

Registration No. 33-
-----SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
-----FORM S-8
REGISTRATION STATEMENT
under
The Securities Act of 1933
-----MCGRATH RENTCORP
(Exact name of issue as specified in its charter)California
(State of incorporation)94-2579843
(I.R.S. Employer Identification No.)5700 Las Positas Road
Livermore, CA 94550
(Address of principal executive offices)
-----1998 STOCK OPTION PLAN
(Full title of the plan)
-----DELIGHT SAXTON
Senior Vice President, Chief Financial Officer and Secretary
MCGRATH RENTCORP
5700 Las Positas Road
Livermore, CA 94550
1-925-606-9200(Name, address, and telephone number, including area code, of agent for service)
-----Copy to
Christopher Ream, Esq.
1717 Embarcadero Road
Palo Alto, CA 94303
1-650-424-0821

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Maximum Amount to be Registered (1)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock	212,000 shares(2)	\$20.81	\$4,411,720	\$1,226.46
Common Stock	20,000 shares(3)	\$20.25	\$405,000	\$112.59
Common Stock	10,000 shares(4)	\$21.6875	\$216,875	\$60.29
Common Stock	1,758,000 shares(5)	\$18.00	\$31,644,000	\$8,979.03
TOTAL	2,000,000 SHARES		\$36,677,595	\$10,196.37

- (1) For the sole purpose of calculating the Registration Fee, the number of shares to be registered under this Registration Statement has been broken down into four subtotals.
- (2) Registration Fee computed pursuant to Section 6(b) and Rule 457(h)(1) covering 212,000 shares for which options have been granted under the 1998 Stock Option Plan (the "Plan") at an exercise price of \$20.81 per share.
- (3) Registration Fee computed pursuant to Section 6(b) and Rule 457(h)(1) covering 20,000 shares for which options have been granted under the Plan at an exercise price of \$20.25 per share.
- (4) Registration Fee computed pursuant to Section 6(b) and Rule 457(h)(1) covering 10,000 shares for which an option has been granted under the Plan at an exercise price of \$21.6875 per share.
- (5) Estimated solely for the purpose of computing the Registration Fee pursuant to Section 6(b), Rule 457(c) and Rule 457(h)(1) covering 1,758,000 shares authorized under the Plan but for which options have not yet been granted, on the basis of the average of the high and low prices of the Registrant's Common Stock as reported on the NASDAQ National Market System on March 3, 1999.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

ITEM 3. INCORPORATION OF DOCUMENTS BY REFERENCE.

The following documents filed with the Securities and Exchange Commission (the "Commission") are incorporated herein by reference:

The description of the Registrant's Common Stock contained in Amendment No. 1 to the Registrant's Registration Statement on Form S-2 filed May 1, 1991, Registration No. 33-39633.

The Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.

The Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998.

The Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998.

The Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998.

All documents filed by the Registrant pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934 after the date of this Registration Statement and prior to the filing of a post-effective amendment to this Registration Statement which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold shall be deemed to be incorporated by reference in this Registration Statement and be a part hereof from the date of filing of such documents.

ITEM 4. DESCRIPTION OF SECURITIES.

Not applicable.

ITEM 5. INTERESTS OF NAMED EXPERTS AND COUNSEL.

The validity of the Common Stock to be issued upon the exercise of options under the Plan will be passed upon by Christopher Ream, Esq. of Palo Alto, California. Mr. Ream has been Assistant Secretary of the Registrant since its inception in 1979, and is the beneficial owner of 248,500 shares of the Registrant's Common Stock (including 6,000 shares held in trust for his children as to which he disclaims any beneficial ownership). Mr. Ream is also the managing general partner of a partnership which, in 1979 and 1981, invested an aggregate of \$235,000 in relocatable

modular offices to be managed by the Registrant in its rental fleet, of which \$77,780 was for Mr. Ream's own account. This partnership's interest in the relocatable modular offices was purchased by the Registrant in 1997, and the partnership no longer has an interest in any relocatable modular offices managed by the Registrant.

ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 317 of the California Corporations Code authorizes a court to award, or a corporation's board of directors to grant, indemnity to directors and officers in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities (including reimbursement for expenses incurred) arising under the Securities Act of 1933, as amended. The Registrant's Bylaws provide for indemnification of its directors, officers, employees and other agents to the maximum extent permitted by the California General Corporation Law.

The Registrant has entered into Indemnification Agreements with each of its directors and executive officers. These Agreements require the Registrant to indemnify its officers and directors against expenses and, in certain cases, judgment, settlement or other payments incurred by the officer or director in suits brought by the Registrant, derivative actions brought by shareholders and suits brought by other third parties. These Agreements provide for indemnification to the fullest extent permitted by California law in situations where the officer or director is made, or threatened to be made, party to the legal proceeding because of his service to the Registrant.

ITEM 7. EXCEPTION FROM REGISTRATION CLAIMED.

Not applicable.

ITEM 8. EXHIBITS.

Exhibit Number - - - - -	Description - - - - -
4.1	1998 Stock Option Plan
4.2	Exemplar of the form of Employee Incentive Stock Option Agreement issued under the 1998 Stock Option Plan
4.3	Exemplar of the form of Director's Non-Qualified Stock Option Agreement issued under the 1998 Stock Option Plan
5.1	Opinion of Christopher Ream, Esq. as to the legality of the Common Stock being registered
23.1	Consent of Arthur Andersen LLP
23.2	Consent of Counsel (contained in Exhibit 5.1)

ITEM 9. UNDERTAKINGS.

The undersigned Registrant hereby undertakes to file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement to include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement.

The undersigned Registrant hereby undertakes that, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned Registrant hereby undertakes to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's Annual Report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15 (d) of the Securities Exchange Act of 1934) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Livermore, State of California, on March 2, 1999.

MCGRATH RENTCORP

By /s/ Dennis C. Kakures

Dennis C. Kakures, President

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ Robert P. McGrath ----- ROBERT P. McGRATH	Chairman of the Board of Directors and Chief Executive Officer	March 2, 1999
/s/ Dennis C. Kakures ----- DENNIS C. KAKURES	President and Chief Operat- ing Officer	March 2, 1999
/s/ Delight Saxton ----- DELIGHT SAXTON	Senior Vice President, Chief Financial Officer and Secretary (Principal Financial Officer)	March 2, 1999
/s/ Thomas J. Sauer ----- THOMAS J. SAUER	Vice President and Treasurer (Principal Accounting Officer)	March 2, 1999
/s/ Bryant J. Brooks ----- BRYANT J. BROOKS	Director	March 4, 1999
/s/ William J. Dawson ----- WILLIAM J. DAWSON	Director	March 3, 1999
/s/ Joan M. McGrath ----- JOAN M. McGRATH	Director	March 3, 1999
/s/ Ronald H. Zech ----- RONALD H. ZECH	Director	March 4, 1999

INDEX TO EXHIBITS

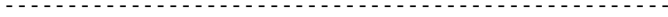
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MCGRATH RENTCORP

Registration Statement on Form S-8

EXHIBIT 4.1

MCGRATH RENTCORP



1998 STOCK OPTION PLAN

MCGRATH RENTCORP
1998 STOCK OPTION PLAN

SECTION 1. PURPOSE OF PLAN; ADMINISTRATION.

