized in Income on Derivatives	Six Months Ended November 30, 2012	Six Months Ended November 30, 2011
Foreign exchange forward contracts	Selling, general and administrative expenses	$ (390)	$ 241

Other Assets

We include demonstration equipment used in connection with our resale activity of $5,384 and $5,495 as of November 30, 2012 and May 31, 2012, respectively, in other assets for a period of up to two years. Demonstration equipment is recorded at the lower of cost or estimated market value until the units are sold or transferred to our rental and lease equipment pool. Demonstration equipment transferred to our rental and lease equipment pool is depreciated over its remaining estimated useful life.

Other assets consisted of the following:

	November 30, 2012	May 31, 2012
Net investment in sales-type leases	$ 10,645	$11,681
Demonstration equipment	5,384	5,495
Supplemental executive retirement plan assets	2,784	2,370
Income taxes receivable	659	861
Prepaid expenses and other	3,288	2,865
	$ 22,760	$23,272

Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board ("FASB") issued guidance on presentation of comprehensive income. The new guidance eliminates the current option to report other comprehensive income ("OCI") and its components in the statement of changes in equity. Instead, an entity will be required to present components of comprehensive income in either (1) a continuous statement of net income or (2) two separate but consecutive statements. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. We adopted this guidance effective June 1, 2012 and elected to disclose comprehensive income in a single continuous statement. Adoption of this guidance had no material impact on our consolidated financial position, results of operations or cash flows.

In September 2011, the FASB issued guidance to simplify how an entity tests goodwill for impairment. The amendments in the update provide for an option to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. An entity that adopts this option will no longer be required to calculate the fair value of a reporting unit (Step 1) unless the entity determines, based on a qualitative assessment, that it is more likely than not that the fair value of the reporting unit is less than its carrying amount. We adopted this guidance effective June 1, 2012 with no material impact on our consolidated financial position, results of operations or cash flows.

In July 2012, the FASB issued guidance to simplify how an entity tests indefinite-lived intangible assets other than goodwill for impairment and permitting an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative impairment test. This guidance is effective for annual and interim impairment tests performed for fiscal years beginning after December 15, 2011. The guidance for the qualitative process became effective for our first quarter of fiscal 2013, and had no material impact on our consolidated financial position, results of operations or cash flows.

Other Comprehensive Income

Comprehensive income is equivalent to net income for all periods presented.

Reclassifications

During the quarter ended November 30, 2012, we expanded the presentation of our costs of revenues to separately present costs associated with each of the revenue streams presented in the condensed consolidated statements of operations, to comply with the applicable income statement disclosure requirements for public companies. Accordingly, the previously reported statement of operations line item captioned “costs of revenues other than depreciation of rental and lease equipment” has been replaced with separate line items for “costs of rentals and leases, excluding depreciation” and “costs of sales of equipment and other revenues”.

Further, in order to more closely align activity related to our rental and lease operations, including revenues and the expenses associated with providing those revenues, we have reclassified certain expenses previously included in selling, general and administrative expenses to costs of rentals and leases, excluding depreciation, which resulted in a reduction to previously reported selling, general and administrative expenses of $2,780 and $5,553, respectively, for the three and six months ended November 30, 2011. These reclassified costs primarily include direct expenses of supporting our rental and lease operations, including labor related costs of our operations personnel, supplies, repairs, and insurance and warehousing costs associated with our rental and lease equipment.

Acquisitions (Details) (USD $) In Thousands, unless otherwise specified	**Nov. 30, 2012**	**Aug. 31, 2012**	**May 31, 2012**	**Aug. 24, 2011**
Estimated fair values of the assets acquired and liabilities assumed				
Total cash consideration				$ 10,673
Preliminary purchase price allocation				
Accounts receivable		972		542
Rental and lease equipment	240,993		243,173	15,896
Deferred tax liability				(2,092)
Deferred revenue				(479)
Net assets acquired				13,867
Bargain purchase gain, net of deferred taxes of $2,092				$ (3,194)

Fair Value Measurements (Tables)	6 Months Ended Nov. 30, 2012

Fair Value Measurements [Abstract]

Assets and liabilities measured at fair value on a recurring basis

At November 30, 2012

	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance
Assets				
Money market funds	$ 53	$ —	$ —	$53
Supplemental executive retirement plan	2,784	—	—	2,784
Total assets measured at fair value	$ 2,837	$ —	$ —	$2,837
Liabilities				
Foreign exchange forward contracts	—	141	—	141
Total liabilities measured at fair value	$ —	$ 141	$ —	$141

At May 31, 2012

	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance
Assets				
Money market funds	$ 2,507	$ —	$ —	$2,507
Supplemental executive retirement plan	2,370	—	—	2,370
Foreign exchange	—	179	—	179

forward contracts				
Total assets measured at fair value	$ 4,877	$ 179	$ —	$5,056

Acquisitions (Details Textual) (USD $) In Thousands, unless otherwise specified	3 Months Ended		6 Months Ended	9 Months Ended	12 Months Ended		
	Nov. 30, 2011	Aug. 31, 2011	Nov. 30, 2011	Feb. 29, 2012	May 31, 2012	Aug. 31, 2012	Aug. 24, 2011
Acquisition (Textual) [Abstract]							
Deferred taxes, net							$ 2,092
Deposited into an escrow account for any post-closing adjustments						500	10,673
Acquired gross accounts receivable						972	542
Acquired gross accounts receivable not expected to be collected						430	
Acquired gross accounts receivable resulting in fair value						542	
Bargain purchase gain related to EMT	188	3,194	3,382				
Acquisition-related transaction cost					55		
Increased bargain purchase gain			396	396			
Deferred taxes, net			241	241			
Estimated fair value of customer relationships acquired	140		140	140			
Post closing adjustments, disbursed from the escrow funds			273	273			
Determination of assets acquired and other components	17		17	17			
Revenues from acquired assets					5,232		
Income before income taxes from acquired assets					$ 2,862		

