SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000   COMMISSION FILE NUMBER 0-13292

MCGRATH RENTCORP
(Exact name of registrant as specified in its Charter)

CALIFORNIA	94-2579843
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5700 LAS POSITAS ROAD, LIVERMORE, CA 94550
(Address of principal executive offices)

Registrant's telephone number: (925) 606-9200

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

Title of each class	Name of each exchange on which registered
NONE	NONE

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

Title of Class
COMMON STOCK

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 [X]   No [ ]

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

State the aggregate market value of voting stock, held by nonaffiliates of the registrant: $174,507,255 as of March 16, 2001.

At March 16, 2001, 12,160,248 shares of Registrant's Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

McGrath RentCorp's definitive Proxy Statement with respect to its Annual Shareholders' Meeting to be held May 30, 2001, which will be filed with the Securities and Exchange commission within 120 days after the end of its fiscal year, is incorporated by reference into Part III, Items 10, 11, 12 and 13.

Exhibit index appears on page 36.

PART I

ITEM 1. BUSINESS.

GENERAL

McGrath RentCorp (the "Company") is a California corporation organized in 1979. The Company is comprised of three business segments: "Mobile Modular Management Corporation" ("MMMC"), its modular building rental group, "RenTelco," its electronic test equipment rental group, and "Enviroplex," its majority-owned subsidiary classroom manufacturing business. The Company's corporate offices are located in Livermore, California. In addition, branch operations for both rental divisions are conducted from this facility.

MMMC rents and sells modular buildings and accessories to fulfill customers' temporary and permanent space needs in California and Texas. These units are used as temporary offices adjacent to existing facilities, and are used as sales offices, construction field offices, classrooms, health care clinics, child care facilities and for a variety of other purposes. MMMC purchases the modulars from various manufacturers who build them to MMMC's design specifications. MMMC operates from two branch offices in California and one in Texas. Although MMMC's primary emphasis is on rentals, sales of modulars routinely occur and can fluctuate quarter to quarter and year to year depending on customer demands and requirements. Rentals and sales to school districts by MMMC represent a significant portion of MMMC's total revenues.

RenTelco rents and sells electronic test equipment nationally from two locations. The Plano, Texas location houses the Company's communications and fiber optic test equipment inventory, calibration laboratory and eastern U.S. sales engineer and operations staffs. The Livermore, California location houses the Company's general-purpose test equipment inventory, calibration laboratory and western U.S. sales engineer and operations staffs.

Communications and fiber optic test equipment is utilized by field technicians, engineers and installer contractors in evaluating voice, data and multimedia communications networks, installing optical fiber cabling and in the development of switch, network and wireless products. This test equipment is rented primarily to network systems companies, electrical contractors, local & long distance carriers and manufacturers of communications transmission equipment. RenTelco purchases communications test equipment from over 40 different manufacturers domestically and abroad.

Engineers, scientists and technicians utilize general-purpose test equipment in evaluating the performance of their own electrical and electronic equipment, developing products, controlling manufacturing processes and in field service applications. These instruments are rented primarily to electronics, industrial, research and aerospace companies. The majority of general-purpose equipment is manufactured by Agilent (formerly Hewlett Packard), Tektronix and Acterna.

McGrath RentCorp owns 73% of Enviroplex, a California corporation organized in 1991. Enviroplex manufactures portable classrooms built to the requirements of the California Division of the State Architect ("DSA") and sells directly to school districts. Enviroplex conducts its sales and manufacturing operations from its facility located in Stockton, California. Since inception, McGrath RentCorp has assisted Enviroplex in a variety of corporate functions such as accounting, human resources, facility improvements and insurance. McGrath RentCorp has not purchased significant quantities of manufactured product from Enviroplex. Enviroplex sales revenues were $17.0 million, $11.2 million and $20.7 million in 2000, 1999 and 1998, respectively.

The rental (by MMMC) and sale (by Enviroplex and MMMC) of modulars to school districts for use as portable classrooms, restroom buildings and administrative offices for kindergarten through grade twelve (K-12) are a significant portion of the Company's revenues. School business comprised approximately 35%, 34%, and 45% of the Company's consolidated rental and sales revenues for 2000, 1999 and 1998, respectively.

Please see Note 8 to the Consolidated Financial Statements on page 31 for more information on the Company's business segments.

The Company has 404 employees, of whom 51 are primarily administrative and executive personnel, and the remaining 353 are engaged in manufacturing or rental operations. Unions represent none of these employees. The operations of the Company share common facilities, financing, senior management, and operating and accounting systems, which results in the efficient use of overhead. Each product line has its own sales and technical personnel.

No single customer has accounted for more than 10% of the Company's total revenues generated in any given year. The Company's business is not seasonal, except for the rental and sale of classrooms, which is heaviest in the several months prior to the opening of school each fall.

The Company operates with a marketing sense throughout. The Company is constantly searching for ways to streamline its service and to raise the quality of each relocatable office, classroom or instrument it rents, sells or manufactures. The Company not only rents, sells and manufactures products, it sells an old-fashioned idea: Paying attention to our customers pays off.

The Company's common stock is traded on the NASDAQ National Market System under the symbol "MGRC".

This Annual Report on Form 10-K contains statements which constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places. Such statements can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "estimates", "will", "should", "plans" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may vary materially from those in the forward-looking statements as a result of various factors. These factors include the effectiveness of management's strategies and decisions, general economic and business conditions, new or modified statutory or regulatory requirements and changing prices and market conditions. This report identifies other factors that could cause such differences. No assurance can be given that these are all of the factors that could cause actual results to vary materially from the forward-looking statements.

RELOCATABLE MODULAR OFFICES

DESCRIPTION

Modulars are designed for use as temporary office space and may be moved from one location to another. Modulars vary from simple single-unit construction site offices to attractive multi-modular facilities, complete with wood exteriors and mansard roofs. The rental fleet includes a full range of styles and sizes. The Company considers its modulars to be among the most attractive and well designed available. The units are constructed with wood siding, sturdily built and physically capable of a useful life often exceeding 18 years. Units are provided with installed heat, air conditioning, lighting, electricity and floor covering, and may have customized interiors including partitioning, carpeting, cabinetwork and plumbing facilities.

MMMC purchases new modulars from various manufacturers who build to MMMC's design specifications. None of the principal suppliers are affiliated with the Company. During 2000, the Company purchased 33% of its modular product from one manufacturer with multiple operations in several states. The Company believes that the loss of its primary manufacturer of modulars would not have a material adverse effect on its operations, however the Company could experience higher prices and longer lead times for modular product until other manufacturers increased their capacity.

MARKETING

The Company's largest single demand is for temporary classroom and other educational space needs of public and private schools, colleges and universities. Management believes the demand for classrooms is caused by shifting and fluctuating school populations, the lack of state funds for new construction, the need for temporary classroom space during reconstruction of older schools and, several years ago, class size reduction (see "Classroom Rentals and Sales" below). Other customer use applications include sales offices, construction field offices, health care facilities, sanctuaries and child care services. Industrial, manufacturing, entertainment and utility companies, as well as governmental agencies, commonly use large multi-modular complexes to serve their interim administrative and

operations space needs. The Company's branch and corporate offices, with the exception of RenTelco's Plano facility and Enviroplex's facility, are housed in various sizes of modulars.

Since most of MMMC's customer requirements are to fill temporary space needs, the Company's marketing emphasis is on rentals rather than sales. MMMC solicits customers through extensive yellow-page advertising, telemarketing and direct mail. Customers are encouraged to visit an inventory center to view different models on display and to see a branch office, which itself is a working example of a modular application.

Because service is a major competitive factor in the rental of modulars, MMMC offers quick response to requests for information, assistance in the choice of a suitable size and floor plan, in-house customization services, rapid delivery, timely installation and maintenance of its units.

RENTALS

Rental periods range from one month to ten years with a typical rental period of eighteen months. Most rental agreements provide no purchase options; and when a rental agreement does provide the customer with a purchase option, it is generally on terms attractive to MMMC.

The customer is responsible for the costs of insuring the unit, transporting the unit to the site, preparation of the site, installation of the unit, dismantle and return delivery of the unit to one of MMMC's three inventory centers, and certain costs for customization. MMMC maintains the units in good working condition while on rent. Upon return, the units are inspected for damage and customers are billed for items considered beyond normal wear and tear. The units are then refurbished for subsequent use. Refurbishment work can include floor tile repairs, roof maintenance, cleaning, painting and other cosmetic repairs.

At December 31, 2000, MMMC had 17,555 new or previously rented modulars in its rental fleet with an aggregate original cost including accessories of $261.1 million or an average cost per unit of $14,900. Utilization is calculated each month by dividing the cost of rental equipment on rent by the total cost of rental equipment, excluding new equipment inventory and accessory equipment. At December 31, 2000, fleet utilization was 84.9% and average fleet utilization during 2000 was 82.3%.

SALES

In addition to operating its rental fleet, MMMC sells modulars to customers. These sales arise out of its marketing efforts for the rental fleet. Such sales can be of either new units or used units from the rental fleet, which permits an orderly turnover of older units. During 2000, MMMC's largest sale of modulars was for new classrooms to a school district for approximately $4.4 million. This sale represented approximately 18% of MMMC's sales, 9% of the Company's consolidated sales, and less than 3% of the Company's consolidated revenues.

MMMC provides limited 90-day warranties on used modulars and passes through manufacturers' one-year warranty on new units. Warranty costs have not been significant to MMMC's operations to date, and MMMC attributes this to its commitment to high quality standards and regular maintenance programs.

In addition to MMMC's sales, the Company's subsidiary, Enviroplex, manufactures and sells portable classrooms to school districts in California (see "Classroom Sales by Enviroplex" below).

COMPETITION

This section contains statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. See "General" above for cautionary information with respect to such forward-looking statements.

Competition in the rental and sale of relocatable modular offices is intense. Many firms are engaged in the rental of modulars, and some have substantially greater financial resources than MMMC. Significant competitive factors in the rental business include availability, price, services, reliability, appearance and functionality of the product. MMMC markets high-quality, well constructed and attractive modulars. MMMC believes that part of the strategy for modulars should be to create facilities and infrastructure capabilities that its competitors cannot easily duplicate. The Company's facilities and related infrastructure enable it to modify modulars efficiently and cost effectively to meet its

customers' needs. Management's goal is to be more responsive at less expense. Management believes this strategy, together with its emphasis on prompt and efficient customer service, gives MMMC a competitive advantage. The Company is determined to offer quick response to requests for information, experienced assistance for the first-time user, rapid delivery and timely maintenance of its units. The efficiency and responsiveness continues to be enhanced by the Company's computer based relational database programs that control its internal operations. MMMC anticipates strong competition in the future and believes its process of improvement is ongoing.

CLASSROOM SALES BY ENVIROPLEX

This section contains statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. See "General" above for cautionary information with respect to such forward-looking statements.

Enviroplex manufactures moment-resistant, rigid steel framed portable classrooms built to the requirements of the DSA and sells directly to school districts. The moment-resistant, rigid steel-framed classroom is engineered to have the structural columns support the weight of the building. This offers the customer greater design flexibility as to overall classroom size and the placement of doors and windows. Enviroplex fabricates most of the structural steel component parts using only mill certified sheet steel. Enviroplex's standard designs have been engineered for strength and durability using lighter weight steel. Customers are offered a wide variety of DSA pre-approved classroom sizes and features with market established pricing, saving them valuable time on their classroom project. Customization features include restrooms, computer lab setups, interior offices, cabinetwork and kitchen facilities.

During 2000, Enviroplex's largest sale was for $2.5 million of new classrooms to a school district. This sale represented 15% of Enviroplex's sales, 5% of the Company's consolidated sales and less than 2% of the Company's consolidated revenues.

Competition in the manufacture of DSA classrooms is broad, intense, and highly competitive. Several manufacturers have greater capacity for production and have been in business longer than Enviroplex. Larger manufacturers with greater capacity have a larger appetite for the standard classroom while Enviroplex caters to schools' requirements for more customized classrooms. The remaining manufacturers are of a similar size or smaller and do not have the production capacity nor the financial resources of Enviroplex.

Enviroplex manufactures solid, attractive classrooms. Through value engineering, Enviroplex has simplified its manufacturing process by changing materials, determining which components are made in-house versus purchased, reducing the number of components and increasing the production efficiency at an overall lower cost without sacrificing quality. Enviroplex's strategy is to improve the quality and flexibility of its product. Enviroplex understands that its customers want more than a quality classroom, competitively priced and delivered on time, and believes its niche is providing customers with choices in design flexibility and customization. Management believes this strategy gives Enviroplex a competitive edge.

Enviroplex provides a one-year warranty on equipment manufactured. Warranty costs have not been significant to Enviroplex's operations to date that can be attributed to Enviroplex's dedication to manufacturing and delivering a quality, problem-free product.

Enviroplex purchases raw materials from a variety of suppliers. Each component part has multiple suppliers. Enviroplex believes the loss of any one of these suppliers would not have a material adverse affect on its operations.

CLASSROOM RENTALS AND SALES

The rental and sales of modulars to public school districts for use as portable classrooms, restroom buildings and administrative offices for kindergarten through grade twelve (K-12) are a significant portion of the Company's revenues. The following table shows the approximate percentages schools are of the Company's modular rental and sales revenues, and of its consolidated rental and sales revenues for the past five years:

SCHOOLS AS A PERCENTAGE OF RENTAL AND SALES REVENUES

Percentage of:	2000	1999	1998	1997	1996
Modular Rental Revenues	47%	48%	44%	45%	40%
Modular Sales Revenues	61%	52%	78%	74%	54%
Consolidated Rental and Sales Revenues	35%	34%	45%	52%	37%

The increased modular sales percentage shown for 1998 and 1997 can be attributed to the Class Size Reduction Program instituted by the state of California. School districts were given great incentive to reduce class size in the lower grades from 30 students to no greater than 20 students. This highly popular program created a great demand for both purchasing and renting classroom buildings and was essentially implemented by the end of 1999. In 2000, the increased modular sales percentages resulted from new requirements beyond Class Size Reduction by school districts.

LEGISLATION

In California (where most of the Company's rentals to public school districts have occurred), school districts are permitted to purchase only portable classrooms built to the requirements of the DSA. However, school districts may rent classrooms that meet either the Department of Housing ("DOH") or DSA requirements. Prior to 1988 the majority of the classrooms in the Company's rental fleet were built to the DOH requirements, and since 1988 almost all new classrooms have been built to the DSA requirements. In 1988, California adopted a law which limited the term for which school districts may rent portable classrooms built to DOH standards to three years (under a waiver process), and also required the school board to indemnify the State against any claims arising out of the use of such classrooms. During the 1990's additional legislation was passed extending the use of these DOH classroom buildings under the waiver process through September 30, 2000.

In 2000, new California legislation was passed allowing for DOH classroom buildings already in use for classroom purposes as of May 1, 2000 to be utilized until September 30, 2007, provided various upgrades were made to their foundation and ceiling systems. School districts have until August 31, 2002 to make the necessary modifications to extend their usage of these buildings. To the extent that school districts elect not to proceed with retrofitting these existing buildings on rent and return the equipment, rental income levels could be impacted negatively. Currently, regulations are in place that allow for the ongoing use of DOH classrooms from the Company's inventory to meet shorter term space needs of school districts for periods up to 24 months, provided they receive a "Temporary Certification" from the DSA. As a consequence, the tendency is for school districts to rent the DOH classrooms for shorter periods and to rent the DSA classrooms for longer periods. At December 31, 2000, the net book value of DOH classrooms represented less than 2% of the total assets of the Company and utilization was at 90.3%.