1.1 PURPOSE. The intent and purpose of this 1998 Stock Option Plan (the "PLAN") is to strengthen McGrath RentCorp, a California corporation ("MCGRATH"), by providing a means to attract and retain competent personnel and to provide to participating officers, key employees, directors and others added incentive for high levels of performance and for unusual efforts to improve the financial performance of MCGRATH. The purposes may be achieved through the grant of options to purchase common stock of MCGRATH (the "COMMON STOCK"). The options granted under the PLAN may be incentive stock options ("INCENTIVE OPTIONS") as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "CODE"), or options which are not incentive stock options as so defined in that code section ("NON-QUALIFIED OPTIONS").

1.2 ADMINISTRATION. This PLAN shall be administered by the Board of Directors of MCGRATH (the "BOARD"). Any action of the BOARD with respect to the administration of the PLAN shall be taken pursuant to a majority vote, or by the written consent of all of its members. Subject to the express provisions of the PLAN, the BOARD shall have the authority to construe and interpret the PLAN, to define the terms used herein, 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 options, and the terms and provisions of such options (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 hereunder.

1.3 PARTICIPATION. Only officers, key employees and directors of MCGRATH or of any subsidiary of MCGRATH, and other persons who provide significant valuable services to MCGRATH or any subsidiary of MCGRATH, shall be eligible for selection to participate in the PLAN upon approval by the BOARD. INCENTIVE OPTIONS may be granted only to persons who are employees of MCGRATH or a subsidiary of MCGRATH. An individual who has been

granted an option (a "PARTICIPANT") may, if otherwise eligible, be granted additional options if the BOARD shall so determine.

1.4 STOCK SUBJECT TO THE PLAN. Subject to the adjustments provided in Section 3.1 hereof, the stock to be offered under the PLAN shall be shares of authorized but unissued COMMON STOCK. The aggregate amount of COMMON STOCK to be issued under this PLAN shall not exceed two million (2,000,000) shares, subject to adjustment as set forth in Section 3.1 of this PLAN. If any option granted hereunder shall expire or terminate for any reason without having been fully exercised, the unpurchased shares subject thereof shall again be available for the purposes of this PLAN.

1.5 OPTION AGREEMENT. All options granted hereunder shall be evidenced by a written stock option agreement, which agreement shall specify whether the option granted is intended to be an INCENTIVE OPTION or to be a NON-QUALIFIED OPTION. The BOARD may provide for additional terms and conditions in such stock option agreements not inconsistent with the terms and conditions of this Plan, and in the case of INCENTIVE OPTIONS, terms and provisions not prohibited by Section 422 of the CODE.

SECTION 2. STOCK OPTION TERMS.

2.1 OPTION PRICE. The purchase price of the COMMON STOCK covered by each option shall be determined by the BOARD, but shall not be less than 100% of the FAIR MARKET VALUE of such stock on the date immediately preceding the granting of the option.

2.1.1 If an INCENTIVE OPTION is granted to an employee who, at the time such option is granted, owns or is deemed to own more than ten percent (10%) of the total combined voting power of all classes of stock of MCGRATH, the option price shall be at least 110% of the FAIR MARKET VALUE of the COMMON STOCK on the date immediately preceding the granting of the option.

2.1.2 "FAIR MARKET VALUE" shall mean: (1) the closing price of the COMMON STOCK as reported by the NASDAQ Stock Market or by any national exchange on which the COMMON STOCK may hereafter be listed, or if no trading occurred on such date for the next preceding date on which such trading occurred; or (2) if there is no trading of the COMMON STOCK either on the NASDAQ Stock Market or on a national exchange, the value established by the BOARD in good faith.

2.1.3 The purchase price of any shares purchased shall be paid in full in cash or by check acceptable to MCGRATH at the time of each purchase; provided that, subject to the discretion of the BOARD and upon receipt of all regulatory approvals, the person exercising the option may deliver shares of COMMON STOCK in payment of the exercise price. Such stock shall be valued at its FAIR MARKET VALUE on the date immediately preceding the day of exercise of the option.

2.2 OPTION PERIOD. Except as provided below, each option and all rights or obligations thereunder shall expire on such date as the BOARD shall determine, but not later than the day before the tenth (10th) anniversary of the date on which the option is granted (the "EXPIRATION DATE"), and shall be subject to earlier termination as hereinafter provided.

2.2.1 If an INCENTIVE OPTION is granted to an employee, who at the time the option is granted owns or is deemed to own more than ten percent (10%) of the total combined voting power of all classes of stock of MCGRATH, each such option and all rights or obligations thereunder shall expire as the BOARD shall determine but not later than the day before the fifth (5th) anniversary of the date on which the option is granted (the "EXPIRATION DATE").

2.3 EXERCISE OF OPTIONS. Each option shall become exercisable and the total number of shares subject thereto shall be purchasable, in such installments, which need not be equal, as the BOARD shall determine (subject to Section 2.10 of this PLAN in the case of an INCENTIVE OPTION); provided, however, that if the PARTICIPANT shall not purchase in any given installment period all of the shares purchasable, the right to purchase any shares not purchased in such installment period shall continue until the EXPIRATION DATE or sooner termination of such PARTICIPANT's option. The BOARD may, at any time after grant of the option and from time to time, increase the number of shares purchasable in any installment, subject to the restrictions imposed by Section 422 of the CODE in the case of INCENTIVE OPTIONS, but may not increase the total number of shares subject to the option. No option or installment thereof shall be exercisable except in respect of whole shares, and fractional share interests shall be disregarded.

2.4 NON-TRANSFERABILITY OF OPTIONS. An option granted under this PLAN shall, by its terms, be non-transferable by the PARTICIPANT other than by will or the laws of descent and distribution, and shall be exercisable during the PARTICIPANT's lifetime only by the PARTICIPANT or his or her duly appointed guardian or personal representative.

2.5 TERMINATION OF EMPLOYMENT. If the PARTICIPANT's employment with MCGRATH terminates for any reason other than death or disability, such PARTICIPANT shall have, at the discretion of the BOARD at the time of grant of the option, a period no longer than three (3) months after the date of termination to exercise his or her option. Upon expiration of such period, all unexercised options of such PARTICIPANT under this PLAN shall terminate. If the BOARD does not grant such a period in the written stock agreement, all of the PARTICIPANT's unexercised options shall terminate at the close of business thirty (30) days after PARTICIPANT's last day of employment.

2.5.1 Employment Not Continued. Neither service as a director, consultant, advisor or other service provider by a PARTICIPANT who had been granted an option when an employee, nor the payment of a director's, consultant's, advisor's or other fee by MCGRATH, shall be sufficient to constitute continued "employment" by MCGRATH with respect to such option.