Equity Incentive Plan (Tables)	6 Months Ended Nov. 30, 2012
Equity Incentive Plan [Abstract]	
Summary of restricted stock unit activity	

	Restricted Stock Units	Weighted – Average Grant Date Fair Value
Nonvested at June 1, 2012	203	$ 13.82
Granted	73	17.11
Vested	(109)	12.87
Forfeited/canceled	(11)	12.88
Nonvested at November 30, 2012	156	$ 16.10

Cash and Cash Equivalents	6 Months Ended Nov. 30, 2012
Cash and Cash Equivalents [Abstract]	
Cash and Cash Equivalents	**Note 2: Cash and Cash Equivalents** We consider highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. Cash equivalents consisted primarily of AAA-rated money market funds in all periods presented.

Condensed Consolidated Balance Sheets (Unaudited) (USD $) In Thousands, unless otherwise specified	Nov. 30, 2012	May 31, 2012
Assets		
Cash and cash equivalents	$ 10,017	$ 9,290
Accounts receivable, net of allowance for doubtful accounts of $466 and $522	36,718	35,915
Rental and lease equipment, net of accumulated depreciation of $215,366 and $204,108	240,993	243,173
Other property, net of accumulated depreciation and amortization of $18,398 and $17,832	13,825	13,871
Goodwill	3,109	3,109
Intangibles, net of amortization of $1,386 and $1,304	1,119	1,201
Other assets	22,760	23,272
Total assets	328,541	329,831
Liabilities:		
Accounts payable	5,811	8,555
Accrued expenses	13,100	11,870
Accrued dividends	29,186	
Deferred revenue	6,702	6,904
Deferred tax liability	52,486	54,371
Total liabilities	107,285	81,700
Commitments and contingencies (Note 13)		
Shareholders' equity:		
Preferred stock, $1 par - shares authorized 1,000,000; none issued		
Common stock, no par - shares authorized 40,000,000; issued and outstanding November 30, 2012 - 23,995,626; May 31, 2012 - 23,987,826	36,895	36,179
Retained earnings	184,361	211,952
Total shareholders' equity	221,256	248,131
Total liabilities and shareholders' equity	$ 328,541	$ 329,831

Income Taxes	6 Months Ended Nov. 30, 2012
Income Taxes [Abstract]	
Income Taxes	**Note 12: Income Taxes** We recognize a liability or asset for the deferred tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. These temporary differences will result in taxable or deductible amounts in future years when reported amounts of the assets or liabilities are recovered or settled. The deferred tax assets are periodically reviewed for recoverability. Accounting guidance for uncertain tax positions prescribes a recognition threshold that a tax position is required to meet before being recognized in the financial statements and provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition issues. We recognize the tax impact from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax impact recognized in the financial statements from such a position is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. We recognize interest, penalties and foreign currency gains and losses with respect to uncertain tax positions as components of our income tax provision. Accrued interest and penalties are included within accrued expenses in the consolidated balance sheet. Significant judgment is required in the identification of uncertain tax positions and in the estimation of penalties and interest on uncertain tax positions. During the second quarter of fiscal 2011, we effectively settled our remaining uncertain tax positions, and derecognized $4,515 of previously recognized uncertain tax positions, and the related deferred tax asset, and $1,396 for interest and penalties previously recognized. We are subject to taxation in the U.S., as well as various states and foreign jurisdictions. We have substantially settled all income tax matters for the United States federal jurisdiction for years through fiscal 2009. Major state jurisdictions have been examined through fiscal years 2004 and 2005, and foreign jurisdictions have not been examined for their respective maximum statutory periods.

Document and Entity Information	6 Months Ended Nov. 30, 2012	Jan. 04, 2013
Document and Entity Information [Abstract]		
Entity Registrant Name	ELECTRO RENT CORP	
Entity Central Index Key	0000032166	
Document Type	10-Q	
Document Period End Date	Nov. 30, 2012	
Amendment Flag	false	
Document Fiscal Year Focus	2013	
Document Fiscal Period Focus	Q2	
Current Fiscal Year End Date	--05-31	
Entity Filer Category	Accelerated Filer	
Entity Common Stock, Shares Outstanding		23,995,626

Commitments and Contingencies	6 Months Ended Nov. 30, 2012
Commitments and Contingencies [Abstract]	
Commitments and Contingencies	**Note 13: Commitments and Contingencies** We are subject to legal proceedings and business disputes involving ordinary routine legal proceedings and claims incidental to our business. The ultimate legal and financial liability with respect to such matters generally cannot be estimated with certainty and requires the use of estimates in recording liabilities for potential litigation settlements or awards against us. Estimates for losses from litigation are made after consultation with outside counsel. If estimates of potential losses increase or the related facts and circumstances change in the future, we may be required to record either more or less litigation expense. We are not involved in any pending or threatened legal proceedings that we believe could reasonably be expected to have a material adverse effect on our financial condition, results of operations or cash flows.