ELECTRONIC TEST AND MEASUREMENT INSTRUMENTS

DESCRIPTION

The Company's communications and fiber optics rental inventory includes fiber, telecom, SONET, ATM, broadcast, copper, line simulator, microwave, network and transmission test equipment. The general-purpose inventory includes oscilloscopes, amplifiers, spectrum, network and logic analyzers, and CATV, component measurement, industrial, signal source, microprocessor development and power source test equipment. The Company also rents electronic instruments from other rental companies and re-rents the instruments to customers.

At December 31, 2000, the Company had an aggregate cost of electronics rental inventory and accessories of $92.4 million. Utilization is calculated each month by dividing the cost of the rental equipment on rent by the total cost of the rental equipment, excluding accessory equipment. At December 31, 2000 utilization was 63.5%, and the average utilization during 2000 was 61.4%. The Company rents electronic equipment for a typical rental period of one to six months at monthly rental rates ranging from approximately 3.0% to 10.0% of the current manufacturers' list price. The Company depreciates its equipment over 5 to 8 years.

The Company endeavors to keep its equipment fresh and attempts to sell equipment so that the majority of the inventory is less than five years old. The Company generally sells used equipment after approximately four years of service to permit an orderly turnover and replenishment of the electronics inventory. In 2000, approximately 21% of the electronics revenues were derived from sales. The largest electronics sale during 2000 represented 3% of electronics sales and less than 1% of the Company's consolidated revenues.

MARKET

The business of renting electronic test and measurement instruments is an industry which today has equipment on rent or available for rent in the United States with an aggregate original cost in excess of a half billion dollars. While there is a broad customer base for the rental of such instruments, most rentals are to electronics, communications, network systems, industrial, research and aerospace companies. The Company markets its electronic equipment throughout the United States.

The Company believes that customers rent electronic test and measurement instruments for many reasons. Customers frequently need equipment for short-term projects, for backup to avoid costly downtime and to evaluate new products. Delivery times for the purchase of such equipment can be lengthy; thus, renting allows the customer to obtain the equipment expeditiously. The Company also believes that a substantial portion of electronic test and measurement instruments is used for research and development projects where the relative certainty of rental costs can facilitate cost control and be useful in bidding for government contracts. Finally, as is true with the rental of any equipment, renting rather than purchasing may better satisfy the customer's budgetary constraints.

The industry consists primarily of three major companies. One of these companies is much larger than the Company, has substantially greater financial resources and is well established in the industry with a large inventory of equipment, several branch offices and experienced personnel.

PRODUCT HIGHLIGHTS

The following table shows the revenue components, percentage of rental and total revenues, rental equipment (at cost), rental equipment (net book value), number of relocatable modular offices, year-end and average utilization, average rental equipment (at cost), annual yield on average rental equipment (at cost) and gross margin on rental revenues and sales by product line for the past five years.

PRODUCT HIGHLIGHTS

(dollar amounts in thousands)	YEAR ENDED DECEMBER 31,				
	2000	1999	1998	1997	1996
RELOCATABLE MODULAR OFFICES					
(operates under MMMC and Enviroplex)					
Revenues					
Rental	$ 56,779	$ 51,622	$ 47,957	$ 41,514	$ 31,931
Rental Related Services	16,462	12,542	11,007	9,898	8,399
Total Modular Rental Operations	73,241	64,164	58,964	51,412	40,330
Sales -- MMMC	23,831	16,100	23,171	33,522	14,359
Sales -- Enviroplex	16,992	11,150	20,672	21,287	10,206
Total Modular Sales	40,823	27,250	43,843	54,809	24,565
Other	423	500	448	656	885
Total Modular Revenues	$114,487	$ 91,914	$103,255	$106,877	$ 65,780
Percentage of Rental Revenues	59.8%	65.5%	66.6%	67.3%	65.2%
Percentage of Total Revenues	69.7%	70.7%	76.2%	79.2%	73.9%
Rental Equipment, at cost (year-end)	$261,081	$238,449	$216,444	$196,133	$158,377
Rental Equipment, net book value (year-end)	$187,059	$171,166	$156,790	$142,816	$110,014
Number of Units (year-end)	17,555	16,230	15,139	14,240	11,582
Utilization (year-end)(1)	84.9%	80.2%	83.0%	83.0%	78.7%
Average Utilization(1)	82.3%	81.6%	83.1%	81.6%	72.5%
Average Rental Equipment, at cost(2)	$238,408	$213,571	$186,865	$161,821	$145,760
Annual Yield on Average Rental Equipment, at cost	23.8%	24.2%	25.7%	25.7%	21.9%
Gross Margin on Rental Revenues	50.2%	55.3%	56.2%	59.0%	55.4%
Gross Margin on Sales	28.0%	29.5%	30.8%	31.2%	30.7%
ELECTRONIC TEST AND MEASUREMENT INSTRUMENTS					
(operates under RenTelco)					
Revenues					
Rental	$ 38,152	$ 27,132	$ 24,010	$ 20,174	$ 17,055

Rental Related Services	723	501	521	380	319
Total Electronics Rental Operations	38,875	27,633	24,531	20,554	17,374
Sales	10,201	9,789	7,201	7,212	5,610
Other	595	626	441	333	241
Total Electronics Revenues	$ 49,671	$ 38,048	$ 32,173	$ 28,099	$ 23,225
Percentage of Rental Revenues	40.2%	34.5%	33.4%	32.7%	34.8%
Percentage of Total Revenues	30.3%	29.3%	23.8%	20.8%	26.1%
Rental Equipment, at cost (year-end)	$ 92,404	$ 72,832	$ 66,573	$ 50,351	$ 43,335
Rental Equipment, net book value (year-end)	$ 60,343	$ 46,012	$ 43,238	$ 31,270	$ 27,279
Utilization (year-end)(1)	63.5%	54.4%	51.5%	52.6%	51.8%
Average Utilization(1)	61.4%	53.8%	54.6%	54.9%	54.9%
Average Rental Equipment, at cost	$ 82,401	$ 68,420	$ 56,859	$ 46,483	$ 39,335
Annual Yield on Average Rental Equipment, at cost	46.3%	39.7%	42.2%	43.4%	43.4%
Gross Margin on Rental Revenues	63.8%	59.5%	61.5%	61.7%	59.4%
Gross Margin on Sales	32.6%	29.7%	32.9%	33.2%	37.3%
TOTAL REVENUES	$164,158	$129,962	$135,428	$134,976	$ 89,005

(1) Utilization is calculated each month by dividing the cost of the rental equipment on rent by the total cost of rental equipment, excluding new equipment inventory and accessory equipment. Average utilization is calculated using the average costs for the year.

(2) Average rental equipment, at cost for modulars excludes new equipment inventory and accessory equipment.

ITEM 2. PROPERTIES.

The Company currently conducts its operations from five locations. Inventory centers, at which relocatable modular offices are displayed, refurbished and stored are located in Livermore, California (San Francisco Bay Area), Mira Loma, California (Los Angeles Area) and Pasadena, Texas (Houston Area). These three branches conduct rental and sales operations from multi-modular offices, serving as working models of the Company's product. Electronic test and measurement instrument rental and sales operations are conducted from the Livermore facility and from a facility in Plano, Texas (Dallas Area). The Company's majority owned subsidiary, Enviroplex, manufactures portable classrooms from its facility in Stockton, California (San Francisco Bay Area).

During 2000, the Company developed a 39,110 square foot office and warehouse facility on 2.6 acres of land in Plano, Texas. RenTelco relocated its operations from Richardson, Texas to the new Plano facility in September 2000 and currently occupies half of the constructed space. The Company has subleased the remaining half of the facility on a five-year lease beginning in March 2001.

The following table sets forth for each property the total acres, square footage of office space, square footage of warehouse space and total square footage at December 31, 2000. The Company owns all properties.

FACILITIES

		Square Footage		
	Total Acres	Office	Warehouse	Total
CORPORATE OFFICES				
Livermore, California(1)	--	9,840	--	9,840
RELOCATABLE MODULAR OFFICES				
Livermore, California(1),(2)	139.7	7,680	53,440	61,120
Mira Loma, California	78.5	7,920	45,440	53,360
Pasadena, Texas	50.0	3,868	24,000	27,868
ELECTRONIC TEST AND MEASUREMENT INSTRUMENTS				
Livermore, California(1)	--	8,400	7,920	16,320
Plano, Texas(3)	2.6	28,337(3)	10,773	39,110
ENVIROPLEX, INC				
Stockton, California	13.9	3,365	102,050	105,415
OTHER				
Corona, California(4)	10.4	--	--	--
Arlington, Texas(5)	1.8	1,680	2,387	4,067
	296.9	71,090	246,010	317,100

(1) The modular office complex in Livermore, California is 33,840 square feet and includes the Corporate offices and both modulars and electronics branch operations.

(2) Of the 139.7 acres owned, 2.2 acres with an 8,000 square foot warehouse facility is rented out to a third party through March, 2008, 2.2 acres to a third party through October, 2005 and 35.8 acres are undeveloped.

(3) The office and warehouse facility was completed and occupied October, 2000. Of the 28,337 square feet of office space, 19,152 square feet was rented to a third party through February, 2006.

(4) Facility is for sale or lease.

(5) Facility rented out to a third party on a month to month basis.

ITEM 3. LEGAL PROCEEDINGS.

McGrath RentCorp has been named along with a number of other companies as a defendant in a lawsuit alleging a failure to warn about certain chemicals associated with building materials used in portable classrooms in California. The lawsuit was filed by As You Sow, a corporation that has served as a plaintiff in numerous lawsuits alleging similar failures to warn. The Company and its subsidiary Enviroplex, Inc. are two of nineteen named defendants, all of whom are involved in the portable classroom industry in the State of California. While the plaintiff alleges that materials used to construct portable classrooms require certain warnings, there is no allegation that any individual has suffered any injury or harm. The plaintiff does not allege that any particular classroom leased, sold or manufactured by the Company or Enviroplex has exposed anyone to any such chemicals; and the Company believes that in fact none of the portable classrooms it leases or sells and none of the portable classrooms manufactured by Enviroplex pose any health risk. The

Company believes the lawsuit is without merit, and it intends to defend against the suit vigorously. The lawsuit was filed in the Superior Court of the State of California for the County of San Francisco on July 7, 2000. The complaint seeks a court injunction ordering the defendants to post warning signs in portable classrooms, recovery of a fine of $2,500 for each failure to post a warning sign where required, and recovery of monies the defendants may have made by selling or leasing classrooms without appropriate warnings. Plaintiff also asks for payment of attorneys' fees. The Company has entered into an agreement to settle this lawsuit on terms that it believes will have no material adverse impact on its operations or financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's common stock is traded in the NASDAQ National Market System under the symbol "MGRC".

The market price (as quoted by NASDAQ) and cash dividends declared, per share of the Company's common stock, by calendar quarter for the past two years were as follows:

STOCK ACTIVITY

	2000				1999			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
High	$19.88	$19.88	$18.13	$17.88	$19.00	$20.38	$20.50	$22.50
Low	$15.00	$15.00	$14.00	$14.88	$15.88	$17.63	$17.13	$16.75
Close	$19.38	$19.00	$17.00	$15.88	$17.50	$18.00	$20.00	$18.25
Dividends Declared	$0.14	$0.14	$0.14	$0.14	$0.12	$0.12	$0.12	$0.12

As of March 16, 2001, the Company's common stock was held by approximately 105 shareholders of record, which does not include shareholders whose shares are held in street or nominee name. The Company believes that when holders in street or nominee name are added, the number of holders of the Company's common stock exceeds 500.

The Company has declared a quarterly dividend on its common stock every quarter since 1990. Subject to its continued profitability and favorable cash flow, the Company intends to continue the payment of quarterly dividends.

In March 2001, the Company issued an aggregate of 4,948 shares of its common stock to Dennis C. Kakures and Thomas J. Sauer, both officers of the Company, pursuant to the Company's Long-Term Stock Bonus Plan (as described in the Company's Proxy Statement). Under the same Plan, the Company had issued to the same two officers an aggregate of 20,920 shares of common stock in March 2000, 33,486 shares of common stock in March 1999, and 36,840 shares of common stock in April 1998. These issuances were exempt from the registration requirements of the Securities Act of 1933 by virtue of section 4(2) thereof and Regulation 230.506.

ITEM 6. SELECTED FINANCIAL DATA.

The following table summarizes the Company's selected financial data for the five years ended December 31, 2000 and should be read in conjunction with the more detailed Consolidated Financial Statements and related notes reported in Item 8.

SELECTED CONSOLIDATED FINANCIAL DATA

(dollar and share amounts in thousands, except per share data)	Year Ended December 31,				
	2000	1999	1998	1997	1996
Operations Data					
Revenues					
Rental	$ 94,931	$ 78,754	$ 71,967	$ 61,688	$ 48,986
Rental Related Services	17,185	13,043	11,528	10,278	8,718
Rental Operations	112,116	91,797	83,495	71,966	57,704
Sales	51,024	37,039	51,044	62,021	30,175
Other	1,018	1,126	889	989	1,126
Total Revenues	164,158	129,962	135,428	134,976	89,005
Costs and Expenses					
Direct Costs of Rental Operations					
Depreciation	23,850	19,780	16,862	14,358	12,456
Rental Related Services	9,304	7,153	6,531	6,287	5,515
Other	18,250	14,284	13,390	10,375	8,703
Total Direct Costs of Rental Operations	51,404	41,217	36,783	31,020	26,674
Cost of Sales	36,256	26,078	35,189	42,550	20,532
Total Costs	87,660	67,295	71,972	73,570	47,206
Gross Margin	76,498	62,667	63,456	61,406	41,799
Selling and Administrative	19,982	17,103	16,220	15,957	13,147
Income from Operations	56,516	45,564	47,236	45,449	28,652
Interest	8,840	6,606	6,326	4,070	2,887
Income before Provision for Income Taxes	47,676	38,958	40,910	41,379	25,765
Provision for Income Taxes	19,762	14,874	16,010	16,323	9,885
Income before Minority Interest	27,914	24,084	24,900	25,056	15,880
Minority Interest in Income of Subsidiary	670	251	1,005	1,011	358
Income before Effect of Accounting Change	27,244	23,833	23,895	24,045	15,522
Cumulative Effect of Accounting Change, net of tax(1)	--	(1,367)	--	--	--
Net Income	$ 27,244	$ 22,466	$ 23,895	$ 24,045	$ 15,522
Earnings Per Share:					
Basic					
Income before Cumulative Effect of Accounting Change	$ 2.21	$ 1.80	$ 1.69	$ 1.60	$ 1.03
Cumulative Effect of Accounting Change, net of tax(1)	--	(0.10)	--	--	-
Net Income	$ 2.21	$ 1.70	$ 1.69	$ 1.60	$ 1.03
Diluted					
Income before Cumulative Effect of Accounting Change	$ 2.19	$ 1.78	$ 1.67	$ 1.58	$ 1.01
Cumulative Effect of Accounting Change, net of tax(1)	--	(0.10)	--	--	-
Net Income	$ 2.19	$ 1.68	$ 1.67	1.58	$ 1.01
Shares Used in Per Share Calculation:					
Basic	12,334	13,235	14,163	14,982	15,102
Diluted	12,428	13,383	14,349	15,181	15,306
Cash Dividends Declared Per Common Share	$ 0.56	$ 0.48	$ 0.40	$ 0.32	$ 0.28
Pro Forma Amounts Assuming Change had been in effect during 1998, 1997 and 1996					
Net Income	$ 27,244	$ 23,833	$ 23,697	$ 23,816	$ 15,400
Earnings Per Share - Basic	$ 2.21	$ 1.80	$ 1.67	$ 1.59	$ 1.02
Earnings Per Share - Diluted	$ 2.19	$ 1.78	$ 1.65	$ 1.57	$ 1.01

SELECTED CONSOLIDATED FINANCIAL DATA (continued)

(dollar and share amounts in thousands, except per share data)	Year Ended December 31,				
	2000	1999	1998	1997	1996

Balance Sheet Data (at period end)					
Rental Equipment, at cost	$353,485	$311,281	$282,987	$246,484	$201,712
Rental Equipment, net	$247,402	$217,178	$200,028	$174,086	$137,292
Total Assets	$357,246	$297,722	$278,676	$252,392	$200,035
Notes Payable	$126,876	$110,300	$ 97,000	$ 82,000	$ 53,850
Shareholders' Equity	$108,958	$ 95,403	$105,394	$ 98,646	$ 88,808
Shares Issued and Outstanding	12,125	12,546	13,970	14,522	14,820
Book Value Per Share	$ 8.99	$ 7.60	$ 7.54	$ 6.79	$ 5.99
Debt (Total Liabilities) to Equity	2.28	2.12	1.64	1.56	1.25
Debt (Notes Payable) to Equity	1.16	1.16	0.92	0.83	0.61
Return on Average Equity	26.7%	22.7%	24.0%	24.5%	18.0%

(1) See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Fiscal Years 1999 and 1998" below for a discussion of the change in accounting method for rental revenue recognition in response to SAB No. 101.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

RESULT OF OPERATIONS

GENERAL

Revenues are derived primarily from the rental of relocatable modular offices and electronic test and measurement instruments. The Company has expanded the rental inventory of relocatable modular offices and electronic instruments. This expansion has been funded through internal cash flow, private placement of long-term debt and conventional bank financing.