2.5.2 Transfer. An employee's employment shall not be deemed to have terminated by reason of a transfer between MCGRATH, its parent, any subsidiary, or any successor.

2.5.3 Leave of Absence. An employee's employment shall not be deemed to have terminated by reason of a leave of absence approved by MCGRATH. For purposes of INCENTIVE OPTIONS, no such leave of absence may exceed four (4) months unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by MCGRATH is not so guaranteed, after the first four (4) months of such leave any INCENTIVE OPTION held by the PARTICIPANT shall cease to be treated as an INCENTIVE OPTION and shall be treated for tax purposes as a NON-QUALIFIED OPTION. In the event of a leave of absence approved by MCGRATH, the vesting of all options held by such employee shall be tolled during such absence, unless otherwise provided by MCGRATH.

2.5.4 Directors. With respect to a PARTICIPANT who was a director, but not an employee, of MCGRATH or one of its subsidiaries when granted an option, he or she shall be deemed to have terminated employment for purposes of such option on the date he or she ceases to be a director of MCGRATH or one of its subsidiaries.

2.5.5 Consultants, Advisors and Others. With respect to a PARTICIPANT who was neither an employee nor a director of MCGRATH or one of its subsidiaries when granted an option, he or she shall be deemed to have terminated employment for purposes of such

option on the date of the expiration of his or her written contract under which he or she provided services to MCGRATH; or if there is no such written contract, then he or she shall be deemed to have terminated employment for purposes of such option on the date three (3) months after MCGRATH last received services from the PARTICIPANT.

2.6 DISABILITY OF PARTICIPANT. If a PARTICIPANT's employment with MCGRATH terminates as a result of his or her disability, such PARTICIPANT shall have the lesser of twelve (12) months after the date of termination or the EXPIRATION DATE to exercise his or her option. Upon expiration of such twelve-month period or until the EXPIRATION DATE, if earlier, all unexercised options of such PARTICIPANT under this PLAN shall terminate. For purposes of this PLAN, an individual is disabled if he or she is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted, or can be expected to last, for a continuous period of not less than twelve (12) months.

2.7 DEATH OF PARTICIPANT. If any PARTICIPANT dies while employed by, or otherwise providing services to, MCGRATH, such PARTICIPANT's options may be exercised by the person or persons to whom the PARTICIPANT's rights under the options shall pass by will or by the applicable laws of descent and distribution. Such person or persons shall have the lesser of twelve (12) months after the date of the PARTICIPANT's death or until the EXPIRATION DATE of the options to exercise the options. Upon expiration of such twelve-month period or until the EXPIRATION DATE, if earlier, all unexercised options of such PARTICIPANT under this PLAN shall terminate.

2.8 MODIFICATION IN LEVEL OF EMPLOYMENT.

2.8.1 Reduction in Hours. An employee's employment shall not be deemed to have terminated by reason of a reduction in hours scheduled to be worked if approved by an officer of MCGRATH. In the event of a reduction in hours scheduled to be worked, the rate of vesting thereafter of all options held by such employee shall be reduced proportionately to the reduction in hours, unless otherwise provided by MCGRATH. The reduction in the rate of vesting may result in the EXPIRATION DATE being reached prior to the full vesting of all shares subject to the options, in which case unvested shares shall be forfeited and returned to the PLAN.

2.8.2 Reduction in Duties and Responsibilities. A PARTICIPANT's employment shall not be deemed to have terminated by reason of a reduction in the duties or responsibilities of the PARTICIPANT with respect to MCGRATH. In the event of a

substantial reduction in the duties and responsibilities expected of a PARTICIPANT, MCGRATH and the PARTICIPANT may mutually agree in writing to a reduction in the number of shares subject to any options held by such PARTICIPANT and/or a reduction in the rate of vesting of such options.

2.9 ISSUANCE OF STOCK CERTIFICATES. Upon exercise of an option, the person exercising such option shall be entitled to one stock certificate evidencing the shares acquired upon exercise; provided, however, that any person who tenders COMMON STOCK when exercising the option shall be entitled to receive two certificates, one representing a number of shares equal to the number of shares exchanged for the stock acquired upon exercise, and another representing the additional shares, if any, acquired upon exercise of the option; provided, further, that if the vesting limitation set forth in Section 2.10 below is exceeded, the person exercising the option shall be entitled to receive two certificates, one representing a number of shares constituting INCENTIVE OPTION shares, and another representing the excess shares issued as NON-QUALIFIED OPTION shares.

2.10 LIMITATION ON VESTING OF INCENTIVE OPTIONS. The aggregate FAIR MARKET VALUE (determined as of the time the option is granted) of the stock, which first becomes exercisable by the PARTICIPANT during any calendar year under all INCENTIVE OPTIONS of MCGRATH or any subsidiary or parent of MCGRATH, shall not exceed \$100,000, as determined in accordance with the rules and regulations of the Internal Revenue Service promulgated under the CODE. The \$100,000 limitation described in this Section 2.10 shall be applied to all such INCENTIVE OPTIONS in the order granted to the PARTICIPANT. In the event such limitation is exceeded, the excess shares shall be deemed shares subject to a NONQUALIFIED OPTION and shall not be treated as part of an INCENTIVE OPTION within the meaning of Section 422 of the CODE.

SECTION 3. OTHER PROVISIONS.

3.1 ADJUSTMENTS UPON CHANGES IN CAPITALIZATION.

3.1.1 Subject to any action by the stockholders required by law, the number of shares of COMMON STOCK covered by this PLAN and any outstanding option and the price per share thereof shall be proportionately adjusted for any increase or decrease in the number of issued shares of COMMON STOCK 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 such shares effected without receipt of consideration by

MCGRATH (for this purpose, issuances of shares upon conversion of convertible securities shall be deemed an issuance for which MCGRATH receives consideration).

3.1.2 The successor corporation in any merger or consolidation of MCGRATH shall be required to assume options then outstanding under the PLAN. Should MCGRATH sell all or substantially all of its assets in a transaction wherein the employees of MCGRATH continue to be employed by the purchasing corporation, such purchasing corporation shall likewise be required to assume options then outstanding under the PLAN.

3.1.3 Adjustments under this Section 3.1 shall be made by the BOARD, whose determination as to what adjustments 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.

3.2 DISSOLUTION OR LIQUIDATION. A dissolution or liquidation of MCGRATH shall cause an outstanding option to terminate; provided that the holder of any outstanding option shall, in such event, be given at least thirty (30) days prior written notice of such event (which notice, if mailed, shall be deemed given at the time of mailing) and shall have the right until such event to exercise his or her option to the extent then exercisable; provided further that the BOARD in its discretion (to the extent permitted by the CODE) may in the event of any such dissolution or liquidation accelerate the accrual of exercise rights in such manner as the BOARD shall deem appropriate.