Condensed Consolidated Balance Sheets (Unaudited) (Parenthetical) (USD $) In Thousands, except Share data, unless otherwise specified	Nov. 30, 2012	May 31, 2012
Consolidated Balance Sheets [Abstract]		
Allowance for doubtful accounts	$ 466	$ 522
Accumulated depreciation on rental and lease equipment	215,366	204,108
Accumulated depreciation and amortization for other property	18,398	17,832
Amortization of intangibles	$ 1,386	$ 1,304
Preferred stock, par value	$ 1	$ 1
Preferred stock, shares authorized	1,000,000	1,000,000
Preferred stock, shares issued		
Common stock, par value		
Common stock, shares authorized	40,000,000	40,000,000
Common stock, shares issued	23,995,626	23,987,826
Common stock, shares outstanding	23,995,626	23,987,826

Borrowings	6 Months Ended Nov. 30, 2012
Borrowings [Abstract]	
Borrowings	**Note 7: Borrowings** On November 29, 2012, we entered into a sixth amendment to our commercial credit agreement ("Credit Agreement Amendment") with Union Bank, N.A. ("Union Bank"). The Credit Agreement Amendment amends the commercial credit agreement dated September 29, 2008 (the "Commercial Credit Agreement"), pursuant to which the lender provides us with a revolving line of credit. The Credit Agreement Amendment amends our Commercial Credit Agreement with Union Bank by (i) increasing the permitted maximum aggregate outstanding principal amount under the Commercial Credit Agreement from $25,000 to $50,000; (ii) extending the term and maturity date of the Commercial Credit Agreement from October 1, 2015 to November 30, 2015; (iii) deleting the quick ratio financial covenant; (iv) amending the amounts and payment dates of the annual commitment fees such that we agree to pay a $25 commitment fee on November 30, 2012, a $50 commitment fee on November 30, 2013 and a $50 commitment fee on November 30, 2014; (v) amending the minimum tangible net worth financial covenant; and (vi) replacing the positive net earnings financial covenant with an EBITDA financial covenant. We are in compliance with all loan covenants at November 30, 2012. During the six months ended November 30, 2012, we borrowed and repaid $2,000 under the Commercial Credit Agreement. On December 19, 2012 we borrowed $23,000 from the credit facility with Union Bank to fund the quarterly and special dividend we paid on December 21, 2012.

Goodwill and Intangibles

Goodwill and Intangibles	6 Months Ended Nov. 30, 2012

Goodwill and Intangibles [Abstract]

Goodwill and Intangibles

Note 6: Goodwill and Intangibles

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in a business combination. Intangible assets resulting from the acquisitions of entities accounted for using the purchase method of accounting are recorded at the estimated fair value of the assets acquired. Identifiable intangible assets consist of purchased customer relationships and trade names.

Our goodwill and intangibles at November 30, 2012 are the result of our acquisition of EMT on August 24, 2011, Telogy on March 31, 2010, and Rush Computer Rentals, Inc. on January 31, 2006.

The changes in carrying amount of goodwill and other intangible assets for the six months ended November 30, 2012 were as follows:

	Balance as of June 1, 2012 (net of amortization)	Additions	Amortization	Balance as of November 30, 2012
Goodwill	$ 3,109	$ —	$ —	$ 3,109
Trade name	411	—	—	411
Customer relationships	790	—	(82)	708
	$ 4,310	$ —	$ (82)	$ 4,228

Goodwill is not deductible for tax purposes.

We evaluate the recoverability of goodwill and indefinite-lived intangible assets annually as of May 31, and whenever events or changes in circumstances indicate to us that the carrying amount may not be recoverable. There were no conditions that indicated any impairment of goodwill or identifiable intangible assets as of May 31, 2012.

Intangible assets with finite useful lives are amortized over their respective estimated useful lives. The following table provides a summary of our intangible assets:

	November 30, 2012			
	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trade name	—	$ 411	$ —	$ 411
Customer relationships	3-8 years	2,094	(1,386)	708
		$ 2,505	$ (1,386)	$ 1,119

May 31, 2012

	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trade name	—	$ 411	$ —	$ 411
Customer relationships	3-8 years	2,094	(1,304)	790
		$ 2,505	$ (1,304)	$ 1,201

Amortization expense related to intangible assets was $41 for both the three months ended November 30, 2012 and 2011, respectively, and $82 and $70 for the six months ended November 30, 2012 and 2011, respectively.

Amortization expense for customer relationships is included in selling, general and administrative expenses. The following table provides estimated future amortization expense related to intangible assets as of November 30, 2012:

Year ending May 31,	Future Amortization
2013 (remaining)	$ 82
2014	164
2015	129
2016	118
2017	118
Thereafter	97
	$ 708

Acquisitions (Tables)	6 Months Ended Nov. 30, 2012
Acquisitions [Abstract]	
Estimated fair values of the assets acquired and liabilities assumed	

Total cash consideration	$ 10,673
Preliminary purchase price allocation:	
Accounts receivable	542
Rental and lease equipment	15,896
Deferred tax liability	(2,092)
Deferred revenue	(479)
Net assets acquired	13,867
Bargain purchase gain, net of deferred taxes of $2,092	$(3,194)

Subsequent Events	6 Months Ended Nov. 30, 2012
Subsequent Events [Abstract]	
Subsequent Events	**Note 14: Subsequent Events** On November 29, 2012, our Board of Directors declared a regular quarterly cash dividend of \$0.20 per common share and a special dividend of \$1.00 per common share. Both dividends were paid on December 21, 2012 to our shareholders of record as of December 10, 2012. The total cost of the dividend was \$29,186, of which \$6,186 was funded from our cash on hand and \$23,000 was funded by borrowing from our line of credit pursuant to the Commercial Credit Agreement with Union Bank.