The major portion of the Company's revenue is derived from rental operations comprising approximately 68% of consolidated revenues in 2000 and 67% of consolidated revenues for the three years ended December 31, 2000. Over the past three years modulars comprised 68% of the cumulative rental operations, and electronics comprised 32% of the cumulative rental operations.

The Company sells both modular and electronic equipment that is new, previously available for rent, or manufactured by its majority owned subsidiary, Enviroplex. In the case of some modular equipment, the Company acts as a dealer of relocatable modular offices and is licensed as a dealer by governmental agencies in California and Texas. Revenues from sales of both modular and electronic equipment have comprised approximately 31% of the Company's consolidated revenues in 2000 and 32% of the Company's consolidated revenues over the last three years. During these three years, modular sales represented 80% and electronic sales represented 20%.

The rental and sale of modulars to public school districts is a significant part of the Company's business. School business comprised 35%, 34% and 45% of the Company's consolidated rental and sales revenues for 2000, 1999 and 1998. Sales revenues declined significantly in 1999 and 1998 as school districts' demand for classrooms declined as school districts finished implementing the Class Size Reduction Program introduced by the state of California in 1996. (See "Business - Relocatable Modular Offices - Classroom Rentals and Sales" above.)

The following table sets forth for the periods indicated the results of operations as a percentage of revenues and the percentage of changes in such items as compared to the indicated prior period:

	Percent of Revenues				Percent Change	
	Three Years 2000-1998	Year Ended December 31, 2000	1999	1998	2000 over 1999	1999 over 1998
Revenues						
Rental	57%	58%	61%	53%	21%	9%
Rental Related Services	10	10	10	9	32	13
Rental Operations	67	68	71	62	22	10
Sales	32	31	28	38	38	(27)
Other	1	1	1	nm	nm	nm
Total Revenues	100%	100%	100%	100%	26%	(4)%
Costs and Expenses						
Direct Costs of Rental Operations						
Depreciation	14	15	15	12	21	17
Rental Related Services	5	6	6	5	30	10
Other	11	10	11	10	28	7
Total Direct Costs of Rental Operations	30	31	32	27	25	12
Cost of Sales	23	22	20	26	39	(26)
Total Costs	53	53	52	53	30	(6)
Gross Margin	47	47	48	47	22	(1)
Selling and Administrative	12	13	13	12	17	5
Income from Operations	35	34	35	35	24	(4)
Interest	5	5	5	5	34	4
Income before Provision for Income Taxes	30	29	30	30	22	(5)
Provision for Income Taxes	12	12	11	12	33	(7)
Income before Minority Interest	18	17	19	18	16	(3)
Minority Interest in Income of Subsidiary	1	nm	1	nm	nm	nm
Income before Effect of Accounting Change	17	17	18	18	14	nm
Cumulative Effect of Accounting Change, net of tax	nm	nm	1	nm	nm	nm
Net Income	17%	17%	17%	18%	21%	(6%)

nm = not meaningful

FISCAL YEARS 2000 AND 1999

This section contains statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. See "General" above for cautionary information with respect to such forward-looking statements.

Rental revenues increased $16.2 million (21%) over 1999, with MMMC contributing $5.2 million and RenTelco contributing $11.0 million of the increase. As of December 31, 2000, rental equipment on rent increased for MMMC by $30.7 million and for RenTelco by $19.0 million compared to a year earlier. Average utilization for modulars, excluding new equipment not previously rented, increased from 81.6% in 1999 to 82.3% in 2000 while the annual yield declined slightly for modulars from 24.2% to 23.8% as a result of lower rental rates due to mix of business activity. Average utilization for electronics increased dramatically from 53.8% in 1999 to 61.4% in 2000 with electronics annual yield increasing from 39.7% in 1999 to 46.3% in 2000 resulting from increased market demand.

Depreciation on rental equipment in 2000 increased $4.1 million (21%) over 1999 due to additional rental equipment purchased during 2000 and 1999. The average modular rental equipment, at cost, increased $23.9 million (11%) and average electronics rental equipment, at cost, increased $14.0 million (20%) over 1999. Other direct costs of rental operations increased $4.0 million (28%) over 1999 primarily due to the $1.9 million of impairment losses recorded on rental equipment that was beyond economic repair and increased maintenance and repair expenses of the modular fleet. Consolidated gross margin on rents declined slightly from 56.8% in 1999 to 55.7% in 2000.

Rental related services revenues in 2000 increased $4.1 million (32%) over 1999 as a result of a higher volume of modular equipment movements and site requirements in 2000. Gross margins on these services increased slightly from 45.2% in 1999 to 45.9% in 2000.

Sales in 2000 increased $14.0 million (38%) over 1999 as a result of three significant sales by MMMC accounting for 56% of the increase and a $5.8 million increase in sales by Enviroplex to school districts. During 2000, the Company's largest sale was recorded during the third and fourth quarter for new classrooms to a school district for approximately $4.4 million and represented 9% of its sales. Sales continue to occur routinely as a normal part of the Company's rental business; however, these sales can fluctuate from quarter to quarter and year to year depending on customer demands, requirements and funding. Consolidated gross margin on sales declined slightly from 29.6% in 1999 to 28.9% in 2000.

Enviroplex's backlog of orders as of December 31, 2000 and 1999 was $6.8 million and $12.6 million, respectively. Typically, in the California classroom market, booking activity for the first half of the year provides the most meaningful information towards determining order levels to be produced for the entire year. (Backlog is not significant in MMMC's modular business or in RenTelco's electronic business.)

Selling and administrative expenses in 2000 increased $2.9 million (17%) over 1999. The increase is due primarily to increases in salaries, incentive and performance bonuses, benefits and hiring costs during 2000. As a percentage of revenues, selling and administrative expenses for 2000 remained consistent with 1999.

Interest expense in 2000 increased $2.2 million (34%) over 1999 as a result of 17% higher debt levels and 15% higher average interest rates over a year earlier. During 2000, the higher debt levels resulted from capital investments other than rental equipment, payment of dividends and repurchases of common stock.

Income before provision for taxes in 2000 increased $8.7 million (22%) from 1999 and net income before effect of the accounting change increased $3.4 million (14%). The lower percentage increase for net income before effect of the accounting change is due to a higher effective tax rate of 41.5% in 2000 as compared to 38.1% in 1999. The higher effective tax rate in 2000 resulted from recording a true-up of the state income tax accrual rate.

Net income increased 21% from $22.5 million in 1999 to $27.2 million in 2000 with earnings per diluted share increasing 30% from $1.68 per diluted share in 1999 to $2.19 per diluted share in 2000. Last year's comparative net income included a one-time accounting charge of $1.4 million or $0.10 per diluted share. Excluding the impact of the one-time accounting charge, net income for 1999 would have been $23.8 million or $1.78 per diluted share resulting in comparative net income increasing 14% and diluted earnings per share increasing 23% in 2000.

FISCAL YEARS 1999 AND 1998

As anticipated, during 1999 increased revenues from rental operations significantly offset the decline in sales revenues. However, net income for 1999 was reduced by the impact of both a noncash pre-tax compensation charge of $885,000, as well as a one-time, noncash, after-tax charge of $1.4 million reflecting the cumulative effect through December 31, 1998 of the Company's change in accounting method for rental revenues as of January 1, 1999. After considering the impact of these two charges, net income for 1999 was $22.5

million, or $1.68 per diluted share compared to the prior year's reported net income of $23.9 million, or $1.67 per diluted share. Excluding the impact of these two charges, net income in 1999 would have been $24.4 million, or $1.82 per diluted share. Assuming this accounting method had been in effect in 1998, net income for 1998 would have been $23.7 million, or $1.65 per diluted share, and comparative earnings per diluted share would have increased 10% in 1999 as a result of higher earnings and fewer outstanding shares.

Rental revenue is recognized under the "operating method" of accounting for the majority of leases. Effective January 1, 1999, rental revenue was recognized ratably over the month on a daily basis. Rental billings for periods extending beyond the month end are recorded as deferred income. In prior years, only rental billings extending beyond a one-month period were recorded as deferred income. The new method of recognizing revenue was adopted in response to the Security and Exchange Commission's Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition." The effect was reported as a change in accounting method in accordance with Accounting Principles Board Opinion ("APB")

No. 20, "Accounting Changes." The cumulative effect of changing to a new method of accounting effective January 1, 1999 was to decrease net income by $1.4 million (net of taxes of $883,000) or $0.10 per diluted share. The pro forma amounts shown on the consolidated statements of income have been adjusted as if the new method of revenue recognition had been in effect for all periods presented.

Rental revenues increased $6.8 million (9%) over 1998, with MMMC contributing $3.7 million and RenTelco contributing $3.1 million of the increase. As of December 31, 1999, rental equipment on rent increased for MMMC by $16.6 million and for RenTelco by $5.3 million compared to a year earlier. Even though average utilization for modulars, excluding new equipment not previously rented, decreased from 83.1% in 1998 to 81.6% in 1999, the annual yield declined for modulars from 25.7% to 24.2% as a result of lower rental rates due to competition. Average utilization for electronics declined slightly from 54.6% in 1998 to 53.8% in 1999 with electronics annual yield declining from 42.2% in 1998 to 39.7% in 1999 resulting primarily from competitive pricing pressures.

Rental related services revenues in 1999 increased $1.5 million (13%), over 1998 as a result of a higher volume of modular equipment movements and site requirements in 1999. Gross margins on these services increased from 43.4% in 1998 to 45.2% in 1999.

Sales in 1999 declined $14 million (27%) primarily due to a reduction in sales of manufactured classrooms by Enviroplex to school districts from the high levels in 1998 caused by California's Class Size Reduction Program. Further, increased business levels for Enviroplex anticipated from the $9.2 billion California bond measure, which passed in November 1998, did not materialize in 1999. The single largest sale in 1999 was by Enviroplex for $1.6 million of new classrooms to a school district. Sales occur routinely as a normal part of the Company's rental business; however, these sales fluctuate from quarter to quarter and year to year depending on customer demands, requirements and funding. Consolidated gross margin on sales declined slightly from 31.1% in 1998 to 29.6% in 1999 due to the lower margin classroom projects sold during 1999.

Enviroplex's backlog of orders as of December 31, 1999 and 1998 was $12.6 million and $1.5 million, respectively. (Backlog is not significant in MMMC's modular business or in RenTelco's electronic business.)

Depreciation on rental equipment in 1999 increased $2.9 million (17%) over 1998 due to additional rental equipment purchased during 1999. The average modular rental equipment, at cost, increased $22.3 million (11%) and average electronics rental equipment, at cost, increased $11.6 million (20%) over 1998. Other direct costs of rental operations increased $894,000 (7%) over 1998 primarily due to increased maintenance and repair expenses of the modular fleet. Additionally, during 1998 as in the prior year, a significant number of school customers opted to include upfront charges in the rental rate resulting in higher amortization expense of these related upfront costs over the lease term in subsequent periods.

Selling and administrative expenses in 1999 increased $883,000 (5%) over 1998. During 1999, the Company repurchased 80,000 shares of stock at $18.00 per share from an employee who had acquired the stock at $6.94 per share through the exercise of a stock option, resulting in the recognition of a noncash compensation expense of $885,000.

Interest expense in 1999 increased $280,000 (4%) over 1998 as a result of higher average borrowing levels in 1999 offset by a lower weighted average interest rate. The debt increase funded part of the significant rental equipment purchases made during 1999.

Income before provision for taxes in 1999 decreased $2.0 million (5%) from 1998 while net income before effect of the accounting change only decreased $62,000 (less than 1%) from 1998. The lower percentage decrease for net income before effect of the accounting change is due to the decrease in the minority interest in income of Enviroplex combined with a lower effective tax rate in 1999 of 38.1% compared to 39.1% in 1998 as more business is derived outside of California.

LIQUIDITY AND CAPITAL RESOURCES

This section contains statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. See "General" above for cautionary information with respect to such forward-looking statements.

The Company's rental businesses are capital intensive, with significant capital expenditures required to maintain and grow the rental assets. During the last three years, the Company has financed its working capital and capital expenditure requirements through cash flow from operations, proceeds from the sale of rental equipment, the private placement of long-term debt and from bank borrowings. As the following table indicates, cash flow provided by operating activities and proceeds from sales of rental equipment have been sufficient to fund the net rental asset growth of $107.0 million in the past three years.

FUNDING OF RENTAL ASSET GROWTH

(amounts in thousands)	Year Ended December 31,			Three Year Totals
	2000	1999	1998	
Cash Provided by Operating Activities	$49,966	$53,235	$41,967	$145,168
Proceeds from the Sale of Rental Equipment	$18,380	$16,352	$13,759	$ 48,491
Total Cash Available for Purchase of Rental	$68,346	$69,587	$55,726	$193,659
Notes Payable Increase	$16,576	$13,300	$15,000	$ 44,876
Purchase of Rental Equipment	$67,389	$47,310	$51,159	$165,858
Rental Equipment, at cost, Increase	$42,204	$28,294	$36,503	$107,001

In addition to increasing its rental assets, the Company has invested in other capital expenditures of $3.4 million in 2000, $2.3 million in 1999 and $1.9 million in 1998, and has used significant cash to provide returns to its shareholders, both in the form of cash dividends and by stock repurchases. The Company has made purchases of shares of its common stock from time to time in the over-the-counter market (NASDAQ) and/or through privately negotiated, large block transactions under an authorization of the Board of Directors. Shares repurchased by the Company are canceled and returned to the status of authorized but unissued stock. As of March 16, 2001, 805,800 shares remain authorized for repurchase. The following table summarizes the dividends paid and the repurchases of the Company's common stock during the past three years.