3.3 RIGHTS OF PARTICIPANTS AND BENEFICIARIES.

3.3.1 Nothing contained in the PLAN (or in any option granted pursuant to the PLAN) shall confer upon any employee, director or other service provider any right to continue in the employ of MCGRATH (or its subsidiaries), or constitute any contract or agreement of employment, or interfere in any way with the right of MCGRATH (or its subsidiaries) to reduce such person's compensation from the rate in existence at the time of the granting of an option or to terminate such person's employment; but nothing contained herein or in any option agreement shall affect any contractual rights of an employee, director or other service provider.

3.3.2 Except as provided in Section 2.7 of this PLAN, MCGRATH shall provide all benefits hereunder only to the PARTICIPANT or beneficiaries entitled thereto pursuant to this PLAN. MCGRATH shall not be liable for the debts, contracts, or engagements of any PARTICIPANT or his or her beneficiaries, and rights under this PLAN may not be taken

in execution or by attachment or garnishment, or by any other legal or equitable proceeding while in the hands of MCGRATH; nor shall any PARTICIPANT or his or her beneficiaries have any right to assign, pledge or hypothecate any benefits hereunder.

3.4 GOVERNMENT REGULATIONS. The PLAN and the grant and exercise of options shall be subject to all applicable rules and regulations of governmental authorities.

3.5 WITHHOLDING. MCGRATH or any of its subsidiaries which employ the PARTICIPANT shall have the right to deduct any sums that federal, state or local tax law requires to be withheld with respect to the exercise of any option, or as otherwise may be required by such laws. MCGRATH or such subsidiary may require as a condition to issuing shares upon exercise of the option that the PARTICIPANT or other person exercising the option pay any sums that federal, state or local tax law requires to be withheld with respect to such exercise. There is no obligation hereunder that any PARTICIPANT be advised of the existence of the tax or the amount which the employer corporation will be so required to withhold.

3.5.1 In its sole discretion, MCGRATH may allow a Participant to satisfy withholding tax obligations by electing to have MCGRATH withhold from the COMMON STOCK to be issued upon exercise of an option that number of shares of COMMON STOCK having a FAIR MARKET VALUE equal to the amount required to be withheld. The FAIR MARKET VALUE of the shares to be withheld shall be determined as of the day immediately preceding the date the amount of tax to be withheld is to be determined.

3.6 AMENDMENT AND TERMINATION.

3.6.1 The BOARD may at any time suspend, amend or terminate this PLAN and may, with the consent of the holder of an option, make such modifications of the terms and conditions of such PARTICIPANT's option as it shall deem advisable. No option may be granted during any suspension of the PLAN or after such termination. The amendment, suspension or termination of the PLAN shall not, without the consent of the affected PARTICIPANT alter or impair any rights or obligations under any option theretofore granted under the PLAN.

3.6.2 In addition to BOARD approval of an amendment, if the amendment would (i) increase the benefits accruing to Participants, (ii) increase the number of securities issuable under this PLAN or (iii) modify the requirements for eligibility, or if Section 422 of the CODE requires shareholder approval of any amendment to the PLAN, then such

amendment shall be approved by the holders of a majority of MCGRATH's outstanding capital stock entitled to vote at a meeting held for the purpose of approving such amendment.

3.7 TIME OF GRANT AND EXERCISE.

3.7.1 The granting of an option pursuant to the PLAN shall take place at the time of the BOARD's action; provided, however, that if the appropriate resolutions of the BOARD indicate that an option is to be granted as of and at some future date, the date of grant shall be such future date. In the event action by the BOARD is taken by the unanimous written consent of its members, the action by the BOARD shall be deemed to be effective at the time the last member signs the consent.

3.7.2 An option shall be deemed to be exercised when the Secretary or Chief Financial Officer of MCGRATH receives written notice from a PARTICIPANT of such exercise, together with payment of the purchase price.

3.8 NO PRIVILEGES OF STOCK OWNERSHIP. A PARTICIPANT shall not be entitled to the privileges of stock ownership as to any shares of stock not actually issued and delivered to him or her.

3.9 NON-DISTRIBUTIVE INTENT. Upon exercise of an option at a time when there is not in effect under the Securities Act of 1933 a registration statement relating to the stock issuable under the option, the PARTICIPANT shall represent and warrant in writing to MCGRATH that the shares purchased are not being acquired with a view to the distribution thereof. No shares shall be issued upon the exercise of any option unless and until any then applicable requirements of the Securities and Exchange Commission, the California Department of Corporations, and any other regulatory agencies having jurisdiction and of any exchanges or associations upon which the COMMON STOCK may be listed shall have been fully satisfied.

3.10 EFFECTIVE DATE OF THE PLAN. This PLAN shall be effective as of March 9, 1998, and shall within twelve (12) months of such date, and before any option issued pursuant to the PLAN may be exercised, be submitted to the shareholders of MCGRATH for the approval by a vote of holders of a majority of MCGRATH's outstanding capital stock entitled to vote thereon

3.11 TERMINATION. Unless previously terminated by the BOARD, this PLAN shall terminate at the close of business on March 8, 2008, and no option shall be granted under it thereafter, but such termination shall not affect any option theretofore granted.

End of Plan

March 9, 1998

MCGRATH RENTCORP

Registration Statement on Form S-8

EXHIBIT 4.2

MCGRATH RENTCORP
1998 STOCK OPTION PLAN
EMPLOYEE INCENTIVE STOCK OPTION AGREEMENT

This Option Agreement is being entered into as of _____, 1998, by and between McGrath RentCorp, a California corporation (hereinafter "MCGRATH") and JOHN DOE (hereinafter "XXXX"). In accordance with that certain McGrath RentCorp 1998 Stock Option Plan (the "PLAN"), the Board of Directors of MCGRATH granted an option on _____, 1998 to XXXX to purchase shares of its Common Stock, as evidenced by this Agreement, subject to the following terms:

1. NUMBER OF SHARES AND PRICE. MCGRATH hereby evidences its grant to XXXX of the right and option (hereinafter the "OPTION"), on the terms and conditions set forth herein, to purchase all or any part of an aggregate of ____ Thousand (____) shares of MCGRATH's Common Stock (hereinafter the "OPTION SHARES"), at a purchase price of _____ Dollars and _____ Cents (\$____) per share.

2. OPTION SUBJECT TO PLAN. This OPTION is subject to, and MCGRATH and XXXX agree to be bound by, all of the terms and conditions of the PLAN, which is made a part hereof and incorporated herein by this reference. XXXX acknowledges receipt of the copy of the PLAN. The rights of XXXX under this OPTION are subject to modification and termination in certain events as provided in the PLAN, including, without limitation, Section 3 thereof.

3. NATURE OF OPTION; TAX CONSEQUENCES. This OPTION is intended to be an "incentive stock option" as that term is defined under Section 422 of the Internal Revenue Code. XXXX should consult with his own tax advisor with regard to the income tax consequences to him of exercising this OPTION.