Segment Reporting and Related Disclosures	6 Months Ended Nov. 30, 2012
Segment Reporting and Related Disclosures [Abstract]	
Segment Reporting and Related Disclosures	

Note 10: Segment Reporting and Related Disclosures

Accounting guidance establishes reporting standards for an enterprise's operating segments and related disclosures about its products, services, geographic areas and major customers. Operating segments are defined as components of an enterprise for which separate financial information is available that is regularly evaluated by the chief operating decision maker in deciding how to allocate resources and in assessing performance. In order to determine our operating segments, we considered the following: an operating segment is a component of an enterprise (i) that engages in business activities from which it may earn revenues and incur expenses, (ii) whose operating results are regularly reviewed by the enterprise's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (iii) for which discrete financial information is available. In accordance with this guidance, we have identified two operating segments: the rental, lease and sale of T&M equipment and the rental, lease and sale of data products ("DP") equipment.

Although we have separate operating segments for T&M and DP equipment, these two segments are aggregated into a single reportable segment because they have similar economic characteristics and qualitative factors. The T&M and DP segments have similar long-term average gross margins, and both rent, lease and sell electronic equipment to large corporations, purchase directly from major manufacturers, configure and calibrate the equipment, and ship directly to customers. Additionally, DP segment revenues are less than 10% of total company revenues, and are not considered material.

Our equipment pool, based on acquisition cost, consisted of $419,543 of T&M equipment and $36,816 of DP equipment at November 30, 2012 and $409,686 of T&M equipment and $37,595 of DP equipment at May 31, 2012.

Revenues for these product groups were as follows for the three months ended November 30, 2012 and 2011:

	T&M	DP	Total
2012			
Rentals and leases	$30,435	$4,140	$34,575
Sales of equipment and other revenues	29,944	673	30,617
	$60,379	$4,813	$65,192
2011			
Rentals and leases	$28,651	$4,261	$32,912
Sales of equipment and other revenues	28,113	618	28,731
	$56,764	$4,879	$61,643

Revenues for these product groups were as follows for the six months ended November 30, 2012 and 2011:

	T&M	DP	Total
2012			
Rentals and leases	$60,040	$8,200	$68,240
Sales of equipment and other revenues	54,091	1,362	55,453
	$114,131	$9,562	$123,693
2011			
Rentals and leases	$55,253	$8,968	$64,221
Sales of equipment and other revenues	54,829	1,243	56,072
	$110,082	$10,211	$120,293

No single customer accounted for more than 10% of total revenues during the six months ended November 30, 2012 and 2011.

Selected country information is presented below:

	Three Months Ended November 30,		Six Months Ended November 30,	
	2012	2011	2012	2011
Revenues: (1)				
U.S.	$56,428	$53,490	$105,542	$103,577
Other (2)	8,764	8,153	18,151	16,716
Total	$65,192	$61,643	$123,693	$120,293

	As of	
	November 30, 2012	May 31, 2012
Net Long-Lived Assets: (3)		
U.S.	$205,078	$207,449
Other (2)	49,740	49,595
Total	$254,818	$257,044

(1) Revenues by country are based on the location of shipping destination, and not whether the order originates in the United States parent or a foreign subsidiary.

(2) Other consists of foreign countries that each individually account for less than 10% of the total revenues or assets.

(3) Net long-lived assets include rental and lease equipment and other property, net of accumulated depreciation and amortization. Subsequent to the issuance of the May 31, 2012 consolidated financial statements, we determined that, for geographic disclosure purposes, the previously reported amount of net long-lived assets as of May 31, 2012 should not have included goodwill and intangibles (which totaled $4,310 at that date) and, accordingly, such amount has been excluded from the May 31, 2012 balance displayed in the table above.

Supplemental Cash Flow Information	6 Months Ended Nov. 30, 2012
Supplemental Cash Flow Information [Abstract]	
Supplemental Cash Flow Information	**Note 8: Supplemental Cash Flow Information** *Non-Cash Investing and Financing Activities* We had rental equipment purchases, not yet paid for, totaling $3,672 and $5,513 as of November 30, 2012 and 2011, respectively, all of which amounts were subsequently paid. During the six months ended November 30, 2012 and 2011, we transferred $1,001 and $460, respectively, of demonstration equipment, included in other assets, to rental and lease equipment. As of November 30, 2012, we recorded $29,186 of dividends declared and not yet paid as accrued dividends and a reduction of retained earnings. There was no accrual as of November 30, 2011. *Supplemental Disclosures of Cash Paid (Refunded)*

	Six months ended November 30,	
	2012	2011
Interest	$ 2	$ 8
Income taxes	$ 8,500	$ (1,196)

Sales-Type Leases	6 Months Ended Nov. 30, 2012
Sales Type Leases [Abstract]	
Sales-Type Leases	

Note 9: Sales-Type Leases

We have certain customer leases providing bargain purchase options, which are accounted for as sales-type leases. Interest income is recognized over the life of the lease using the effective interest method.

The initial acceptance of customer finance arrangements is based on an in-depth review of each customer's credit profile, including review of third party credit reports, customer financial statements and bank verifications. We monitor the credit quality of our sales-type lease portfolio based on payment activity that drives the finance lease receivable aging. This credit quality is assessed on a monthly basis. Our historical losses on finance lease receivables are insignificant, and therefore we do not have a specific allowance for credit losses.