DIVIDEND AND REPURCHASE SUMMARY

(amounts in thousands, except per share data)	Year Ended December 31,			Three Year Totals
	2000	1999	1998	
Cash Dividends Paid	$ 6,675	$ 6,134	$ 5,386	$18,195
Shares Repurchased	451	1,550	620	2,621
Average Price Per Share	$ 16.33	$ 18.21	$ 19.77	$ 18.25
Aggregate Purchase Price	$ 7,364	$28,212	$12,247	$47,823
Total Cash Returned to Shareholders	$14,039	$34,346	$17,633	$66,018

As the Company's assets have grown, it has been able to negotiate increases in the borrowing limit under its general bank line of credit, which limit is currently $120.0 million. The Company increased its borrowings under this line by $16.6 million during the year, and at December 31, 2000, the outstanding borrowings under this line were $86.9 million. In addition to the $120.0 million line of credit, the Company has a $5.0 million committed line of credit facility related to its cash management services. The Company had a total liabilities to equity ratio of 2.28 to 1 and 2.12 to 1 as of December 31, 2000 and 1999, respectively; and the debt (notes payable) to equity ratio was 1.16 to 1 at December 31, 2000 and 1999. Although no assurance can be given, the Company believes it will continue to be able to negotiate higher limits on its general bank lines of credit adequate to meet capital requirements not otherwise met by operational cash flows and long term debt.

In July 1998, the Company completed a private placement of $40.0 million of 6.44% Senior Notes due in 2005. Interest on the notes is due semi-annually in arrears and the principal is due in five equal installments commencing on July 15, 2001 (and thus, the outstanding balance at December 31, 2000, was $40.0 million).

Please see the Company's Consolidated Statements of Cash Flows on page 22 for a more detailed presentation of the sources and uses of the Company's cash.

The Company does not have any material commitments or obligations requiring the expenditure of cash in the future inconsistent with its expenditures in the periods reported herein. The Company believes that its needs for working capital and capital expenditures through 2001 and beyond will be adequately met by operational cash flow, proceeds from sale of rental equipment, and bank borrowings. The Company believes that it has the ability to reduce materially the amount of cash it uses to purchase rental equipment, pay dividends and repurchase its common stock in the future if a need to conserve cash should arise unexpectedly.

MARKET RISK

This section contains statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. See "General" above for cautionary information with respect to such forward-looking statements.

The Company currently has no material derivative financial instruments which expose the Company to significant market risk. The Company is exposed to cash flow and fair value risk due to changes in interest rates with respect to its notes payable. The table below presents principal cash flows and related weighted average interest rates of the Company's notes payable at December 31, 2000 by expected maturity dates. Weighted average variable rates are based on implied forward rates in the yield curve at the reporting date.

(dollar amounts in thousands)

	2001	2002	2003	2004	2005	Total	Fair Value
Fixed Rate	$ 8,000	$8,000	$ 8,000	$8,000	$8,000	$40,000	$40,000
Average Interest Rate	6.44%	6.44%	6.44%	6.44%	6.44%	6.44%	
Variable Rate	$21,719	$43,438	$21,719	$ --	$ --	$86,876	$86,876
Average Interest Rate	7.62%	7.62%	7.62%	--	--	7.62%	

IMPACT OF INFLATION

Although the Company cannot precisely determine the effect of inflation, from time to time it has experienced increases in costs of rental equipment, manufacturing costs, operating expenses and interest. Because most of its rentals are relatively short term, the Company has generally been able to pass on such increased costs through increases in rental rates and selling prices.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

INDEX PAGE

Report of Independent Public Accountants

To the Shareholders and Board of Directors of McGrath RentCorp:

We have audited the accompanying consolidated balance sheets of McGrath RentCorp (a California corporation) and subsidiary as of December 31, 2000 and 1999, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of McGrath RentCorp as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

As explained in Note 2 to the consolidated financial statements, the Company changed its method of accounting for rental revenue effective January 1, 1999 whereby all rental revenues are recognized ratably over the month on a daily basis.

San Francisco, California
February 9, 2001

ARTHUR ANDERSEN LLP

MCGRATH RENTCORP
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
(in thousands, except per share amounts)	2000	1999	1998
REVENUES			
Rental	$ 94,931	$ 78,754	$ 71,967
Rental Related Services	17,185	13,043	11,528
Rental Operations	112,116	91,797	83,495
Sales	51,024	37,039	51,044
Other	1,018	1,126	889
Total Revenues	164,158	129,962	135,428
COSTS AND EXPENSES			
Direct Costs of Rental Operations			
Depreciation	23,850	19,780	16,862
Rental Related Services	9,304	7,153	6,531
Other	18,250	14,284	13,390
Total Direct Costs of Rental Operations	51,404	41,217	36,783
Cost of Sales	36,256	26,078	35,189
Total Costs	87,660	67,295	71,972
Gross Margin	76,498	62,667	63,456
Selling and Administrative	19,982	17,103	16,220
Income from Operations	56,516	45,564	47,236
Interest	8,840	6,606	6,326
Income before Provision for Income Taxes	47,676	38,958	40,910
Provision for Income Taxes	19,762	14,874	16,010

Income before Minority Interest	27,914	24,084	24,900
Minority Interest in Income of Subsidiary	670	251	1,005
Income before Effect of Accounting Change	27,244	23,833	23,895
Cumulative Effect of Accounting Change, net of tax benefit of $883	--	(1,367)	--
Net Income	$ 27,244	$ 22,466	$ 23,895
Earnings Per Share:			
Basic			
Income before cumulative effect of accounting change	$ 2.21	$ 1.80	$ 1.69
Cumulative effect of accounting change, net of tax	--	(0.10)	--
Net Income	$ 2.21	$ 1.70	$ 1.69
Diluted			
Income before cumulative effect of accounting change	$ 2.19	$ 1.78	$ 1.67
Cumulative effect of accounting change, net of tax	--	(0.10)	--
Net Income	$ 2.19	$ 1.68	$ 1.67
Shares Used in Per Share Calculation:			
Basic	12,334	13,235	14,163
Diluted	12,428	13,383	14,349
Pro Forma Amounts Assuming Accounting Change had been in effect during 1998			
Net Income	$ 27,244	$ 23,833	$ 23,697
Earnings Per Share - Basic	$ 2.21	$ 1.80	$ 1.67
Earnings Per Share - Diluted	$ 2.19	$ 1.78	$ 1.65

The accompanying notes are an integral part of these consolidated financial statements.

MCGRATH RENTCORP
CONSOLIDATED BALANCE SHEETS

	December 31,	
(in thousands)	2000	1999
ASSETS		
Cash	$ 643	$ 490
Accounts Receivable, less allowance for doubtful accounts of $650 in 2000 and 1999	45,687	25,095
Rental Equipment, at cost:		
Relocatable Modular Offices	261,081	238,449
Electronic Test Instruments	92,404	72,832
	353,485	311,281
Less Accumulated Depreciation	(106,083)	(94,103)
Rental Equipment, net	247,402	217,178
Land, at cost	19,303	19,303
Buildings, Land Improvements, Equipment and Furniture, at cost, less accumulated depreciation of $6,815 in 2000 and $5,116 in 1999	33,233	31,668
Prepaid Expenses and Other Assets	10,978	3,988
Total Assets	$ 357,246	$ 297,722

LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Notes Payable	$ 126,876	$ 110,300
Accounts Payable and Accrued Liabilities	37,012	24,811
Deferred Income	19,241	9,511
Minority Interest in Subsidiary	3,506	2,836
Deferred Income Taxes	61,653	54,861
Total Liabilities	248,288	202,319
Shareholders' Equity:		
Common Stock, no par value -- Authorized -- 40,000 shares Issued and Outstanding -- 12,125 shares in 2000 and 12,546 shares in 1999	8,971	8,755
Retained Earnings	99,987	86,648
Total Shareholders' Equity	108,958	95,403
Total Liabilities and Shareholders' Equity	$ 357,246	$ 297,722

The accompanying notes are an integral part of these consolidated financial statements.

MCGRATH RENTCORP
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands, except per share amounts)	Common Stock Shares	Common Stock Amount	Retained Earnings	Total Shareholders' Equity
BALANCE AT DECEMBER 31, 1997	14,522	$ 7,757	$ 90,889	$ 98,646
Net Income	--	--	23,895	23,895
Repurchase of Common Stock	(620)	(340)	(11,907)	(12,247)
Noncash Compensation	37	485	--	485
Exercise of Stock Options	31	236	--	236
Dividends Declared of $0.40 Per Share	--	--	(5,621)	(5,621)
BALANCE AT DECEMBER 31, 1998	13,970	8,138	97,256	105,394
Net Income	--	--	22,466	22,466
Repurchase of Common Stock	(1,550)	(1,381)	(26,831)	(28,212)
Noncash Compensation	35	1,343	--	1,343
Exercise of Stock Options	91	655	--	655
Dividends Declared of $0.48 Per Share	--	--	(6,243)	(6,243)
BALANCE AT DECEMBER 31, 1999	12,546	8,755	86,648	95,403
Net Income	--	--	27,244	27,244
Repurchase of Common Stock	(451)	(327)	(7,037)	(7,364)
Noncash Compensation	20	454	--	454
Exercise of Stock Options	10	89	--	89
Dividends Declared of $0.56 Per Share	--	--	(6,868)	(6,868)
BALANCE AT DECEMBER 31, 2000	12,125	$8,971	$99,987	$108,958

The accompanying notes are an integral part of these consolidated financial statements.

MCGRATH RENTCORP
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Year Ended December 31, 2000	1999	1998
Cash Flow from Operating Activities:			
Net Income	$ 27,244	$ 22,466	$ 23,895
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	25,716	21,474	18,309
Impairment Loss Related to Rental Equipment	1,689	--	--
Cumulative Effect of Accounting Change, net of tax	--	1,367	--
Noncash Compensation	454	1,343	485
Gain on Sale of Rental Equipment	(6,755)	(5,971)	(5,404)
Change In:			
Accounts Receivable	(20,592)	(3,284)	(17)
Prepaid Expenses and Other Assets	(6,990)	1,579	991
Accounts Payable and Accrued Liabilities	12,678	1,990	(3,850)
Deferred Income	9,730	1,687	(1,354)
Deferred Income Taxes	6,792	10,584	8,912
Net Cash Provided by Operating Activities	49,966	53,235	41,967
Cash Flow from Investing Activities:			
Purchase of Rental Equipment	(67,389)	(47,310)	(51,159)
Purchase of Land, Buildings, Land Improvements, Equipment and Furniture	(3,430)	(2,253)	(4,041)
Proceeds from Sale of Land, Buildings and Land Improvements	--	--	2,190
Proceeds from Sale of Rental Equipment	18,380	16,352	13,759
Net Cash Used in Investing Activities	(52,439)	(33,211)	(39,251)
Cash Flow from Financing Activities:			
Net Borrowings (Repayments) under Bank Lines of Credit	16,576	13,300	(25,000)
Borrowings under Private Placement	--	--	40,000
Net Proceeds from the Exercise of Stock Options	89	655	236
Repurchase of Common Stock	(7,364)	(28,212)	(12,247)
Payment of Dividends	(6,675)	(6,134)	(5,386)
Net Cash Provided by (Used in) Financing Activities	2,626	(20,391)	(2,397)
Net Increase (Decrease) in Cash	153	(367)	319
Cash Balance, Beginning of Period	490	857	538
Cash Balance, End of Period	$ 643	$ 490	$ 857
Interest Paid During the Period	$ 8,504	$ 6,473	$ 5,407
Income Taxes Paid During the Period	$ 12,970	$ 4,290	$ 7,098
Dividends Declared but not yet Paid	$ 1,699	$ 1,506	$ 1,397

The accompanying notes are an integral part of these consolidated financial statements.

MCGRATH RENTCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND BUSINESS

McGrath RentCorp (the "Company") is a California corporation organized in 1979. The Company is comprised of three business segments: "Mobile Modular Management Corporation" ("MMMC"), its modular building rental group, "RenTelco," its electronic test equipment rental group, and "Enviroplex," its majority-owned subsidiary classroom manufacturing business. The Company's corporate offices are located in Livermore, California. In addition, branch operations for both rental divisions are conducted from this facility.

MMMC rents and sells modular buildings and accessories to fulfill customers' temporary and permanent space needs in California and Texas. These units are used as temporary offices adjacent to existing facilities, and are used as sales offices, construction field offices, classrooms, health care clinics, child care facilities and for a variety of other purposes. MMMC purchases the modulars from various manufacturers who build them to MMMC's design specifications. MMMC operates from two branch offices in California and one in Texas. Although MMMC's primary emphasis is on rentals, sales of modulars routinely occur and can fluctuate quarter to quarter and year to year depending on customer demands and requirements. Rentals and sales to school districts by MMMC represent a significant portion of MMMC's total revenues.

RenTelco rents and sells electronic test equipment nationally from two locations. The Plano, Texas location houses the Company's communications and fiber optic test equipment inventory, calibration laboratory and eastern U.S. sales engineer and operations staffs. The Livermore, California location houses the Company's general-purpose test equipment inventory, calibration laboratory and western U.S. sales engineer and operations staffs. Communications and fiber optic test equipment is utilized by field technicians, engineers and installer contractors in evaluating voice, data and multimedia communications networks, installing optical fiber cabling and in the development of switch, network and wireless products. This test equipment is rented primarily to network systems companies, electrical contractors, local & long distance carriers and manufacturers of communications transmission equipment. RenTelco purchases communications test equipment from over 40 different manufacturers domestically and abroad. Engineers, scientists and technicians utilize general-purpose test equipment in evaluating the performance of their own electrical and electronic equipment, developing products, controlling manufacturing processes and in field service applications. These instruments are rented primarily to electronics, industrial, research and aerospace companies. The majority of general-purpose equipment is manufactured by Agilent (formerly Hewlett Packard), Tektronix and Acterna.

McGrath RentCorp owns 73% of Enviroplex, a California corporation organized in 1991. Enviroplex manufactures portable classrooms built to the requirements of the California Division of the State Architect ("DSA") and sells directly to school districts. Enviroplex conducts its sales and manufacturing operations from its facility located in Stockton, California.

The rental and sale of modulars to public school districts for use as portable classrooms, restroom buildings and administrative offices for kindergarten through grade twelve (K-12) are a significant portion of the Company's revenues. School business comprised approximately 35%, 34% and 45% of the Company's consolidated rental and sales revenues for 2000, 1999 and 1998, respectively.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of McGrath RentCorp and Enviroplex. All significant intercompany accounts and transactions are eliminated.

REVENUES

Rental revenue is recognized under the "operating method" of accounting for the majority of leases. Effective January 1, 1999, rental revenue is recognized ratably over the month on a daily basis. Rental billings for periods

extending beyond the month end are recorded as deferred income. In prior years, only rental billings extending beyond a one-month period were recorded as deferred income. The new method of recognizing revenue was adopted in response to the Security and Exchange Commission's Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition." The effect is reported as a change in accounting method in accordance with Accounting Principles Board Opinion ("APB") No. 20, "Accounting Changes." The cumulative effect of changing to a new method of accounting effective January 1, 1999 was to decrease net income by $1,367,000 (net of taxes of $883,000) or $0.10 per diluted share. The pro forma amounts shown on the consolidated statements of income have been adjusted as if the new method of revenue recognition had been in effect for all periods presented.

Rental related services revenue is primarily associated with relocatable modular office leases and consists of billings to customers for delivery, installation, modifications, skirting, additional site related work, and return delivery and dismantle. Revenue related to these services is recognized over the term of the lease.

Sales revenue is recognized upon delivery and installation of the equipment to the customer. Certain leases meeting the requirements of Statement of Financial Accounting Standards ("SFAS") No. 13, "Accounting for Leases," are accounted for as sales type leases. For these leases, sales revenue and the related accounts receivable are recognized upon execution of the lease and unearned interest is recognized over the lease term on a basis which results in a constant rate of return on the unrecovered lease investment (see Note 4).

DEPRECIATION AND MAINTENANCE

Rental equipment, buildings, land improvements, equipment and furniture are depreciated on a straight-line basis for financial reporting purposes and on an accelerated basis for income tax purposes. The costs of major refurbishment of relocatable modular offices are capitalized to the extent the refurbishment significantly improves the quality and adds value or life to the equipment. Land improvements consist of development costs incurred to build storage and maintenance facilities at each of the relocatable modular branch offices. The following estimated useful lives and residual values are used for financial reporting purposes:

Rental equipment:	
Relocatable modular offices and accessories	3 to 18 years, 0% to 18% residual value
Electronic test instruments and accessories	5 to 8 years, no residual value
Buildings, land improvements, equipment and furniture	5 to 50 years, no residual value

Maintenance and repairs are expensed as incurred.