4. TERMS OF EXERCISE.

4.1 Option Period. Notwithstanding anything to the contrary in this Agreement, unless this OPTION shall have expired earlier in accordance with Section 5 below, this OPTION shall expire ten (10) years after the date of grant specified above at 5:00 p.m. Livermore, California local time on _____, 2008 (hereinafter the "OPTION PERIOD").

4.2 Installments. This OPTION shall be exercisable in installments as to twenty percent (20%) of the OPTION SHARES one (1) year after the date of grant specified above (_____, 1998), and shall become exercisable as to an additional five percent (5%) of the OPTION SHARES after each successive period of three calendar months thereafter. OPTION SHARES entitled to be purchased, but not purchased in any period, may be purchased at any subsequent time within the OPTION PERIOD.

4.2.1 In the event XXXX takes a leave of absence approved by MCGRATH, the vesting of this OPTION (i.e., the rate at which the installments become exercisable) shall be tolled (i.e., held in abeyance) during such leave of absence. This may result in the OPTION PERIOD expiring prior to the full vesting of all OPTION SHARES, in which case unvested OPTION SHARES shall be forfeited and XXXX shall have no further right to purchase such unvested shares.

4.2.2 In the event of a reduction in hours scheduled to be worked by XXXX, the rate of vesting thereafter of this OPTION (i.e., the rate at which the installments become exercisable) shall be reduced proportionately to the reduction in hours, unless otherwise provided by MCGRATH. This may result in the OPTION PERIOD expiring prior to the full vesting of all OPTION SHARES, in which case unvested OPTION SHARES shall be forfeited and XXXX shall have no further right to purchase such unvested shares.

4.2.3 In the event of a substantial reduction in XXXX's duties and responsibilities hereafter, MCGRATH and XXXX may mutually agree in writing to a reduction in the number of OPTION SHARES and/or a reduction in the rate of vesting of this OPTION.

4.2.4 The vesting of this OPTION (i.e., the rate at which the installments become exercisable) may be accelerated under certain circumstances as described in Sections 6.2 and 6.3 below.

4.3 How to Exercise. The exercise of this OPTION shall be effective only upon the delivery to MCGRATH of a written notice of intention to exercise the OPTION in substantially the form attached hereto as Exhibit A specifying the number of shares then to be purchased under the OPTION and the date of such purchase (which, unless MCGRATH otherwise consents, shall be at not more than thirty (30) days after the delivery of such notice). Delivery of a certificate, or certificates, representing said shares shall be made only upon the tender of payment of the purchase price of the number of shares specified in such notice on said date.

4.4 Payment of Exercise Price. Payment of the purchase price for the shares purchased upon exercise of the OPTION shall be made in cash or by check; provided that, subject to the discretion of the Board of Directors of MCGRATH, and upon receipt of all regulatory approvals, all or part of the payment may be made by the delivery of certificates evidencing Common Stock of MCGRATH already owned by XXXX with an aggregate "fair market value" (determined as specified in the PLAN) equal to the portion of the purchase price being paid thereby.

5. EARLY TERMINATION OF THE OPTION PERIOD.

5.1 Termination of Employment. Subject to Sections 5.2 and 5.3 below, if XXXX ceases to be employed by MCGRATH or its subsidiaries for any reason, XXXX may exercise this OPTION only to the extent XXXX was entitled to exercise it on the date he ceased to be so employed (subject to Section 6.3 below). If XXXX wants to exercise this OPTION, then he must do so before the earlier of (i) three (3) months after the date he ceases to be an employee of MCGRATH or its subsidiaries or (ii) the normal expiration of the OPTION PERIOD (as specified in Section 4.1 above); and upon the expiration of the earlier of such two periods, this OPTION shall terminate.

5.1.1 Neither service as a director, consultant, advisor or other service provider by XXXX, nor the payment of a director's, consultant's, advisor's or other fee by MCGRATH, shall be sufficient to constitute continued "employment" of XXXX by MCGRATH with respect to this OPTION.

5.1.2 XXXX's employment shall not be deemed to have terminated by reason of a transfer between MCGRATH, its parent, any subsidiary, or any successor.

5.1.3 XXXX's employment shall not be deemed to have terminated by reason of a leave of absence approved by MCGRATH. If re-employment upon expiration of the leave of absence approved by MCGRATH is not guaranteed by statute or contract, this OPTION shall cease to be treated as an "incentive stock option" after the first four months of such leave and thereafter shall be treated for tax purposes as a "non-qualified option."

5.1.4 XXXX's employment with MCGRATH shall not be deemed to have terminated by reason of a reduction in hours scheduled to be worked if approved by an officer of MCGRATH.

5.1.5 XXXX's employment with MCGRATH shall not be deemed to have terminated by reason of a reduction in XXXX's duties or responsibilities with respect to MCGRATH.

5.2 Disability. Subject to Section 5.3 below, if XXXX's employment by MCGRATH or its subsidiaries, if any, is terminated as a result of XXXX's disability, XXXX may exercise this OPTION if and only to the extent XXXX was entitled to exercise it at the date he ceased to be so employed, but only during the OPTION PERIOD and within twelve (12) months after the date XXXX ceases to be an employee of MCGRATH, or its subsidiaries, if any. Upon the expiration of the earlier of such twelve (12) month period or the normal OPTION PERIOD, this OPTION shall terminate. For purposes of this OPTION, an individual is disabled if he is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months.

5.3 Death. In the event of XXXX's death while employed by MCGRATH, or its subsidiaries, if any, and during the OPTION PERIOD, the unexercised portion of this OPTION may be exercised at any time during the OPTION PERIOD but not more than twelve (12) months after the date of XXXX's death, by the person or persons to whom the rights to exercise this OPTION shall pass by will or by the applicable laws of descent and distribution, but only to the extent that the right to exercise had accrued and was still exercisable as of the date of XXXX's death. Upon the expiration of the earlier of such twelve (12) month period or the normal OPTION PERIOD, this OPTION shall terminate.

5.4 Corporate Dissolution. A dissolution or liquidation of MCGRATH shall cause this OPTION to terminate; provided that XXXX shall, in such event, be given at least thirty (30) days prior written notice of such event (which notice, if mailed, shall be deemed given at the time of mailing) and shall have the right until such event to exercise this OPTION to the extent then exercisable (subject to Section 2.10 of the PLAN and the limitation set forth in Section 422 of the Internal Revenue Code of 1986, as amended); provided further that the Board of Directors may, in its discretion (to the extent permitted by Section 2.10 of the PLAN and the limitation set forth in Section 422 of the Internal Revenue Code of 1986, as amended), in the event of any such dissolution or liquidation, accelerate the accrual of exercise rights hereunder in such manner as the Board of Directors shall deem appropriate.