The minimum lease payments receivable and the net investment included in other assets for such leases were as follows:

	November 30, 2012	May 31, 2012
Gross minimum lease payments receivable	$ 11,175	$12,284
Less – unearned interest	(530)	(603)
Net investment in sales-type lease receivables	$ 10,645	$11,681

The following table provides estimated future minimum lease payments receivable related to sales-type leases:

Year ending May 31,	
2013 (remaining)	$3,821
2014	5,097
2015	1,899
2016	237
2017	121
	$11,175

Computation of Earnings Per Share	6 Months Ended Nov. 30, 2012
Computation of Earnings Per Share [Abstract]	
Computation of Earnings Per Share	

Note 11: Computation of Earnings Per Share

The following is a reconciliation of the denominator used in the computation of basic and diluted earnings per share for the three and six months ended November 30, 2012 and 2011:

	Three Months Ended November 30,		Six Months Ended November 30,	
	2012	2011	2012	2011
Denominator:				
Denominator for basic earnings per share - weighted average common shares outstanding	23,988	23,981	23,994	23,981
Dilutive effect of restricted stock	237	168	227	158
Diluted shares used in per share calculation	24,225	24,149	24,221	24,139
Net income	$6,239	$6,019	$11,325	$14,524
Earnings per share:				
Basic	$0.26	$0.25	$0.47	$0.61
Diluted	$0.26	$0.25	$0.47	$0.60

Fair Value Measurements (Details) (USD $) In Thousands, unless otherwise specified	Nov. 30, 2012	May 31, 2012
Assets		
Supplemental executive retirement plan	$ 2,784	$ 2,370
Fair Value, Measurements, Recurring [Member]		
Assets		
Total assets measured at fair value	2,837	5,056
Liabilities:		
Total liabilities measured at fair value	141	
Fair Value, Measurements, Recurring [Member] | Foreign exchange forward contracts [Member]		
Assets		
Foreign exchange forward contracts		179
Liabilities:		
Foreign exchange forward contracts	141	
Fair Value, Measurements, Recurring [Member] | Money market funds [Member]		
Assets		
Money market funds	53	2,507
Fair Value, Measurements, Recurring [Member] | Supplemental executive retirement plan [Member]		
Assets		
Supplemental executive retirement plan	2,784	2,370
Quoted Prices in Active Markets for Identical Instruments (Level 1) [Member] | Fair Value, Measurements, Recurring [Member]		
Assets		
Total assets measured at fair value	2,837	4,877
Liabilities:		
Total liabilities measured at fair value		
Quoted Prices in Active Markets for Identical Instruments (Level 1) [Member] | Fair Value, Measurements, Recurring [Member] | Foreign exchange forward contracts [Member]		
Liabilities:		
Foreign exchange forward contracts		
Quoted Prices in Active Markets for Identical Instruments (Level 1) [Member] | Fair Value, Measurements, Recurring [Member] | Money market funds [Member]		
Assets		
Money market funds	53	2,507
Quoted Prices in Active Markets for Identical Instruments (Level 1) [Member] | Fair Value, Measurements, Recurring [Member] | Supplemental executive retirement plan [Member]		
Assets		
Supplemental executive retirement plan	2,784	2,370
Significant Other Observable Inputs (Level 2) [Member] | Fair Value, Measurements, Recurring [Member]		
Assets		

Total assets measured at fair value		179
Liabilities:		
Total liabilities measured at fair value	141	
Significant Other Observable Inputs (Level 2) [Member] | Fair Value, Measurements, Recurring [Member] | Foreign exchange forward contracts [Member]		
Assets		
Foreign exchange forward contracts		179
Liabilities:		
Foreign exchange forward contracts	141	
Significant Other Observable Inputs (Level 2) [Member] | Fair Value, Measurements, Recurring [Member] | Money market funds [Member]		
Assets		
Money market funds		
Significant Other Observable Inputs (Level 2) [Member] | Fair Value, Measurements, Recurring [Member] | Supplemental executive retirement plan [Member]		
Assets		
Supplemental executive retirement plan		
Significant Unobservable Inputs (Level 3) [Member] | Fair Value, Measurements, Recurring [Member]		
Assets		
Total assets measured at fair value		
Liabilities:		
Total liabilities measured at fair value		
Significant Unobservable Inputs (Level 3) [Member] | Fair Value, Measurements, Recurring [Member] | Foreign exchange forward contracts [Member]		
Assets		
Foreign exchange forward contracts		
Liabilities:		
Foreign exchange forward contracts		
Significant Unobservable Inputs (Level 3) [Member] | Fair Value, Measurements, Recurring [Member] | Money market funds [Member]		
Assets		
Money market funds		
Significant Unobservable Inputs (Level 3) [Member] | Fair Value, Measurements, Recurring [Member] | Supplemental executive retirement plan [Member]		
Assets		
Supplemental executive retirement plan		

Computation of Earnings Per Share (Details) (USD $) In Thousands, except Per Share data, unless otherwise specified	3 Months Ended		6 Months Ended	
	Nov. 30, 2012	Nov. 30, 2011	Nov. 30, 2012	Nov. 30, 2011
Denominator:				
Denominator for basic earnings per share - weighted average common shares outstanding	23,988	23,981	23,994	23,981
Dilutive effect of restricted stock	237	168	227	158
Diluted shares used in per share calculation	24,225	24,149	24,221	24,139
Net income	$ 6,239	$ 6,019	$ 11,325	$ 14,524
Earnings per share:				
Basic	$ 0.26	$ 0.25	$ 0.47	$ 0.61
Diluted	$ 0.26	$ 0.25	$ 0.47	$ 0.60

Basis of Presentation (Tables)	6 Months Ended Nov. 30, 2012

Basis of Presentation [Abstract]