IMPAIRMENT LOSS

The Company continually evaluates the carrying value of rental equipment in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets". Under SFAS 121, rental equipment is reviewed for impairment whenever events or circumstances have occurred that would indicate the carrying amount may not be fully recoverable. An impairment loss is recognized if the fair value is less than the carrying amount of the long-lived assets being evaluated. The Company determines fair value based upon the condition of the equipment and the projected net cash flows from its sale considering current market conditions.

OTHER DIRECT COSTS OF RENTAL OPERATION

Other direct costs of rental operations primarily relate to costs associated with relocatable modular offices and include equipment supplies and repairs, impairment losses, direct labor, amortization of lease costs included in the rental rate, property and liability insurance, property taxes, and business and license fees.

WARRANTY SERVICE COSTS

Sales of new relocatable modular offices, electronic test equipment and related accessories not manufactured by the Company are typically covered by warranties provided by the manufacturer of the products sold. The Company provides limited 90-day warranties for certain sales of used rental equipment and a one-year warranty on equipment manufactured by Enviroplex. Although the Company's policy is to provide reserves for warranties when required for specific circumstances, the Company has not found it necessary to establish such reserves to date.

INCOME TAXES

Provision has been made for deferred income taxes based upon the amount of taxes payable in future years, after considering changes in tax rates and other statutory provisions that will be in effect in those years (see Note 6).

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company believes that the carrying amounts of its financial instruments (cash and notes payable) approximate fair value.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in determining reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during each period presented. Actual results could differ from those estimates.

EARNINGS PER SHARE

Basic earnings per share ("EPS") is computed as net income divided by the weighted average number of shares of common stock outstanding for the period, excluding the dilutive effects of stock options and other potentially dilutive securities. Diluted EPS is computed as net income divided by the weighted average number of shares outstanding of common stock and common stock equivalents for the period. Common stock equivalents result from dilutive stock options computed using the treasury stock method with the average share price for the reported period. The weighted average number of dilutive options outstanding at December 31, 2000, 1999 and 1998 were 94,247, 147,789 and 186,624, respectively.

ACCOUNTING FOR DERIVATIVES

SFAS 133, Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS 138, establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The implementation of this statement is not expected to have a material impact on the Company's financial position or result of operations. The Company is required to adopt SFAS 133 on January 1, 2001.

COMPREHENSIVE INCOME

SFAS No. 130, "Reporting Comprehensive Income," establishes standards to measure all changes in equity that result from transactions and other economic events other than transactions with shareholders. Comprehensive income is the total of net income and all other non-shareholder changes in equity. Other than net income, the Company has no comprehensive income.

RECLASSIFICATIONS

Certain prior period amounts have been reclassified to conform to current year presentation.

NOTE 3. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of trade accounts receivable. The Company sells primarily on 30-day terms, individually performs credit evaluation procedures on its customers on each transaction and will require security deposits or personal guarantees from its customers when a significant credit risk is identified. Historically, the Company has not incurred significant credit related losses. However, an allowance for potential credit losses is maintained. Typically, most customers are established companies or are publicly funded entities located in California or Texas. Although no one customer accounts for more than 10% of the Company's consolidated revenues, credit risk exists in trade accounts receivable primarily due to the significant amount of business transacted with California public school districts (K-12) which represents a significant portion of the Company's revenues (see Note 1). The lack of fiscal funding or a significant reduction of funding from the State of California to the public schools could have a material adverse effect on the Company.

MCGRATH RENTCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 4. SALES TYPE LEASE RECEIVABLES

The Company has entered into several sales type leases. The minimum lease payments receivable and the net investment included in accounts receivable for such leases are as follows:

(in thousands)	December 31, 2000	December 31, 1999
Gross minimum lease payments receivable	$ 7,063	$ 6,992
Less - unearned interest	(1,233)	(1,253)
Net investment in sales type lease receivables	$ 5,830	$ 5,739

As of December 31, 2000, the future minimum lease payments to be received in 2001 and thereafter are as follows:

(in thousands)	
Year Ended December 31,	
2001	$4,229
2002	1,910
2003	618
2004	200
2005	98
2006 and thereafter	8
Total minimum future lease payments	$7,063

NOTE 5. NOTES PAYABLE

On July 31, 1998, the Company completed a private placement of $40,000,000 of 6.44% Senior Notes due in 2005. Interest on the notes is due semi-annually in arrears and the principal is due in 5 equal installments commencing on July 15, 2001. The outstanding balance at December 31, 2000 was $40,000,000. Among other restrictions, the agreement requires (i) the Company to maintain a minimum net worth of $80,000,000 plus 25% of all net income generated subsequent to June 30, 1998, less an aggregate amount not to exceed $15,000,000 paid by the Company to repurchase its common stock after June 30, 1998, (restricted equity at December 31, 2000 is $80,666,000), (ii) a fixed coverage charge of not less than 2.0 to 1.0, (iii) a rolling fixed charges coverage ratio of not less than 1.5 to 1.0, and (iv) senior debt not to exceed 275% of consolidated net worth and consolidated total debt not to exceed 300% of consolidated net worth.

The Company maintains an unsecured line of credit agreement, as amended, (the "Agreement") with its banks which expires on June 30, 2001 and permits it to borrow up to $120,000,000 of which $84,000,000 was outstanding as of December 31, 2000. The Agreement requires the Company to pay interest at prime or, at the Company's election, at other rate options available under the Agreement. In addition, the Company pays a commitment fee on the daily average unused portion of the available line. Among other restrictions, the Agreement requires (i) the Company to maintain shareholders' equity of not less than $75,000,000 plus 50% of all net income generated subsequent to September 30, 1999 plus 90% of any new stock issuance proceeds (restricted equity at December 31, 2000 is $91,611,000), (ii) a debt-to-equity ratio (excluding deferred income taxes) of not more than 3 to 1, (iii) interest coverage (income from operations compared to interest expense) of not less than 2 to 1 and (iv) debt service coverage (earnings before interest, taxes, depreciation and amortization compared to the following year's pro forma debt service) of not less than 1.15 to 1.0. If the Company does not amend or renegotiate the present Agreement for an additional time period prior to its expiration date, the principal amount outstanding at that time will be converted to a two-year term loan with principal due and payable in eight (8) consecutive quarterly installments.

In addition to the $120,000,000 unsecured line of credit, the Company has a $5,000,000 committed line of credit facility (at prime rate) related to its cash management services of which $2,876,000 was outstanding as of December 31, 2000. This committed line related to its cash management services will expire on June 30, 2001.

The following information relates to the lines of credit for each of the following periods:

(dollar amounts in thousands)	Year Ended December 31,

	2000	1999
Maximum amount outstanding	$ 88,090	$ 70,300
Average amount outstanding	$ 79,861	$ 62,646
Weighted average interest rate	7.57%	6.08%
Effective interest rate at end of period	7.62%	7.11%
Prime interest rate at end of period	9.50%	8.50%

NOTE 6. INCOME TAXES

The provision (benefit) for income taxes is comprised of the following:

(in thousands)	Current	Deferred	Total
Year Ended December 31,			
2000			
Federal	$10,644	$ 3,649	$14,293
State	2,326	3,143	5,469
	$12,970	$ 6,792	$19,762
1999			
Federal	$ 3,067	$ 8,972	$12,039
State	1,223	729	1,952
	$ 4,290	$ 9,701	$13,991
1998			
Federal	$ 5,526	$ 7,736	$13,262
State	1,572	1,176	2,748
	$ 7,098	$ 8,912	$16,010

In 1999, the total provision for income taxes includes a provision on income before taxes of $14,874,000 and a tax benefit of $883,000 included with the cumulative effect of accounting change on the consolidated statements of income.

The reconciliation of the federal statutory tax rate to the Company's effective tax rate is as follows:

	Year Ended December 31,		
	2000	1999	1998
Federal statutory rate	35.00%	35.00%	35.00%
State taxes, net of federal benefit	7.46	3.46	4.37
Other	(1.01)	(0.35)	(0.24)
	41.45%	38.11%	39.13%

The following table shows the tax effect of the Company's cumulative temporary differences included in net deferred income taxes on the Company's consolidated balance sheets:

(in thousands)	Year Ended December 31, 2000	1999
Excess of tax over book depreciation	$ 67,697	$ 58,112
State income taxes	(4,699)	(3,333)
Accrued liabilities not currently deductible	(948)	(73)
Revenue deferred for financial reporting purposes	(2,161)	(2,753)
Other, net	1,764	2,908
	$ 61,653	$ 54,861

NOTE 7. COMMON STOCK AND STOCK OPTIONS

The Company adopted a 1998 Stock Option Plan (the "1998 Plan"), effective March 9, 1998, under which 2,000,000 shares are reserved for the grant of options to purchase common stock to directors, officers, key employees and advisors of the Company. The plan provides for the award of options at a price not less than the fair market value of the stock as determined by the Board of Directors on the date the options are granted. Under the 1998 Plan, 532,500 options have been granted with exercise prices ranging from $15.63 to $21.69. The options vest over 5 years and expire 10 years after grant. To date, no options have been issued to any of the Company's advisors. As of December 31, 2000, 1,467,500 options remain available to issue under the 1998 plan.

The Company adopted a 1987 Incentive Stock Option Plan (the "1987 Plan"), effective December 14, 1987, under which options to purchase common stock may be granted to officers and key employees of the Company. The plan provides for the award of options at a price not less than the fair market value of the stock as determined by the Board of Directors on the date the options are granted. Under the 1987 Plan, options have been granted with an exercise price of $3.06, $6.94 and $10.75 per share. The options vest over 9.3 years and expire 10 years after grant. The 1987 Plan expired in December 1997 and no further options can be issued under this plan.

Option activity and options exercisable including weighted average exercise price for the three years ended December 31, 2000 are as follows:

	Year Ended December 31, 2000		1999		1998	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding at January 1,	516,522	15.53	541,122	13.83	364,672	8.57
Options granted during the year	187,000	16.94	103,500	18.25	242,000	20.81
Options exercised during the year	(9,948)	8.93	(91,250)	7.18	(31,282)	7.55
Options terminated during the year	(33,964)	18.76	(36,850)	18.74	(34,268)	12.93
Options outstanding at						

December 31,	659,610	15.87	516,522	15.53	541,122	13.85
Options exercisable at December 31,	246,530	14.11	172,407	13.22	171,877	8.55

MCGRATH RENTCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table indicates the options outstanding and options exercisable by exercise price with the weighted average remaining contractual life for the options outstanding and the weighted average exercise price at December 31, 2000:

	Options Outstanding			Options Exercisable	
Exercise Price	Number Outstanding at 12/31/00	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable at 12/31/00	Weighted Average Exercise Price
6.94	77,422	0.75	6.94	77,422	6.94
10.75	120,188	5.50	10.75	52,208	10.75
15.63	20,000	9.33	15.63	--	15.63
15.94	12,000	9.92	15.94	--	15.94
17.00	142,500	9.83	17.00	--	17.00
18.25	101,000	8.92	18.25	20,200	18.25
19.38	12,500	9.75	19.38	--	19.38
20.25	10,000	7.50	20.25	7,500	20.25
20.81	154,000	7.25	20.81	84,700	20.81
21.69	10,000	7.67	21.69	4,500	21.69
6.94-21.69	659,610	7.15	15.53	246,530	14.11

SFAS 123 "Accounting for Stock-Based Compensation" became effective for the Company in 1996. As allowed by SFAS 123, the Company has elected to continue to follow APB 25 "Accounting for Stock Issued to Employees" in accounting for its stock option plans. Under APB 25, the Company does not recognize compensation expense on the issuance of stock options because the option terms are fixed and the exercise price equals the market price of the underlying stock on the grant date. However, APB 25 requires recognition of noncash compensation when the Company repurchases stock acquired by an employee through the exercise of an incentive stock option. During 1999, the Company repurchased 80,000 shares of stock at $18.00 per share from an employee who had acquired the stock at $6.94 per share through the exercise of a stock option, resulting in the recognition of noncash compensation expense of $885,000. The noncash compensation of $885,000 is included in the Company's consolidated statements of income in selling and administrative expense.

In accordance with SFAS 123, the fair value of each option grant is estimated at the date of grant using the Black-Scholes option-pricing model. The assumptions used in the 2000, 1999 and 1998 grants are as follows:

	Year Ended December 31, 2000	1999	1998
Risk-free interest rates	5.9%	6.3%	6.5%
Expected dividend yields	2.9%	2.7%	2.0%
Expected volatility	26.5%	27.8%	27.1%
Expected option life (in years)	7.5	7.5	7.5

The fair value of the options granted are $2,115,000, $2,422,000 and $2,249,000 during the year ended December 31, 2000, 1999 and 1998, respectively. The weighted average fair value of grants are $5.03, $5.93 and $7.03 during the year ended 2000, 1999 and 1998, respectively.

The following pro forma net income and earnings per share data are computed for the years ended December 31, 2000, 1999 and 1998 as if compensation cost for the stock options granted subsequent to 1995 had been determined consistent with SFAS 123:

(in thousands, except per share amounts)	Year Ended December 31,		
	2000	1999	1998
Net Income	$27,244	$22,466	$23,895
Pro Forma net income	26,826	22,043	23,583
Earnings Per Share			
Basic	2.21	1.70	1.69
Diluted	2.19	1.68	1.67
Pro Forma Earnings Per Share			
Basic	2.17	1.67	1.67
Diluted	2.16	1.65	1.64

In 1985, the Company established an Employee Stock Ownership Plan. Under the terms of the plan, as amended, the Company makes annual contributions in the form of cash or common stock of the Company to a trust for the benefit of eligible employees. The amount of the contribution is determined annually by the Board of Directors. A cash contribution of $800,000 was approved for 2000 and $750,000 for 1999 and 1998.

In 1991, the Board of Directors adopted a Long-Term Stock Bonus Plan (the "1990 LTB Plan") under which shares of common stock may be granted to officers and key employees. The stock bonuses granted under the 1990 LTB Plan are evidenced by written Stock Bonus Agreements covering specified performance periods. The LTB Plan provides for the grant of stock bonuses upon achievement of certain financial goals during a specified period. Stock bonuses earned under the 1990 LTB Plan vest over 5 years from the grant date contingent on the employee's continued employment with the Company. As of December 31, 2000, 203,507 shares of common stock have been granted, of which 163,096 shares are vested. Future grants of 19,338 shares of common stock are authorized by the Board of Directors to be issued under the 1990 LTB Plan in the event the Company reaches the highest level of achievement. The 1990 LTB Plan expired in December 1999 and no further grants of common stock can occur under the 1990 LTB Plan. Compensation expense for 2000, 1999 and 1998 under this plan was $454,000, $458,000 and $485,000, respectively, and is based on a combination of the anticipated shares to be granted, the amount of vested shares previously issued and fluctuations in market price of the Company's common stock. As of December 31, 2000, 1999 and 1998, the unvested shares were 40,411, 61,348 and 64,457, respectively, with the related weighted average grant-date fair value of these unvested shares of $20.45, $20.23 and $20.42 per share, respectively.

In 2000, the Board of Directors adopted a Long-Term Stock Bonus Plan (the "2000 LTB Plan") under which 400,000 shares of common stock are reserved for grant to officers and key employees. The terms of the 2000 LTB Plan are the same as the 1990 Plan described above. Future grants of 26,571 shares of common stock are authorized by the Board of Directors to be issued under the 2000 LTB Plan in the event the Company reaches its highest level of achievement. As of December 31, 2000, no shares of common stock have been granted or vested under this plan.