6. RECAPITALIZATION; ACQUISITION; CHANGE IN CONTROL.

6.1 Recapitalization. Subject to any action by the stockholders required by law, the number of shares of Common Stock covered by this OPTION and the price per share thereof shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock of MCGRATH 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 in the number of such shares effected without receipt of consideration by MCGRATH. (For this purpose, issuances of shares upon conversion of convertible securities shall be deemed an issuance for which MCGRATH receives consideration.)

6.2 Acquisition. In the event of any acquisition of MCGRATH the acquiror may, at its option, (i) assume this OPTION if and to the extent then outstanding, or (ii) substitute for this OPTION a new option under one of its own option plans provided such new option is no less economically beneficial to XXXX. If the acquiror does not assume this OPTION or substitute its own option for this OPTION, then the accrual of exercise rights hereunder shall accelerate such that this OPTION shall be fully vested and all OPTION SHARES shall be exercisable as of the date of such acquisition. For purposes of this section, an acquisition of MCGRATH shall be defined to be (i) any merger or consolidation of MCGRATH in which the shareholders of MCGRATH immediately prior to such merger or consolidation do not immediately thereafter hold a majority of the voting power of the resulting entity, or (2) a transaction in which MCGRATH sells all or substantially all of its assets and the employees of MCGRATH continue to be employed by the purchasing entity.

6.3 Change in Control. In the event XXXX's employment with MCGRATH or its successor, or any of their subsidiaries, is terminated (other than by XXXX), within two (2) years following a "Change in Control," the accrual of exercise rights hereunder shall accelerate upon such termination such that this OPTION shall be fully vested and all OPTION SHARES shall be exercisable. For purposes of this section, a "Change in Control" shall be deemed to have occurred hereafter if:

6.3.1 Any person (or entity, or group or persons or entities), other than (i) a trustee or other fiduciary holding securities under an employee benefit plan of MCGRATH or (ii) a corporation owned directly or indirectly by the stockholders of MCGRATH in substantially the same proportions as their ownership of stock of MCGRATH or (iii) a group which includes Robert P. McGrath or his heirs, becomes the beneficial owner, directly or indirectly, of securities of MCGRATH representing 30% or more of the total voting power represented by MCGRATH's then outstanding voting securities; or

6.3.2 During any period of two consecutive years after the date of this OPTION (or if two years have not elapsed since the date of this OPTION, such shorter period), (i) individuals who at the beginning of such period constitute the Board, plus (ii) any new director whose election by the Board or nomination for election by MCGRATH's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for

election was previously so approved, cease for any reason to constitute a majority thereof; or

6.3.3 MCGRATH is a party to a merger or consolidation with another corporation, other than a merger or consolidation which results in the voting securities of MCGRATH outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) a majority of the total voting power of the surviving entity outstanding immediately after such merger or consolidation; or

6.3.4 McGrath sells or otherwise disposes (in one transaction or a series of transactions) of all or substantially all of its assets, other than to a corporation owned directly or indirectly by the stockholders of MCGRATH in substantially the same proportions as their ownership of stock of MCGRATH.

7. INVESTMENT INTENT.

7.1 Applicability of this Section. This Section 7 shall be applicable only at such times as (i) the OPTION SHARES are not covered by a currently effective registration statement under the Securities Act of 1933, as amended (the "SECURITIES ACT"), or (ii) XXXX may be deemed to be an affiliate of MCGRATH RENTCORP.

7.2 XXXX's Representations. As a condition to accepting this OPTION, and as a condition to its exercise, XXXX makes the following representations and agreements, and represents, warrants and agrees that he will reaffirm such representations and agreements to be true and in full force and effect at and as of the time of any exercise of this OPTION:

7.2.1 XXXX has, by reason of XXXX's business or financial experience, the capacity to evaluate the merits and risks of an investment in MCGRATH and to protect his interest in connection with the issuance of this OPTION and the purchase of any OPTION SHARES.

7.2.2 XXXX is aware of MCGRATH's business affairs and financial condition and has had access to such information about MCGRATH as XXXX has deemed necessary or desirable to reach an informed and knowledgeable decision to acquire this OPTION and the OPTION SHARES. XXXX will purchase the OPTION SHARES for investment for his own

account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act of 1933.

7.2.3 XXXX understands that this OPTION and the OPTION SHARES have not been registered under the SECURITIES ACT by reason of a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of his investment intent as expressed herein. In this connection, XXXX understands that, in the view of the Securities and Exchange Commission ("COMMISSION"), the statutory basis for such exemption may not be present if XXXX's representation meant that his present intention was to hold the OPTION SHARES for a minimum capital gains period under the tax statutes, for a deferred sale, for a market rise, for a sale if the market does not rise, or for a year or any other fixed period in the future.

7.2.4 XXXX further acknowledges and agrees that the OPTION SHARES must be held indefinitely unless they are subsequently registered under the SECURITIES ACT or an exemption from such registration is available. XXXX further acknowledges and understands that MCGRATH is under no obligation to register the OPTION SHARES.

7.2.5 XXXX is aware of the adoption of Rule 144 by the COMMISSION, promulgated under the SECURITIES ACT, which (1) after one year from the date the securities have been purchased and fully paid for, permits limited public resale of securities acquired in a non-public offering subject to the satisfaction of certain conditions, and (ii) after two years from the date the securities have been purchased and fully paid for, permits persons who are not affiliates of the issuer to sell an unlimited number of securities without satisfaction of such conditions.

7.2.6 XXXX further acknowledges and understands that MCGRATH may not be satisfying the current public information requirement of Rule 144 at the time he wishes to sell the OPTION SHARES, and, if so, XXXX would be precluded from selling the OPTION SHARES under Rule 144 even if the one or two-year minimum holding periods had been satisfied.

7.2.7 XXXX further acknowledges that in the event all of the requirements of Rule 144 are not met, compliance with Regulation A or some other exemption from registration will be required, and that although Rule 144 is not exclusive, the Staff of the COMMISSION has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and other than pursuant to Rule 144 will have

a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales and that such persons and the brokers who participate in the transactions do so at their own risk.

7.3 Legends. MCGRATH may place on the certificates evincing the OPTION SHARES appropriate legends referring to the restrictions on transfer set forth in Section 7.2 above and as may be required by the California Commissioner of Corporations. XXXX understands that all certificates for OPTION SHARES may bear the following legend:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR THE PURCHASER'S OWN ACCOUNT ONLY AND NOT WITH A VIEW TO, OR FOR RESALE IN CONNECTION WITH, ANY DISTRIBUTION THEREOF. NO SALE OR DISPOSITION OF THESE SHARES MAY BE EFFECTED WITHOUT (1) REGISTRATION OF SUCH SALE OR DISPOSITION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND (2) QUALIFICATION OF SUCH SALE OR DISPOSITION UNDER THE CALIFORNIA CORPORATE SECURITIES LAW OF 1968, AS AMENDED, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION AND QUALIFICATION ARE NOT REQUIRED UNDER THOSE ACTS.