Fair value of foreign exchange forward contracts

Derivatives Not Designated as Hedging Instruments	Consolidated Balance Sheet Location	November 30, 2012	May 31, 2012
Foreign exchange forward contracts	Other assets	$ —	$ 179
Foreign exchange forward contracts	Accrued expenses	141	—

Gains and losses recognized in income for derivative instruments

Derivatives Not Designated as Hedging Instruments	Location of (Loss) Gain Recognized in Income on Derivatives	Three Months Ended November 30, 2012	Three Months Ended November 30, 2011
Foreign exchange forward contracts	Selling, general and administrative expenses	$ (202)	$ 247

Derivatives Not Designated as Hedging Instruments	Location of (Loss) Gain Recognized in Income on Derivatives	Six Months Ended November 30, 2012	Six Months Ended November 30, 2011
Foreign exchange forward contracts	Selling, general and administrative expenses	$ (390)	$ 241

Summary of other assets

	November 30, 2012	May 31, 2012
Net investment in sales-type leases	$ 10,645	$11,681
Demonstration equipment	5,384	5,495
Supplemental executive retirement plan assets	2,784	2,370
Income taxes receivable	659	861
Prepaid expenses and other	3,288	2,865
	$ 22,760	$23,272

Supplemental Cash Flow Information (Tables)	6 Months Ended Nov. 30, 2012
Supplemental Cash Flow Information [Abstract]	
Supplemental Disclosures of Cash Paid (Refunded)	

	Six months ended November 30,	
	2012	2011
Interest	$ 2	$ 8
Income taxes	$ 8,500	$ (1,196)

Segment Reporting and Related Disclosures (Details 1) (USD $) In Thousands, unless otherwise specified	3 Months Ended		6 Months Ended		
	Nov. 30, 2012	Nov. 30, 2011	Nov. 30, 2012	Nov. 30, 2011	May 31, 2012
Revenues:					
U.S.	$ 56,428	$ 53,490	$ 105,542	$ 103,577	
Other	8,764	8,153	18,151	16,716	
Total revenues	65,192	61,643	123,693	120,293	
Net Long-Lived Assets:					
U.S.	205,078		205,078		207,449
Other	49,740		49,740		49,595
Total net long-lived assets	$ 254,818		$ 254,818		$ 257,044

Goodwill and Intangibles (Details 2) (USD $) In Thousands, unless otherwise specified	Nov. 30, 2012
Estimated future amortization expense related to intangible assets	
2013 (remaining)	$ 82
2014	164
2015	129
2016	118
2017	118
Thereafter	97
Total intangible assets	$ 708

Condensed Consolidated Statements of Cash Flows (Unaudited) (USD $) In Thousands, unless otherwise specified	6 Months Ended	
	Nov. 30, 2012	Nov. 30, 2011
Cash flows from operating activities:		
Net income	$ 11,325	$ 14,524
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28,779	26,542
Remeasurement loss on foreign currency	47	75
Provision for losses on accounts receivable	235	132
Gain on sale of rental and lease equipment	(5,845)	(4,948)
Gain on bargain purchase, net of taxes		(3,382)
Stock compensation expense	639	710
Excess tax benefit for share based compensation	(113)	(50)
Deferred income taxes	(1,885)	5,200
Change in operating assets and liabilities:		
Accounts receivable	(793)	(3,958)
Other assets	596	205
Accounts payable	(1,091)	(1,556)
Accrued expenses	1,300	156
Deferred revenue	(229)	654
Net cash provided by operating activities	32,965	34,304
Cash flows from investing activities:		
Proceeds from sale of rental and lease equipment	14,185	11,152
Cash paid for acquisition		(10,625)
Payments for purchase of rental and lease equipment	(35,959)	(53,773)
Payments for purchase of other property	(511)	(475)
Net cash used in investing activities	(22,285)	(53,721)
Cash flows from financing activities:		
Borrowing under bank line of credit	2,000	
Payment under bank line of credit	(2,000)	
Minimum tax withholdings on share based compensation	(36)	
Excess tax benefit for share based compensation	113	50
Payment of dividends	(9,729)	(9,653)
Net cash used in financing activities	(9,652)	(9,603)
Effect of exchange rate changes on cash	(301)	109
Net increase (decrease) in cash and cash equivalents	727	(28,911)
Cash and cash equivalents at beginning of period	9,290	41,441
Cash and cash equivalents at end of period	$ 10,017	$ 12,530

Equity Incentive Plan	6 Months Ended Nov. 30, 2012

Equity Incentive Plan [Abstract]

Equity Incentive Plan

Note 5: Equity Incentive Plan

Our 2005 Equity Incentive Plan (the "Equity Incentive Plan") authorizes our Board of Directors to grant incentive and non-statutory stock option grants, stock appreciation rights, restricted stock awards, restricted stock units, performance unit awards and performance share awards covering a maximum of 1,000 shares of our common stock. The Equity Incentive Plan replaced our prior stock option plans, under which there are no outstanding options. Pursuant to the Equity Incentive Plan, we have granted incentive and non-statutory options to directors, officers and key employees at prices not less than 100% of the fair market value on the day of grant. In addition, we have granted restricted stock and restricted stock units to directors, officers and key employees. The Equity Incentive Plan provides for a variety of vesting dates. All outstanding options expired in October 2011.