The Board of Directors has authorized the repurchase of shares of the Company's outstanding common stock. These purchases are to be made in the over-the-counter market and/or through large block transactions at such repurchase price as the officers shall deem appropriate and desirable on behalf of the Company. All shares repurchased by the Company are to be canceled and returned to the status of authorized but unissued shares of common stock. In 1998, the Company repurchased 619,550 shares of common stock for an aggregate repurchase price of $12,247,000 or an average price of $19.77 per share. In 1999, the Company repurchased 1,549,526 shares of common stock for an aggregate repurchase price of $28,212,000 or an average price of $18.21 per share. In 2000, the Company repurchased 450,942 shares of common stock for an aggregate repurchase price of $7,364,000 or an average price of $16.33 per share. As of December 31, 2000, 805,800 shares remain authorized for repurchase.

NOTE 8. BUSINESS SEGMENTS

As of January 1, 1998, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." The Company defined its business segments based on the nature of operations for the purpose of reporting under SFAS 131. The Company's three reportable segments are Mobile Modular Management Corporation (Modulars), RenTelco (Electronics), and Enviroplex. The operations of each of these segments is described in Note 1, Organization and Business, and the accounting policies of the segments are described in Note 2, Significant Accounting Policies. As a separate corporate entity, Enviroplex revenues and expenses are separately maintained from Modulars and Electronics. Excluding interest expense, allocations of revenues and expenses not directly associated with Modulars or Electronics are generally allocated to these segments based on their pro-rata share of direct revenues. Interest expense is allocated between Modulars and Electronics based on their pro-rata share of average rental equipment, accounts receivable, deferred income and customer security deposits. The Company does not report total assets by business segment. Summarized financial information for the years ended December 31, 2000, 1999 and 1998 for the Company's reportable segments is shown in the following table:

(in thousands)	Modulars	Electronics	Enviroplex	Consolidated
YEAR ENDED DECEMBER 31, 2000				
Rental Operations Revenues	$ 73,241	$ 38,875	$ --	$112,116

Sales and Other Revenues	24,254	10,796	16,992	52,042
Total Revenues	97,495	49,671	16,992	164,158
Depreciation on Rental Equipment	12,546	11,304	--	23,850
Interest Expense (Income)	6,725	2,459	(344)	8,840
Income before Provision for Income Taxes	23,565	20,454	3,657	47,676
Rental Equipment Acquisitions	36,017	31,372	--	67,389
Accounts Receivable, net (year-end)	28,816	12,902	3,969	45,687
Rental Equipment, at cost (year-end)	261,081	92,404	--	353,485
1999				
Rental Operations Revenues	$ 64,164	$ 27,633	$ --	$ 91,797
Sales and Other Revenues	16,600	10,415	11,150	38,165
Total Revenues	80,764	38,048	11,150	129,962
Depreciation on Rental Equipment	10,811	8,969	--	19,780
Interest Expense (Income)	5,097	1,724	(215)	6,606
Income before Provision for Income Taxes	23,838	13,641	1,479	38,958
Rental Equipment Acquisitions	30,443	16,867	--	47,310
Accounts Receivable, net (year-end)	11,334	9,691	4,070	25,095
Rental Equipment, at cost (year-end)	238,449	72,832	--	311,281
1998				
Rental Operations Revenues	$ 58,964	$ 24,531	$ --	$ 83,495
Sales and Other Revenues	23,619	7,642	20,672	51,933
Total Revenues	82,583	32,173	20,672	135,428
Depreciation on Rental Equipment	9,398	7,464	--	16,862
Interest Expense	4,802	1,505	19	6,326
Income before Provision for Income Taxes	23,133	11,875	5,902	40,910
Rental Equipment Acquisitions	28,970	22,189	--	51,159
Accounts Receivable, net (year-end)	10,765	6,900	4,146	21,811
Rental Equipment, at cost (year-end)	216,414	66,573	--	282,987

MCGRATH RENTCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 9. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Quarterly financial information for each of the two years ended December 31, 2000 is summarized below:

(in thousands, except per share amounts)	2000				
	First	Second	Third	Fourth	Year
OPERATIONS DATA					
Rental revenues	$ 21,381	$ 22,847	$ 24,876	$ 25,827	$ 94,931
Total revenues	31,643	37,369	54,643	40,503	164,158
Gross margin	15,953	17,679	23,678	19,188	76,498
Income from operations	11,258	12,892	18,138	14,228	56,516
Income before income taxes	9,314	10,732	15,777	11,853	47,676
Net income	5,703	6,389	9,044	6,108	27,244
Earnings per share:					
Basic	$ 0.46	$ 0.52	$ 0.73	$ 0.50	$ 2.21
Diluted	$ 0.45	$ 0.52	$ 0.73	$ 0.50	$ 2.19
Dividends declared per share	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.56
Shares used in per share calculation:					
Basic	12,500	12,305	12,308	12,223	12,334
Diluted	12,593	12,393	12,402	12,335	12,428
BALANCE SHEET DATA					
Rental equipment net	$222,695	$234,832	$243,270	$247,402	$247,402

Total assets	301,823	321,955	345,371	357,246	357,246
Notes payable	114,000	125,800	127,400	126,876	126,876
Shareholders' equity	95,024	99,733	107,067	108,958	108,958

MCGRATH RENTCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 9. QUARTERLY FINANCIAL INFORMATION (UNAUDITED) (continued)

	1999				
(in thousands, except per share amounts)	First	Second	Third	Fourth	Year
OPERATIONS DATA					
Rental revenues	$ 19,059	$ 19,019	$ 20,117	$ 20,559	$ 78,754
Total revenues	28,574	31,559	36,657	33,172	129,962
Gross margin	14,577	15,263	16,694	16,133	62,667
Income from operations	10,378	11,274	12,670	11,242	45,564
Income before income taxes	8,862	9,693	10,949	9,454	38,958
Income before effect of accounting change	5,420	5,798	6,636	5,979	23,833
Cumulative effect of accounting change, net of tax	(1,367)	--	--	--	(1,367)
Net income	4,053	5,798	6,636	5,979	22,466
Earnings per share:					
Basic					
Income before cumulative effect of accounting change	$ 0.39	$ 0.43	$ 0.51	$ 0.47	$ 1.80
Cumulative effect of accounting change, net of tax	(0.10)	--	--	--	(0.10)
Net Income	$ 0.29	$ 0.43	$ 0.51	$ 0.47	$ 1.70
Diluted					
Income before cumulative effect of accounting change	$ 0.39	$ 0.43	$ 0.50	$ 0.47	$ 1.78
Cumulative effect of accounting change, net of tax	(0.10)	--	--	--	(0.10)
Net Income	$ 0.29	$ 0.43	$ 0.50	0.47	$ 1.68
Dividends declared per share	$ 0.12	$ 0.12	$ 0.12	$ 0.12	$ 0.48
Shares used in per share calculation:					
Basic	13,820	13,403	13,067	12,649	13,235
Diluted	13,991	13,568	13,220	12,751	13,383
BALANCE SHEET DATA					
Rental equipment net	$ 199,008	$ 205,797	$ 213,089	$ 217,178	$ 217,178
Total assets	274,776	286,700	292,889	297,722	297,722
Notes payable	101,450	102,900	108,700	110,300	110,300
Shareholders' equity	97,937	99,476	92,274	95,403	95,403

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is incorporated by reference to McGrath RentCorp's definitive Proxy Statement with respect to its Annual Shareholders' Meeting to be held May 30, 2001, which will be filed with the Securities and Exchange Commission by not later than April 30, 2001.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to McGrath RentCorp's definitive Proxy Statement with respect to its Annual Shareholders' Meeting to be held May 30, 2001, which will be filed with the Securities and Exchange Commission by not later than April 30, 2001.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated by reference to McGrath RentCorp's definitive Proxy Statement with respect to its Annual Shareholders' Meeting to be held May 30, 2001, which will be filed with the Securities and Exchange Commission by not later than April 30, 2001.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference to McGrath RentCorp's definitive Proxy Statement with respect to its Annual Shareholders' Meeting to be held May 30, 2001, which will be filed with the Securities and Exchange Commission by not later than April 30, 2001.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Index of documents filed as part of this report:

1. The following Consolidated Financial Statements of McGrath RentCorp are included in Item 8.

2. Financial Statement Schedules. None

3. Exhibits. See Index of Exhibits on page 36 of this report.

(b) Reports on Form 8-K. None.

Schedules and exhibits required by Article 5 of Regulation S-X other than those listed are omitted because they are not required, are not applicable, or equivalent information has been included in the consolidated financial statements, and notes thereto, or elsewhere herein.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

Date: March 16, 2001

MCGRATH RENTCORP

by: /s/ Robert P. McGrath

Robert P. McGrath
Chairman of the Board
and Chief Executive Officer

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES AS INDICATED.

NAME	TITLE	DATE
/s/ William J. Dawson William J. Dawson	Director	March 16, 2001
/s/ Robert C. Hood Robert C. Hood	Director	March 16, 2001
/s/ Joan M. McGrath Joan M. McGrath	Director	March 16, 2001
/s/ Robert P. McGrath Robert P. McGrath	Chairman of the Board and Chief Executive Officer	March 16, 2001
/s/ Thomas J. Sauer Thomas J. Sauer	Vice President and Chief Financial Officer (Chief Accounting Officer)	March 16, 2001
/s/ Delight Saxton Delight Saxton	Senior Vice President and Director	March 16, 2001
/s/ Ronald H. Zech Ronald H. Zech	Director	March 16, 2001

MCGRATH RENTCORP
INDEX TO EXHIBITS

NUMBER	DESCRIPTION	METHOD OF FILING
3.1	Articles of Incorporation of McGrath RentCorp	Filed as exhibit 19.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1988 (filed August 14, 1988), and incorporated herein by reference.
3.1.1	Amendment to Articles of Incorporation of McGrath RentCorp	Filed as exhibit 3.1 to the Company's Registration Statement on Form S-1 (filed March 28, 1991 Registration No. 33-39633), and incorporated herein by reference.
3.1.2	Amendment to Articles of Incorporation of McGrath RentCorp	Filed as exhibit 3.1.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 (filed March 31, 1998), incorporated herein by reference.
3.2	Amended and Restated By-Laws of McGrath RentCorp	Filed as exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1990 (filed March 28, 1991), incorporated herein by reference.
3.2.1	Amendment of By-Laws of McGrath RentCorp	Filed as exhibit 3.2.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 (filed March 31, 1998), incorporated herein by reference.
3.2.2	Amendment of By-Laws of McGrath RentCorp	Filed as exhibit 3.2.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998 (filed March 31, 1999, amended June 25, 1999), incorporated herein by reference.
3.2.3	Amendment of By-Laws of McGrath RentCorp	Filed as exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999 (filed May 14, 1999, amended June 25, 1999) and incorporated herein by reference.
3.2.4	Amendment of By-Laws of McGrath RentCorp	Filed as exhibit 3.2.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (filed March 27, 2000), incorporated herein by reference.
4.1	Amended and Restated Credit Agreement	Filed as exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997 (filed August 1, 1997), and incorporated herein by reference.
4.1.1	First Amendment to the Restated Credit Agreement	Filed as exhibit 4.1.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 (filed March 31, 1998), incorporated herein by reference.
4.1.2	Second Amendment to the Restated Credit Agreement	Filed as exhibit 4.1.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 (filed March 31, 1998), incorporated herein by reference.
4.1.3	Third Amendment to the Restated Credit Agreement	Filed as exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998 (filed May 13, 1998), incorporated herein by reference.
4.1.4	Facility Reduction Letter for Restated Credit Agreement	Filed as exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (filed November 12, 1998), incorporated herein by reference.
4.1.5	Fourth Amendment to the Restated Agreement	Filed as exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999 (filed May 14, 1999, amended June 25, 1999) and incorporated herein by reference.
4.1.6	Amended and Restated Credit Agreement June, 1999	Filed as exhibit 4.1 to the company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999 (filed August 11, 1999) and incorporated herein by reference.
4.1.7	First Amendment to the Restated Credit Agreement June, 1999	Filed as exhibit 4.1.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (filed March 17, 2000), incorporated herein by reference.
4.1.8	Second Amendment to the Restated Credit Agreement June, 1999	Filed as exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 (filed November 9, 2000), incorporated herein by reference.
4.2	Note Purchase Agreement	Filed as exhibit 4.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (filed November 12, 1998), and incorporated herein by reference.
4.2.1	Schedule of Notes with Sample Note	Filed as exhibit 4.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 (filed August 11, 1998), and incorporated herein by reference.
10.1	The McGrath RentCorp 1987 Incentive Stock Option Plan	Filed as exhibit 19.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1988 (filed August 14, 1988), and incorporated herein by reference.
10.1.1	Exemplar Form of the Incentive Stock Option Agreement	Filed as exhibit 19.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1988 (filed August 14, 1988), and incorporated herein by reference.
10.2	The 1998 Stock Option Plan	Filed as exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (filed November 12, 1998), and incorporated herein by reference.

NUMBER	DESCRIPTION	METHOD OF FILING
10.2.1	Exemplar Incentive Stock Option for Employees Under the 1998 Stock Option Plan	Filed as exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (filed November 12, 1998), and incorporated herein by reference.
10.2.2	Exemplar Non-Qualified Stock Option for Directors under the 1998 Stock Option Plan	Filed as exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (filed November 12, 1998), and incorporated herein by reference.
10.2.3	Schedule of Options Granted to Members of the Board of Directors	Filed as exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (filed November 12, 1998), and incorporated herein by reference.
10.2.4	Schedule of Options Granted to Members of the Board of Directors	Filed as exhibit 10.2.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (filed March 17, 2000), and incorporated herein by reference.
10.2.5	Schedule of Options Granted to Members of the Board Of Directors	Filed herewith.
10.3	Exemplar Form of the Directors, Officers and Other Agents Indemnification Agreements	Filed as exhibit 19.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1988 (filed August 14, 1988), and incorporated herein by reference.
10.3.1	Exemplar Form of Indemnification Agreement	Filed as exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (filed November 12, 1998), and incorporated herein by reference.
10.4	Long-Term Stock Bonus Plan together with Exemplar Long-Term Stock Bonus Agreement	Filed as exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 1990 (filed March 28, 1991), and incorporated herein by reference.
10.4.1	2000 Long-Term Stock Bonus Plan together with Exemplar Long-Term Stock Bonus Agreement	Filed herewith.
23	Written Consent of Arthur Andersen, LLP	Filed herewith.

The exhibits listed above may be obtained from McGrath RentCorp, 5700 Las Positas Road, Livermore, California 94550-7800 upon written request. Each request should specify the name and address of the requesting person and the title of the exhibit or exhibits desired. A reasonable fee for copying any exhibit requested plus postage will be charged by McGrath RentCorp prior to furnishing such exhibit(s).

See http://www.sec.gov/edaux/formlynx.htm for the Company's most recent filings.

EXHIBIT 10.2.5

OPTIONS GRANTED TO BOARD OF DIRECTORS

NAME	GRANT DATE	NUMBER OF OPTIONS	EXERCISE PRICE
Robert C. Hood	November 8, 2000	4,000	15.938
William J. Dawson	November 8, 2000	4,000	15.938
Ronald H. Zech	November 8, 2000	4,000	15.938

EXHIBIT 10.4.1

MCGRATH RENTCORP

2000 LONG-TERM STOCK BONUS PLAN

1. PURPOSE OF PLAN; ADMINISTRATION

1.1 PURPOSE. The intent and purpose of this 2000 Long-Term Stock Bonus Plan (the "Plan") is to strengthen McGrath RentCorp, a California corporation, by providing a means to attract and retain competent personnel and to provide to participating officers and other key employees added incentive for high levels of performance and for unusual efforts to improve the financial performance of McGrath RentCorp. These purposes may be achieved through the grant of bonuses consisting of shares of Common Stock of McGrath RentCorp to participating officers and key employees.