8. EMPLOYMENT RIGHTS NOT CONFERRED. This OPTION shall not confer upon XXXX any right with respect to continuation of employment by MCGRATH or its subsidiaries, nor shall it interfere in any way with XXXX's right or MCGRATH's (or its subsidiaries') right to terminate XXXX's employment at any time.

9. NON-TRANSFERABLE. The OPTION evinced by this Agreement is not transferable otherwise than by will or by the laws of descent and distribution and shall be exercisable during XXXX's lifetime only by XXXX or XXXX's duly appointed guardian or personal representative. Subject to the foregoing, this Agreement shall be binding upon and shall inure to the benefit of any successors

or assigns of MCGRATH and, to the extent herein provided, shall be binding upon and inure to the benefit of XXXX's successors.

MCGRATH RENTCORP

By -----
Dennis C. Kakures, President

JOHN DOE

EXHIBIT A

To: McGRATH RENTCORP
5700 Las Positas Road
Livermore, CA 94550

Attn: Chief Financial Officer

Subject: Notice of Intention to Exercise Stock Option

With respect to the stock option granted to John Doe on _____,
1998 to purchase an aggregate of _____Thousand (_____) shares of
McGRATH's Common Stock as evinced by the Employee Incentive Stock Option
Agreement dated _____, 1998, this is official notice that the undersigned
intends to exercise such option to purchase shares as follows:

Number of Shares: _____

Date of Purchase: _____

Mode of Payment: _____

_____ [Initial here if Section 7 is applicable] In connection with
such exercise, the undersigned hereby reaffirms that the representations and
agreements set forth in Section 7.2 of the Agreement evincing such option are
now and will be at and as of the time of such exercise true and in full force
and effect with respect to the shares purchased.

The shares should be issued as follows:

Name: _____

Address: _____

Social Security Number: _____

Signed: _____

Date: _____

MCGRATH RENTCORP

Registration Statement on Form S-8

EXHIBIT 4.3

MCGRATH RENTCORP
1998 STOCK OPTION PLAN
DIRECTOR'S NON-QUALIFIED STOCK OPTION AGREEMENT

This Option Agreement is being entered into as of _____, 1998, by and between McGrath RentCorp, a California corporation (hereinafter "MCGRATH") and JOHN DOE (hereinafter "DOE"). In accordance with that certain McGrath RentCorp 1998 Stock Option Plan (the "PLAN"), the Board of Directors of MCGRATH granted an option on _____, 1998 to DOE to purchase shares of its Common Stock, as evidenced by this Agreement, subject to the following terms:

1. NUMBER OF SHARES AND PRICE. MCGRATH hereby evidences its grant to DOE of the right and option (hereinafter the "OPTION"), on the terms and conditions set forth herein, to purchase all or any part of an aggregate of ____ Thousand (_____) shares of MCGRATH's Common Stock (hereinafter the "OPTION SHARES"), at a purchase price of _____ Dollars and _____ Cents (\$____) per share.

2. OPTION SUBJECT TO PLAN. This OPTION is subject to, and MCGRATH and DOE agree to be bound by, all of the terms and conditions of the PLAN, which is made a part hereof and incorporated herein by this reference. DOE acknowledges receipt of the copy of the PLAN. The rights of DOE under this OPTION are subject to modification and termination in certain events as provided in the PLAN, including, without limitation, Section 3 thereof.

3. NATURE OF OPTION; TAX CONSEQUENCES. This OPTION is not intended to be an "incentive stock option" as that term is defined under Section 422 of the Internal Revenue Code. DOE should consult with his own tax advisor with regard to the income tax consequences to him of exercising this OPTION.

4. TERMS OF EXERCISE.

4.1 Option Period. Notwithstanding anything to the contrary in this Agreement, unless this OPTION shall have expired earlier in accordance with Section 5 below, this OPTION shall expire ten (10) years after the date of grant specified above at 5:00 p.m. Livermore, California local time on _____, 2008 (hereinafter the "OPTION PERIOD").

4.2 Installments. This OPTION shall be exercisable in installments as to _____

OPTION SHARES entitled to be purchased, but not purchased in any period, may be purchased at any subsequent time within the OPTION PERIOD. The vesting of this OPTION (i.e., the rate at which the installments become exercisable) may be accelerated under certain circumstances as described in Section 6.2 below.

4.3 How to Exercise. The exercise of this OPTION shall be effective only upon the delivery to MCGRATH of a written notice of intention to exercise the OPTION in substantially the form attached hereto as Exhibit A specifying the number of shares then to be purchased under the OPTION and the date of such purchase (which, unless MCGRATH otherwise consents, shall be at not more than thirty (30) days after the delivery of such notice). Delivery of a certificate, or certificates, representing said shares shall be made only upon the tender of payment of the purchase price of the number of shares specified in such notice on said date.

4.4 Payment of Exercise Price. Payment of the purchase price for the shares purchased upon exercise of the OPTION shall be made in cash or by check; provided that, subject to the discretion of the Board of Directors of MCGRATH, and upon receipt of all regulatory approvals, all or part of the payment may be made by the delivery of certificates evidencing Common Stock of MCGRATH already owned by DOE with an aggregate "fair market value" (determined as specified in the PLAN) equal to the portion of the purchase price being paid thereby.

5. EARLY TERMINATION OF THE OPTION PERIOD.

5.1 Termination of Directorship. Subject to Sections 5.2 and 5.3 below, if DOE ceases to be a director of MCGRATH for any reason, DOE may exercise this OPTION only to the extent DOE was entitled to exercise it on the date he ceased to be a director (subject to Section 6.2 below). If DOE wants to exercise this OPTION, then he must do so before the earlier of (i) three (3) months after the date he ceases to be a director of MCGRATH or (ii) the normal expiration of the OPTION PERIOD (as specified in Section 4.1 above); and upon the expiration of the earlier of such two periods, this OPTION shall terminate.

5.2 Disability. Subject to Section 5.3 below, if DOE ceases to be a director of MCGRATH as a result of DOE's disability, DOE may exercise this OPTION if and only to the extent

DOE was entitled to exercise it at the date he ceased to be a director, but only during the OPTION PERIOD and within twelve (12) months after the date DOE ceases to be a director of MCGRATH. Upon the expiration of the earlier of such twelve (12) month period or the normal OPTION PERIOD, this OPTION shall terminate. For purposes of this OPTION, an individual is disabled if he or she is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months.

5.3 Death. In the event of DOE's death while a director of MCGRATH and during the OPTION PERIOD, the unexercised portion of this OPTION may be exercised at any time during the OPTION PERIOD but not more than twelve (12) months after the date of DOE's death, by the person or persons to whom the rights to exercise this OPTION shall pass by will or by the applicable laws of descent and distribution, but only to the extent that the right to exercise had accrued and was still exercisable as of the date of DOE's death. Upon the expiration of the earlier of such twelve (12) month period or the normal OPTION PERIOD, this OPTION shall terminate.