Restricted Stock Units

A restricted stock unit represents the right to receive one share of our common stock, provided that the vesting conditions are satisfied. The following table represents restricted stock unit activity for the six months ended November 30, 2012:

	Restricted Stock Units	Weighted – Average Grant Date Fair Value
Nonvested at June 1, 2012	203	$ 13.82
Granted	73	17.11
Vested	(109)	12.87
Forfeited/canceled	(11)	12.88
Nonvested at November 30, 2012	156	$ 16.10

We granted 14 and 73 restricted stock units during the three and six months ended November 30, 2012, respectively, and 16 and 101 restricted stock units during the three and six months ended November 30, 2011. As of November 30, 2012, we have unrecognized share-based compensation cost of approximately $2,007 associated with restricted stock unit awards. This cost is expected to be recognized over a weighted-average period of approximately 1.8 years.

Accounting for Share Based Payments

Accounting guidance requires all share-based payments to employees, including grants of employee stock options, restricted stock and restricted stock units, to be recognized as compensation expense in the consolidated financial statements based on their fair values. Compensation expense is recognized over the period that an employee provides service in exchange for the award, approximately 3 years.

Forfeitures are estimated at the date of grant based on historical experience. We use the market price of our common stock on the date of grant to calculate the fair value of each grant of restricted stock and restricted stock units.

We recorded $350 and $639 of stock-based compensation as part of selling, general and administrative expenses for the three and six months ended November 30, 2012, respectively, compared to $384 and $710 for the three and six months ended November 30, 2011, respectively.

We receive a tax deduction for certain stock option exercises during the period the options are exercised, generally for the excess of the fair value of our common stock at the date of exercise over the exercise price of the options, and dividends paid on vested restricted stock units. Excess tax benefits are realized tax benefits from tax deductions for exercised options in excess of the deferred tax asset attributable to stock compensation costs for such options. The total excess tax benefit realized from stock option exercises, shares issued and dividend payments for vested restricted stock units for the six months ended November 30, 2012 and 2011 was $113 and $50, respectively. Cash received from stock option exercises was $0 for each of the six month periods ended November 30, 2012 and 2011.

Sales-Type Leases (Tables)	6 Months Ended Nov. 30, 2012
Sales Type Leases [Abstract]	
Minimum lease payments receivable and the net investment	

	November 30, 2012	May 31, 2012
Gross minimum lease payments receivable	$ 11,175	$12,284
Less – unearned interest	(530)	(603)
Net investment in sales-type lease receivables	$ 10,645	$11,681

Estimated future minimum lease payments receivable related to sales-type leases

Year ending May 31,	
2013 (remaining)	$3,821
2014	5,097
2015	1,899
2016	237
2017	121
	$11,175

Equity Incentive Plan (Details Textual) (USD $) In Thousands, except Share data, unless otherwise specified	3 Months Ended		6 Months Ended	
	Nov. 30, 2012	Nov. 30, 2011	Nov. 30, 2012	Nov. 30, 2011
Equity Incentive Plan (Textual) [Abstract]				
Right of restricted stock unit to receive common stock			1	
Restricted stock units granted		16,000		101,000
Expected period to recognize the unrecognized share based compensation cost			3 years	
Selling, general and administrative expense [Member]				
Equity Incentive Plan (Textual) [Abstract]				
Allocated share based compensation	$ 350	$ 384	$ 639	$ 710
Stock Options [Member]				
Equity Incentive Plan (Textual) [Abstract]				
Total tax benefit realized			113	50
Cash received from stock option exercises			0	0
Restricted Stock Units [Member]				
Equity Incentive Plan (Textual) [Abstract]				
Restricted stock units granted	14,000		73,000	
Unrecognized share based compensation cost	$ 2,007		$ 2,007	
Expected period to recognize the unrecognized share based compensation cost			1 year 9 months 18 days	
2005 Equity Incentive Plan [Member]				
Equity Incentive Plan (Textual) [Abstract]				
Maximum number of shares authorized	1,000,000		1,000,000	
Minimum percentage for fair market value of grant	100.00%		100.00%	
Expiration date			Oct. 31, 2011	
Prior stock option plans [Member]				
Equity Incentive Plan (Textual) [Abstract]				
Outstanding options in prior stock option plans	0		0	

Basis of Presentation (Policies)	6 Months Ended Nov. 30, 2012

Basis of Presentation [Abstract]

Revenue Recognition

Revenue Recognition

We generate revenues primarily through the rental and leasing of test and measurement equipment ("T&M") and personal-computer related data products equipment ("DP") and through the sale of new and used equipment. Rental revenues comprise short term agreements that can be daily, weekly or monthly. Rental revenues are recognized in the month they are due on the accrual basis of accounting. Our operating lease agreements have varying terms, typically one to three years. Upon lease termination, customers have the option to renew the lease term, purchase the equipment at fair market value, or continue to rent on a month-to-month basis. Our operating leases do not provide for contingent rentals. Revenues related to operating leases are recognized on a straight-line basis over the term of the lease. Negotiated lease early-termination charges are recognized upon receipt. Rentals and leases are primarily billed to customers in advance, and unearned billings are recorded as deferred revenue.

We enter into finance leases as lessor for some of our equipment. Our finance lease agreements contain bargain purchase options and are accounted for as sale-type leases. Revenues from finance leases, which are recorded at the present value of the aggregate future lease payments, less unearned interest, are included in sales of equipment and other revenues in our consolidated statements of operations. Unearned interest is recognized over the life of the finance lease term using the effective interest method. Our finance lease terms vary, and are typically one to three years. The net investment in finance leases, which represents the receivables due from lessees, net of unearned interest, is included in other assets in our condensed consolidated balance sheets. Historically, we have not required security deposits based on our assessed credit risk within our customer bases.