1.2 ADMINISTRATION. This Plan shall be administered by the Board of Directors of McGrath RentCorp (the "Board"). Any action of the Board with respect to the administration of the Plan shall be taken pursuant to majority vote, or by the written consent of all of its members. Subject to the express provisions of the Plan, the Board shall have authority to construe and interpret the Plan, to define the terms used herein, and to prescribe, amend and rescind rules and regulations relating to the administration of the Plan, and to make all other determinations necessary or advisable for the administration of the Plan. The determinations of the Board on the foregoing matters shall be conclusive. Subject to the express provisions of the Plan, the Board shall determine from the eligible class the individuals who shall receive stock bonus grants, and the terms and provisions of such stock bonus grants (which need not be identical). No member of the Board shall be liable for any action, failure to act, determination or interpretation made in good faith with respect to the Plan or any transaction thereunder.

1.3 PARTICIPATION. Only officers and other key employees of McGrath RentCorp, or of any subsidiary of McGrath RentCorp, shall be eligible for selection to participate in the Plan upon approval by the Board. No member of the Board shall be eligible to participate in the Plan as long as he or she is a Director. An individual who has been granted a stock bonus (a "Participant") may, if otherwise eligible, be granted additional stock bonuses if the Board shall so determine.

1.4 STOCK SUBJECT TO THE PLAN. Subject to the adjustments provided in Section 2.1 below, the stock to be offered under the Plan shall be shares of authorized but unissued Common Stock of McGrath RentCorp. The aggregate amount of Common Stock to be issued under this Plan shall not exceed four hundred thousand (400,000) shares, subject to adjustment as set forth in Section 2.1.1 below. If any shares which are the subject of a stock bonus grant shall be unearned, or shall be forfeited and returned to McGrath RentCorp pursuant to the terms of the applicable Stock Bonus Agreement, such shares shall again be available for future grants under this Plan.

1.5 STOCK BONUS AGREEMENT. All stock bonuses granted hereunder shall be evidenced by a written Stock Bonus Agreement, which Agreement shall incorporate the following terms:

1.5.1 Term of Stock Bonus Agreement. Each stock bonus granted under this Plan shall be based upon a performance period to be determined by the Board.

1.5.2 Number of Shares Granted. The number of shares granted to a Participant shall be a function of the Participant's salary at the beginning of the performance period, the market value of McGrath RentCorp's Common Stock at the beginning of the performance period, and the return on equity realized by McGrath RentCorp for its shareholders over the performance period, and/or such other criteria as may be determined by the Board for any particular stock bonus grants (which need not be identical).

1.5.3 Vesting of Bonus Shares; Forfeiture on Termination of Employment. Once a Participant has earned bonus shares at the end of the performance period, those shares shall be subject to forfeiture and return to McGrath RentCorp upon termination of the Participant's employment with McGrath RentCorp for any reason whatsoever, with the risk of forfeiture lapsing over a period of continued employment.

1.5.4 Other Terms and Provisions of Stock Bonus Agreement. The Stock Bonus Agreements under the Plan may contain such other terms and conditions as the Board may direct, and such other terms and conditions as the officers of McGrath RentCorp shall deem to be in the best interests of McGrath RentCorp which are not inconsistent with the terms of this Plan or those approved by the Board of Directors.

2. OTHER PROVISIONS

2.1 ADJUSTMENTS.

2.1.1 Changes in Capitalization. Subject to any action by the shareholders required by law, the number of shares of Common Stock covered by this Plan and any outstanding Stock Bonus Agreement shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock of McGrath RentCorp resulting from a subdivision or consolidation of shares or the payment of a stock dividend (but only on the Common Stock) or any other increase or decrease in the number of shares effected without receipt of consideration by McGrath RentCorp (for this purpose, issuance of shares upon conversion of convertible securities shall be deemed to be an issuance for which McGrath RentCorp receives consideration).

2.1.2 Successor Corporations. The successor corporation in any merger or consolidation of McGrath RentCorp shall be required to assume the obligations under then outstanding Stock Bonus Agreements under this Plan. Should McGrath RentCorp sell all or substantially all of its assets in a transaction wherein the employees of McGrath RentCorp continue to be employed by the purchasing corporation, such purchasing corporation shall likewise be required to assume the obligations then outstanding under Stock Bonus Agreements under this Plan.

2.1.3 Adjustments by Board. Adjustments shall be made by the Board, whose determination as to what adjustment shall be made, and the extent thereof, shall be final, binding and conclusive. No fractional shares of Common Stock shall be issued under the Plan on account of any such adjustment.

2.2 NO RIGHT OF EMPLOYMENT. Nothing contained in this Plan (or any Stock Bonus Agreement pursuant to this Plan) shall confer upon any employee any right to continue in the employ of McGrath RentCorp (or its subsidiaries) or interfere in any way with the right of McGrath RentCorp (or its subsidiaries) to reduce such Participant's compensation or to terminate such Participant's employment with McGrath RentCorp or its subsidiaries.

2.3 NON-TRANSFERABILITY. The rights granted to a Participant to receive shares of McGrath RentCorp Common Stock under certain circumstances shall be non-transferable by the Participant other than by will or the laws of descent and distribution. McGrath RentCorp shall not be liable for the debts, contracts or engagements of any Participant or his or her beneficiaries, and rights under any Stock Bonus Agreement may not be taken in execution or by attachment or garnishment, or by any other legal or equitable proceeding; nor shall the Participant or his or her beneficiaries have any right to assign, pledge or hypothecate any rights or benefits under such Agreements.

2.4 AMENDMENT, EFFECTIVE DATE, TERMINATION.

2.4.1 Amendment. The Board may at any time suspend, amend or terminate this Plan.

2.4.2 Effective Date of the Plan. This Plan shall be effective, retroactive as of January 1, 2000, and shall be submitted to the shareholders of McGrath RentCorp for approval by a vote of a majority of McGrath RentCorp's outstanding capital stock entitled to vote thereon on or before December 31, 2000, and before any shares of McGrath RentCorp Common Stock shall be issued under this Plan.

2.4.3 Termination of the Plan. Unless previously terminated by the Board, this Plan shall terminate at the close of business on December 31, 2009, and no Stock Bonus Agreements shall be granted under it thereafter; but such termination shall not affect any Stock Bonus Agreements theretofore entered into under the provisions of this Plan.

March 23, 2000

MCGRATH RENTCORP

EXEMPLAR LONG-TERM STOCK BONUS PLAN

XXXXX XXXXXXXX

2000-2002 PROGRAM

This Agreement by and between Xxxxxx X. Xxxxxxx ("Xxxxxxx") and McGrath RentCorp, a California corporation, provides that Xxxxxxx is a participant in the 2000-2002 Program of the McGrath RentCorp 2000 Long-Term Stock Bonus Plan under the following terms and conditions.

1.	INITIAL VALUES:	Salary	$xxx,xxx
		Base Stock Value:	$xx.xx
		Divisor:	x.x
		LTB Base Points:	x,xxx
		Initial EBITDA:	$XX,XXX,XXX

2. DEFINITIONS. For purposes of this Agreement, the following terms will have the following meanings ascribed to such terms below.

2.1 "Average Return on Equity" shall mean the numerical average of the Returns on Equity calculated for each of the three fiscal years ending December 31, 2000, 2001 and 2002.

2.2 "Base Rental Revenue" [Intentionally Omitted]

2.3 "Base Stock Value" shall be the number set forth in Section 1 above. (The Base Stock Value is the Stock Value as of January 1, 2000.)

2.4 "Board" shall mean the Board of Directors of McGrath RentCorp.

2.5 "Change in Control" shall mean that there has been a corporate merger or consolidation, a sale of all or substantially all of the assets, or a purchase of outstanding shares that results in a corporation, partnership, person or group of persons (which corporation, partnership, person or group of persons is not affiliated with Robert P. McGrath) owning (i) more than fifty percent (50%) of McGrath RentCorp's outstanding voting securities or (ii) all or substantially all of its assets and business.

2.6 "EBITDA" for any particular fiscal year shall mean the Net Income of McGrath RentCorp for that year, before taking into account any income or losses derived from or expenses attributable to interest, income taxes, depreciation and/or amortization, as such figures are disclosed in McGrath RentCorp's published, audited financial statements for that year.

2.7 "EBITDA Growth Percentage" shall mean that factor (expressed as a percentage) compounded annually by which the Initial EBITDA would have to grow to achieve a smooth growth of EBITDA over the fiscal years ended December 31, 2000, 2001 and 2002 equal to the actual Three-Year EBITDA.

2.8 "Gross Rental Revenues" [Intentionally Omitted]

2.9 "Initial EBITDA" shall be the number set forth in Section 1 above. (The Initial EBITDA set forth above is the EBITDA for the fiscal year ended December 31, 1999.)

2.10 "LTB Base Points" shall be the number set forth in Section 1 above. (The LTB Base Points set forth above were calculated by dividing (i) Xxxxxxx' Base Salary as of the beginning of this Program by (ii) the Base Stock Value of McGrath RentCorp's Common Stock as of the beginning of the Program, and then (iii) that result by the Divisor set forth above.)

2.11 "LTB Final Points" shall be a number calculated by multiplying the LTB Base Points by the Multiplier Factor.

2.12 The "Multiplier Factor" shall be determined as specified in Section 3.1 below.

2.13 The "Option to Repurchase" is the option granted by Xxxxxxx in Section 6 below to McGrath RentCorp to purchase the Xxxxxxx Shares.

2.14 "Return on Equity" for any particular fiscal year shall mean (i) Net Income (after taxes) of McGrath RentCorp for that year divided by (ii) Total Shareholders' Equity as of the first day of that year, as such figures are disclosed in McGrath RentCorp's published, audited financial statements for that year.

2.15 "Stock Bonus Allocation" shall be the number of shares of McGrath RentCorp Common Stock allocated to Xxxxxxx as a bonus under this Program, as determined in accordance with Section 3.3 below.

2.16 "Stock Value" as of a particular date shall mean the then current fair market value of McGrath RentCorp's Common Stock determined by calculating the average of the high and low prices reported for transactions in such Common Stock for each of the five preceding days on which transactions occurred on NASDAQ or any exchange on which the stock is then traded, as reported by The NASDAQ Stock Market, Inc. In the event McGrath's Common Stock is not then traded on NASDAQ or an exchange, the fair market value of the Common Stock shall be determined by the Board in good faith.

2.17 A "Successor to McGrath RentCorp" shall be (i) any corporation which is the surviving corporation in a merger or consolidation with McGrath RentCorp, or (ii) any corporation, partnership or person(s) which acquires all or substantially all of the assets of McGrath RentCorp in a transaction wherein a majority of the employees of McGrath RentCorp continue to be employed by such purchaser.

2.18 "Termination of Employment" shall mean the termination of Xxxxxxx' employment with McGrath RentCorp (and its subsidiaries) for any reason whatsoever, whether by voluntary resignation due to disability or otherwise, by reason of Xxxxxxx' death, or at the election of McGrath RentCorp for any reason whatsoever. A leave of absence approved by the Board of Directors of McGrath RentCorp shall not be considered to be a Termination of Employment for purposes of this Agreement.

2.19 "Three-Year EBITDA" shall be the numerical sum of McGrath RentCorp's EBITDA for the three fiscal years ending December 31, 2000, 2001 and 2002.

2.20 "Xxxxxxxs Shares" shall mean all securities of McGrath RentCorp now owned by Xxxxxxxs or hereafter acquired by him in any manner whatsoever.

3. CALCULATION OF STOCK BONUS ALLOCATION.

3.1 Determination of Multiplier Factor. As soon as the audited financial statements of McGrath RentCorp for the year ended December 31, 2002 have been published, the Multiplier Factor shall be determined as follows.

3.1.1 Growth in Rental Revenues as a Condition. [Intentionally Omitted]

3.1.2 Average Return on Equity as a Function. The ROE Multiplier Factor shall be determined as a function of the Average Return on Equity in the following manner:

3.1.2.1 In the event the Average Return on Equity is less than XX.XX%, the ROE Multiplier Factor shall be zero (0);

3.1.2.2 In the event the Average Return on Equity is XX.XX%, the ROE Multiplier Factor shall be one (1.0);

3.1.2.3 In the event the Average Return on Equity is greater than XX.XX%, but less than XX.XX% the ROE Multiplier Factor shall be one (1.0) plus the result of multiplying (i) the amount by which the Average Return on Equity exceeds XX.XX% by (ii) 66.666667;

3.1.2.4 In the event the Average Return on Equity is XX.XX%, the ROE Multiplier Factor shall be two (2.0);

3.1.2.5 In the event the Average Return on Equity is greater than XX.XX%, but less than XX.XX%, the ROE Multiplier Factor shall be two (2.0) plus the result of multiplying (i) the amount by which the Average Return on Equity exceeds XX.XX% by (ii) 66.666667; and

3.1.2.6 In the event the Average Return on Equity is XX.XX% or greater, the ROE Multiplier Factor shall be three (3.0).

3.1.3 EBITDA Growth Percentage Growth Percentage as a Function. The EBITDA Multiplier Factor shall be determined as a function of the EBITDA Growth Percentage in the following manner:

3.1.3.1 In the event the EBITDA Growth Percentage is less than XX.XX%, the EBITDA Multiplier Factor shall be zero (0);

3.1.3.2 In the event the EBITDA Growth Percentage is XX.XX %, the EBITDA Multiplier Factor shall be one (1.0);

3.1.3.3 In the event the EBITDA Growth Percentage is greater than XX.XX %, but less than XX.XX %, the EBITDA Multiplier Factor shall be one (1.0) plus the result of multiplying (i) the amount by which the EBITDA Growth Percentage exceeds XX.XX % by (ii) 66.666667;

3.1.3.4 In the event the EBITDA Growth Percentage is XX.XX %, the EBITDA Multiplier Factor shall be two (2.0);

3.1.3.5 In the event the EBITDA Growth Percentage is greater than XX.XX %, but less than XX.XX %, the EBITDA Multiplier Factor shall be two (2.0) plus the result of multiplying (i) the amount by which the EBITDA Growth Percentage exceeds XX.XX % by (ii) 66.666667; and

3.1.3.6 In the event the EBITDA Growth Percentage is XX.XX % or greater, the EBITDA Multiplier Factor shall be three (3.0).

3.1.4 Sum of Two Functions. The Multiplier Factor shall be one-half (1/2) of the sum of the ROE Multiplier Factor plus the EBITDA Multiplier Factor.

3.1.5 Adjustment in the Event of Capital Structure Change. In the event of a significant change in the capital structure of McGrath RentCorp or in the business conducted by it, the Board may, in its sole and absolute discretion, determine that it would be equitable: (i) to revise the conditions based on Average Return Equity or set new goals; or (ii) to declare that the purposes of this Program had been met notwithstanding the failure to achieve an Average Return on Equity of XX.XX % or greater; or (iii) to revise the conditions based on EBITDA Growth Percentage or set new goals; or (iv) to declare that the purposes of this Program have been met notwithstanding the failure to achieve an EBITDA Growth Percentage of XX.XX % or greater; or alternatively, (v) the Board may simply specify that the Multiplier Factor for this Program shall be a number between 1.0 and 3.0.

3.2 Calculation of LTB Final Points. As soon as the Multiplier Factor has been determined in accordance with Section 3.1 above, the LTB Final Points shall be calculated by multiplying the LTB Base Points by the Multiplier Factor.

3.3 Allocation of Stock Bonus. Xxxxxxx shall be allocated one (1) share of McGrath RentCorp Common Stock for each LTB Final Point, or portion thereof, calculated in accordance with Section 3.2 above.

3.3.1 The number of shares of McGrath RentCorp Common Stock to be allocated to Xxxxxxx pursuant to this Section 3.3 shall be proportionally adjusted for any increase or decrease in the number of outstanding shares of Common Stock of McGrath RentCorp resulting from a subdivision or consolidation of shares, or for the payment of a stock dividend (but only on the Common Stock), or for any other increase or decrease in the number of such shares effected without receipt of consideration by McGrath RentCorp. Adjustments under this Section 3.3.1 shall be determined by the Board, whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive.

4. ISSUANCE OF SHARE CERTIFICATES.

4.1 Issuance of Stock Certificates. As soon as reasonably practical following the determination of Xxxxxxx' Stock Bonus Allocation, McGrath RentCorp shall cause five stock certificates to be issued in the name of Xxxxxxx, each one evidencing twenty percent (20%) of the number of shares of McGrath RentCorp Common Stock allocated to him as a Stock Bonus.

4.2 Delivery and Re-Delivery of Stock Certificates. McGrath RentCorp shall deliver all five (5) stock certificates to the Xxxxxxx, and the Xxxxxxx shall promptly redeliver back to McGrath RentCorp four (4) of the stock

certificates to be held by McGrath RentCorp for later redelivery to the Xxxxxxx in accordance with, and subject to, the forfeiture provisions set forth in Section 5 below.

4.3 Option to Receive a Portion in Cash. With respect to 20% of the shares of Common Stock delivered to Xxxxxxx pursuant to Section 4.2 above, or with respect to any shares redelivered to him in accordance with Section 5.2 below, Xxxxxxx may elect, by written notice given to McGrath RentCorp not less than ten (10) days nor more than thirty (30) days prior to the delivery or redelivery of a certificate evidencing such shares, to receive the Stock Value of such shares in cash, in lieu of the issuance and delivery of such shares. For purposes of determining the Stock Value of such shares, the Stock Value shall be calculated as of the date of such notice.

4.3.1 Notwithstanding the foregoing right to elect to receive cash, the maximum amount of cash which Xxxxxxx shall have the right to receive in lieu of the issuance and delivery of shares shall be forty percent (40%) of the aggregate Stock Value of Xxxxxxx' entire Stock Bonus Allocation.

5. FORFEITURE UPON TERMINATION OF EMPLOYMENT.

5.1 Termination of Employment Prior to End of Program. In the event of Xxxxxxx' termination of employment prior to December 31, 2002, Xxxxxxx shall have no right to receive any Stock Bonus Allocation nor any certificates evidencing any shares of McGrath RentCorp Common Stock to be issued pursuant to this Agreement.

5.2 Subsequent Delivery of Stock Certificates. Provided Xxxxxxx s has remained in the employ of McGrath RentCorp, or its subsidiaries, continuously from the date hereof through the applicable subsequent certificate delivery date, one certificate evidencing twenty percent (20%) of the Stock Bonus Allocation held in the possession of McGrath RentCorp in accordance with Section 4.2 above, shall be delivered to Xxxxxxx on December 31, 2003, and another one of the certificates shall be delivered to Xxxxxxx each December 31 thereafter for as long as Xxxxxxx remains in the continuous employ of McGrath RentCorp, or its subsidiaries, until December 31, 2006, at which time all five stock certificates shall have been delivered to Xxxxxxx.

5.3 Termination of Employment Subsequent to December 31, 2002. In the event of Xxxxxxx' Termination of Employment subsequent to December 31, 2002, Xxxxxxx shall have the right to retain, subject to the Option to Repurchase set forth in Section 6 below all share certificates evidencing Stock Bonus Allocations which had been delivered to him pursuant to Sections 4.2 or 5.2 above prior to his Termination of Employment; however, upon his Termination of Employment, such share certificates still held at that time by McGrath RentCorp pursuant to Section 4.2 or 5.2 above shall be immediately forfeited by him, and the shares evidenced thereby shall be deemed canceled and returned to the status of authorized but unissued shares of McGrath RentCorp, and Xxxxxxx shall have no further rights or claims thereto.

6. OPTION TO REPURCHASE. Upon Termination of Employment, Xxxxxxx shall, and does hereby, offer for sale to McGrath RentCorp, all, but not less than all, of the Xxxxxxx Shares on the terms specified in this Section 6.

6.1 Notice of Exercise. In order to exercise the Option to Repurchase the Xxxxxxx Shares, McGrath RentCorp shall give notice of its intention to so exercise to Xxxxxxx, or to his personal representative in the event of his death or incapacity, within three (3) months following his Termination of Employment.

6.2 Repurchase Price. The Repurchase Price for the repurchase of the Xxxxxxx Shares shall be the Stock Value as of the date of Termination of Employment or as of the date of the giving of the notice of exercise of the Option to Repurchase, with the election of which price shall apply being stated in the notice of exercise.

6.3 Terms of Payment. Payment of the Repurchase Price shall be made at the time that the notice of exercise of the Option to Repurchase is given. McGrath RentCorp may first offset against the Repurchase Price due to Xxxxxxx any amount of indebtedness owed by Xxxxxxx to McGrath RentCorp. Payment of the net amount of the Repurchase Price after the offset of indebtedness shall be as follows:

6.3.1 One-third (?) thereof in cash or by check; and

6.3.2 The remaining two-thirds (?) thereof by means of the delivery of a Promissory Note, bearing interest at the rate of nine percent (9%) per annum on the unpaid principal amount, and payable in ten (10) equal annual installments of principal plus accrued interest, commencing one year from the date thereof. Such Note shall permit prepayment of any amount by McGrath RentCorp at any time without penalty.

6.4 Other Shareholders. McGrath RentCorp may assign, partially or completely, its Option to repurchase to one or more of its shareholders, and each such assignee shall have the right to repurchase the Xxxxxxx Shares in his, her or its

own name and for his, her or its own account, all on the same terms and conditions specified in this Section 6; provided, that the exercise of the Option to Repurchase as so assigned shall result in the repurchase of all of the Xxxxxxx Shares.

6.5 Restrictive Legend. The certificates evidencing the Xxxxxxx shares shall be endorsed with an appropriate legend referring to the Option to Repurchase granted by this Section 6. Xxxxxxx shall immediate cause to be delivered to McGrath RentCorp all certificates evidencing Xxxxxxx Shares which are currently outstanding so that they may be imprinted with such a legend. Such certificates shall be returned to Xxxxxxx after they have been imprinted with the appropriate legend.

6.6 Permitted Transfers. Notwithstanding the provisions of this Section 6, nothing herein shall prevent Xxxxxxx from making a bona fide sale or gift of any of the Xxxxxxx Shares.

7. RESTRICTED ACTIVITIES.

7.1 Unfair Trade Practices. Xxxxxxx acknowledges that the success of McGrath RentCorp's business as conducted depends to a large extent upon the business practices and methods used by it and upon the knowledge of the needs, preferences and particularities of each of its customers and suppliers, which practices, methods and knowledge are continuously developed by McGrath RentCorp. Xxxxxxx further acknowledges that these practices, methods and knowledge constitute trade secrets which are valuable assets belonging to McGrath RentCorp. Accordingly, Xxxxxxx agrees that, during his employment with McGrath RentCorp and for a period of five (5) years immediately following his Termination of Employment, he shall not, either directly or indirectly, (i) disclose to any person, firm or corporation, or use himself in any way, any trade secret of McGrath RentCorp (except as may be required in the course of his employment with McGrath RentCorp and for its benefit), or (ii) call on, solicit, divert or take away, or attempt to call on, solicit, divert or take away any person, firm or corporation who is a customer of or a supplier to McGrath RentCorp, or who is being solicited by McGrath RentCorp at the time of Xxxxxxx' Termination of Employment, or who had been a customer of or supplier to McGrath RentCorp during the six months immediately preceding Xxxxxxx' Termination of Employment.

7.2 Covenant Not to Compete. In order to protect the element of good will purchased in part by payment of the Repurchase Price for the Xxxxxxx Shares, and as part of the consideration for the payment of the Repurchase Price in the event McGrath RentCorp (or some of its shareholders) purchases all of the Xxxxxxx Shares, Xxxxxxx agrees, for a period of two (2) years after such purchase, not to engage or participate, or cause any other person, firm or corporation to become engaged, in any activity or business within the geographical regions within which McGrath RentCorp conducts its business as of the date of Termination of Employment, either directly or indirectly, as an employee, agent, representative, partner, owner, director, officer or investor, which is in the same or similar business as McGrath RentCorp. For purposes of this Section 7.2, a purchase of the Xxxxxxx Shares shall be deemed to have occurred when McGrath RentCorp (and/or other shareholders) tenders the Repurchase Price in accordance with Section 6.3 above.

7.3 Enforcement. Xxxxxxx agrees that a violation on his part of any of the terms of this Agreement shall cause irreparable damage, the exact amount of which is impossible to ascertain, and for that reason agrees that McGrath RentCorp (and/or the other shareholders) shall be entitled to a decree of specific performance of the terms hereof and/or an injunction restraining further violations; said right to be in addition to any other remedies available under law.

8. SUCCESSOR TO MCGRATH RENTCORP.

8.1 Assumption of Program Obligations by Successor. Any Successor to McGrath RentCorp shall be required to assume the obligations then outstanding under this Program, or in the alternative, to enter into a substitute program which is approved and accepted by Xxxxxxx in writing, which approval and acceptance shall not be unreasonably withheld.

8.2 Termination of Employment. As used in this Section 8 only, "Termination of Employment" shall not include a termination of Xxxxxxx' employment by reason of his voluntary resignation due to disability or otherwise or by reason of his death.

8.3 Effect of Change in Control. In the event of a Termination of Employment at the time of a Change in Control or thereafter,

8.3.1 The share certificate delivery schedule set forth in Sections 4 and 5 above shall accelerate and the full Stock Bonus Allocation shall vest as of the date of such Termination of Employment notwithstanding Section 5.3 above, and all share certificates then held by McGrath RentCorp pursuant to Section 4.2 above shall be delivered to Xxxxxxx; and

8.3.2 In the event Xxxxxxx ' Termination of Employment is prior to December 31, 2002, the determination of the Multiplier Factor in Section 3.1 above shall be made as of the last fiscal quarter completed prior to the Termination of Employment, with appropriate adjustments to the calculation therein of the Average Return on Equity.

9. MISCELLANEOUS PROVISIONS.

9.1 Tax Withholding. McGrath RentCorp (or any of its subsidiaries which employ Xxxxxxx) shall have the right to deduct any sums that federal, state or local tax law requires to be withheld with respect to the issuance of Common Stock under this Program or as otherwise may be required by such laws. McGrath RentCorp (or such subsidiary) may require, as a condition to issuing shares of Common Stock under this Program, that Xxxxxxx or his beneficiaries pay any sums that federal, state or local tax law requires to be withheld with respect to such issuance.

9.2 Privileges of Stock Ownership. Xxxxxxx shall not be entitled to the privileges of stock ownership as to any shares of Common Stock which have been allocated to him but for which certificates have not been issued and delivered to him.

9.3 Non-Transferability of Stock Bonus Allocation. The right granted hereby to Xxxxxxx to receive shares of McGrath RentCorp Common Stock under certain circumstances shall be non-transferrable by Xxxxxxx other than by will or the laws of descent and distribution. McGrath RentCorp shall not be liable for the debts, contracts or engagements of Xxxxxxx or his beneficiaries, and rights under this Program may not be taken in execution or by attachment or garnishment, or by any other legal or equitable proceeding; nor shall Xxxxxxx or his beneficiaries have any right to assign, pledge or hypothecate any rights or benefits hereunder.

9.4 No Effect on Employment. Nothing contained in this Agreement shall confer upon Xxxxxxx any right to continue in the employ of McGrath RentCorp (or its subsidiaries) or constituted any contract or agreement of employment.

9.5 Governmental Regulations. This Program, the grant of Stock Bonus Allocations and the issuance of Common Stock hereunder shall be subject to all applicable rules and regulations of governmental authorities. At the time of the issuance of any shares of Common Stock to Xxxxxxx under this Program, and as a condition to the issuance of such shares, Xxxxxxx shall give such representations and warranties in writing to McGrath RentCorp as its legal counsel shall deem appropriate to insure compliance with applicable securities laws and regulations. McGrath RentCorp may place upon the certificates evidencing the shares of Common Stock being issued legends referring to restrictions on transfer as may be appropriate in connection with compliance with applicable securities laws and regulations.

10. STANDARD PROVISIONS.

10.1 Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (i) on the date of service if delivered personally, (ii) on the date of transmission if sent by facsimile transmission with printed proof of electronic receipt, (iii) on the date of delivery if delivered by a courier service with proof of delivery, or (iv) on the third business day after mailing if mailed by first class mail, certified, return receipt requested, postage prepaid, to the following addresses:

If to McGrath RentCorp, then to:	McGrath RentCorp 5700 Las Positas Road Livermore, CA 94550 Attn: Randle F. Rose Facsimile No.: 1-925-453-3200
With a copy to:	Christopher Ream, Esq. 2600 El Camino Real, Suite 410 Palo Alto, CA 94306 Facsimile No.: 1-650-856-8448
If to Xxxxxxx, then to:	Xxxxxx X.. Xxxxxxx McGrath RentCorp 5700 Las Positas Road Livermore, CA 94550 Facsimile No.: 1-925-453-3200

10.2 Entire Agreement; Modification; Waiver. This Agreement constitutes the entire agreement between the parties pertaining to the subject matter contained herein and supersedes all prior and contemporaneous agreements, representations and understandings of the parties. No supplement, modification or amendment to this Agreement shall be binding unless executed in writing by the party to be charged. No waiver of any of the provisions of this Agreement shall be

deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

10.3 Remedies. The rights and remedies provided to any party herein shall be cumulative and in addition to any other or further rights or remedies available at law or in equity.

10.4 Disputes. All disputes, controversies and claims arising out of or relating to this Agreement, or the interpretation, construction, performance or breach hereof shall be settled by arbitration in accordance with the rules of the American Arbitration Association, regardless of whether one of the parties fails or refuses to participate; and such arbitration shall take place in Alameda County, State of California. Judgment upon the award rendered by the arbitrator may be entered in any Court having jurisdiction thereof. Notwithstanding the foregoing, either party hereby may bring an action in the Superior Court of the State of California in and for Alameda County for injunctive relief. In the event any court action is instituted, or a referral is made to arbitration, to settle any dispute arising under this Agreement or to enforce any right or obligation hereunder, the prevailing party shall be entitled to recover its or his attorney fees and other expenses associated therewith.

10.5 Severability. In case any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, the meaning of such provision shall be construed (to the extent feasible) so as to render the provisions valid and enforceable, and if no feasible construction would save the provision, its invalidity, illegality or unenforceability shall not affect any other provision of this Agreement; rather this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

10.6 Governing Law. This Agreement shall be construed in accordance with, and governed by, the laws of the State of California as applied to contracts that are executed and performed entirely in California.

10.7 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall be constitute one and the same instrument.

IN WITNESS WHEREOF this Agreement has been executed and delivered as of the ________ day of February, 2001, by the undersigned Chairman of the Board and Chief Executive Officer of McGrath RentCorp, thereunto duly authorized by the Board of Directors of said corporation, and by Xxxxxxx.

MCGRATH RENTCORP

By

Robert P. McGrath, Chairman of the Board
and Chief Executive Officer

XXXXXX X . XXXXXXX

EXHIBIT 23

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included in this Form 10-K into the Company's previously filed Registration Statement File No. 333-6112 and 333-74089.

Arthur Andersen LLP

San Francisco, California
March 26, 2001