Initial direct costs for operating and finance leases are insignificant.

Sales of new equipment through our resale channel and used equipment from our rental and lease equipment pool are recognized in the period in which the respective equipment is shipped and risk of loss is passed to the customer. In the case of equipment sold to customers that is already on rent or lease to the same party, revenue is recognized at the agreed-upon date when the rent or lease term ends and the risk of loss passes to the customer.

In accordance with accounting guidance, we are acting as the principal with respect to sales of new equipment through our resale agreement, based on several factors, including: (1) We act as the primary obligor by working directly with our customers to define their needs, providing them with options to satisfy such needs, contracting directly with the customer, and, to the extent required, providing customers with instruction on the use of the product and additional technical support once the product is received by the customer. The product manufacturer is not a party to our customer sales agreements, nor is it referenced in the agreements, and therefore has no obligation to our customers with the exception of the manufacturer's standard warranty on the product. (2) We bear back-end risk of inventory loss with respect to any product return from the customer as the original manufacturer is not required to accept returns of equipment from us. We also bear front-end risk of inventory loss in those cases where we acquire products for resale into our inventory prior to shipment to customers. (3) We have full discretion in setting pricing terms with our customers and to negotiate all such terms ourselves. (4) We assume all credit risk. Accordingly, sales of new equipment through our resale channel are recorded in Sales of Equipment and Other Revenues and the related equipment costs are recorded in Costs of Sales of Equipment and Other Revenues in our consolidated statements of operations.

Other revenues, consisting primarily of billings to customers for delivery and repairs, are recognized in the period in which the respective services are performed.

Operating expenses

Operating expenses

Costs of rentals and leases, excluding depreciation, primarily include labor related costs of our operations personnel, supplies, repairs, insurance and warehousing costs associated with our rental and lease equipment, relating to our rentals and leases revenues.

Costs of sales of equipment and other revenues primarily include the cost of new equipment and the carrying value of used equipment sold.

Foreign Currency

Foreign Currency

The U.S. dollar has been determined to be the functional currency of all foreign subsidiaries. The assets and liabilities of our foreign subsidiaries are remeasured from their local currency to U.S. dollars at current or historic exchange rates, as appropriate. Revenues and expenses are remeasured from any foreign currencies to U.S. dollars using historic or average monthly exchange rates, as appropriate, for the month in which the transaction occurred. Remeasurement gains and losses are included in selling, general and administrative expenses or income taxes, as appropriate. The assets, liabilities, revenues and expenses of our foreign subsidiaries are individually less than 10% of our respective consolidated amounts. The euro, Canadian dollar and Chinese yuan are our primary foreign currencies. Remeasurement gains and losses have not been significant.

Other Assets

Other Assets

We include demonstration equipment used in connection with our resale activity of $5,384 and $5,495 as of November 30, 2012 and May 31, 2012, respectively, in other assets for a period of up to two years. Demonstration equipment is recorded at the lower of cost or estimated market value until the units are sold or transferred to our rental and lease equipment pool. Demonstration equipment transferred to our rental and lease equipment pool is depreciated over its remaining estimated useful life.

Recent Accounting Pronouncements

Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board ("FASB") issued guidance on presentation of comprehensive income. The new guidance eliminates the current option to report other comprehensive income ("OCI") and its components in the statement of changes in equity. Instead, an entity will be required to present components of comprehensive income in either (1) a continuous statement of net income or (2) two separate but consecutive statements. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. We adopted this guidance effective June 1, 2012 and elected to disclose comprehensive income in a single continuous statement. Adoption of this guidance had no material impact on our consolidated financial position, results of operations or cash flows.

In September 2011, the FASB issued guidance to simplify how an entity tests goodwill for impairment. The amendments in the update provide for an option to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. An entity that adopts this option will no longer be required to calculate the fair value of a reporting unit (Step 1) unless the entity determines, based on a qualitative assessment, that it is more likely than not that the fair value of the reporting unit is less than its carrying amount. We adopted this guidance effective June 1, 2012 with no material impact on our consolidated financial position, results of operations or cash flows.

In July 2012, the FASB issued guidance to simplify how an entity tests indefinite-lived intangible assets other than goodwill for impairment and permitting an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative impairment test. This guidance is effective for annual and interim impairment tests performed for fiscal years beginning after December 15, 2011. The guidance for the qualitative process became effective for our first quarter of fiscal 2013, and had no material impact on our consolidated financial position, results of operations or cash flows.

Other Comprehensive Income

Other Comprehensive Income

Comprehensive income is equivalent to net income for all periods presented.

Reclassifications

Reclassifications

During the quarter ended November 30, 2012, we expanded the presentation of our costs of revenues to separately present costs associated with each of the revenue streams presented in the condensed consolidated statements of operations, to comply with the applicable income statement disclosure requirements for public companies. Accordingly, the previously reported statement of operations line item captioned "costs of revenues other than depreciation of rental and lease equipment" has been replaced with separate line items for "costs of rentals and leases, excluding depreciation" and "costs of sales of equipment and other revenues".

Further, in order to more closely align activity related to our rental and lease operations, including revenues and the expenses associated with providing those revenues, we have reclassified certain expenses previously included in selling, general and administrative expenses to costs of rentals and leases, excluding depreciation, which resulted in a reduction to previously reported selling, general and administrative expenses of $2,780 and $5,553, respectively, for the three and six months ended November 30, 2011. These reclassified costs primarily include direct expenses of supporting our rental and lease operations, including labor related costs of our operations personnel, supplies, repairs, and insurance and warehousing costs associated with our rental and lease equipment.