5.4 Corporate Dissolution. A dissolution or liquidation of MCGRATH shall cause this OPTION to terminate; provided that DOE shall, in such event, be given at least thirty (30) days prior written notice of such event (which notice, if mailed, shall be deemed given at the time of mailing) and shall have the right until such event to exercise this OPTION to the extent then exercisable; provided further that the Board of Directors may, in its discretion, in the event of any such dissolution or liquidation, accelerate the accrual of exercise rights in such manner as the Board of Directors shall deem appropriate.

6. RECAPITALIZATION; CHANGE IN CONTROL.

6.1 Recapitalization. Subject to any action by the stockholders required by law, the number of shares of Common Stock covered by this OPTION and the price per share thereof shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock of MCGRATH 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 in the number of such shares effected without receipt of consideration by MCGRATH. (For this purpose, issuances of shares upon conversion of convertible securities shall be deemed an issuance for which MCGRATH receives consideration.)

6.2 Change in Control. In the event of a "Change in Control," the accrual of exercise rights hereunder shall accelerate upon such "Change in Control" such that this OPTION shall

be fully vested and all OPTION SHARES shall be exercisable. For purposes of this section, a "Change in Control" shall be deemed to have occurred hereafter if:

6.2.1 Any person (or entity, or group or persons or entities), other than (i) a trustee or other fiduciary holding securities under an employee benefit plan of MCGRATH or (ii) a corporation owned directly or indirectly by the stockholders of MCGRATH in substantially the same proportions as their ownership of stock of MCGRATH or (iii) a group which includes Robert P. McGrath or his heirs, becomes the beneficial owner, directly or indirectly, of securities of MCGRATH representing 30% or more of the total voting power represented by MCGRATH's then outstanding voting securities; or

6.2.2 During any period of two consecutive years after the date of this OPTION (or if two years have not elapsed since the date of this OPTION, such shorter period), (i) individuals who at the beginning of such period constitute the Board, plus (ii) any new director whose election by the Board or nomination for election by MCGRATH's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

6.2.3 MCGRATH is a party to a merger or consolidation with another corporation, other than a merger or consolidation which results in the voting securities of MCGRATH outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) a majority of the total voting power of the surviving entity outstanding immediately after such merger or consolidation; or

6.2.4 McGrath sells or otherwise disposes (in one transaction or a series of transactions) of all or substantially all of its assets, other than to a corporation owned directly or indirectly by the stockholders of MCGRATH in substantially the same proportions as their ownership of stock of MCGRATH.

7. INVESTMENT INTENT.

7.1 Doe's Representations. As a condition to accepting this OPTION, and as a condition to its exercise, DOE makes the following representations and agreements, and represents,

warrants and agrees that he will reaffirm such representations and agreements to be true and in full force and effect at and as of the time of any exercise of this OPTION:

7.1.1 DOE has, by reason of DOE's business or financial experience, the capacity to evaluate the merits and risks of an investment in MCGRATH and to protect his interest in connection with the issuance of this OPTION and the purchase of any OPTION SHARES.

7.1.2 DOE is aware of MCGRATH's business affairs and financial condition and has had access to such information about MCGRATH as DOE has deemed necessary or desirable to reach an informed and knowledgeable decision to acquire this OPTION and the OPTION SHARES. DOE will purchase the OPTION SHARES for investment for his own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act of 1933 ("SECURITIES ACT").

7.1.3 DOE understands that this OPTION and the OPTION SHARES have not been registered under the SECURITIES ACT by reason of a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of his investment intent as expressed herein. In this connection, DOE understands that, in the view of the Securities and Exchange Commission ("COMMISSION"), the statutory basis for such exemption may not be present if DOE's representation meant that his present intention was to hold the OPTION SHARES for a minimum capital gains period under the tax statutes, for a deferred sale, for a market rise, for a sale if the market does not rise, or for a year or any other fixed period in the future.

7.1.4 DOE further acknowledges and agrees that the OPTION SHARES must be held indefinitely unless they are subsequently registered under the SECURITIES ACT or an exemption from such registration is available. DOE further acknowledges and understands that MCGRATH is under no obligation to register the OPTION SHARES.

7.1.5 DOE is aware of the adoption of Rule 144 by the COMMISSION, promulgated under the SECURITIES ACT, which (1) after one year from the date the securities have been purchased and fully paid for, permits limited public resale of securities acquired in a non-public offering subject to the satisfaction of certain conditions, and (ii) after two years from the date the securities have been purchased and fully paid for, permits persons who are not affiliates of the issuer to sell an unlimited number of securities without satisfaction of such conditions.

7.1.6 DOE further acknowledges and understands that MCGRATH may not be satisfying the current public information requirement of Rule 144 at the time he wishes to sell the OPTION SHARES, and, if so, DOE would be precluded from selling the OPTION SHARES under Rule 144 even if the one or two-year minimum holding periods had been satisfied.

7.1.7 DOE further acknowledges that in the event all of the requirements of Rule 144 are not met, compliance with Regulation A or some other exemption from registration will be required, and that although Rule 144 is not exclusive, the Staff of the COMMISSION has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and other than pursuant to Rule 144 will have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales and that such persons and the brokers who participate in the transactions do so at their own risk.

7.2 Legends. MCGRATH may place on the certificates evincing the OPTION SHARES appropriate legends referring to the restrictions on transfer set forth in Section 7.1 above and as may be required by the California Commissioner of Corporations. DOE understands that all certificates for OPTION SHARES may bear the following legend:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR THE PURCHASER'S OWN ACCOUNT ONLY AND NOT WITH A VIEW TO, OR FOR RESALE IN CONNECTION WITH, ANY DISTRIBUTION THEREOF. NO SALE OR DISPOSITION OF THESE SHARES MAY BE EFFECTED WITHOUT (1) REGISTRATION OF SUCH SALE OR DISPOSITION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND (2) QUALIFICATION OF SUCH SALE OR DISPOSITION UNDER THE CALIFORNIA CORPORATE SECURITIES LAW OF 1968, AS AMENDED, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION AND QUALIFICATION ARE NOT REQUIRED UNDER THOSE ACTS.

8. RIGHTS NOT CONFERRED. This OPTION shall not confer upon DOE any right with respect to continuation of his position as a director of MCGRATH.

9. NON-TRANSFERABLE. The OPTION evinced by this Agreement is not transferable otherwise than by will or by the laws of descent and distribution and shall be exercisable during DOE's lifetime only by DOE or DOE's duly appointed guardian or personal representative. Subject to the foregoing,

this Agreement shall be binding upon and shall inure to the benefit of any successors or assigns of MCGRATH and, to the extent herein provided, shall be binding upon and inure to the benefit of DOE's successors.

MCGRATH RENTCORP

By

Robert P. McGrath, Chief Executive Officer

JOHN DOE

EXHIBIT A

To: McGRATH RENTCORP
5700 Las Positas Road
Livermore, CA 94550

Attn: Chief Financial Officer

Subject: Notice of Intention to Exercise Stock Option

With respect to the stock option granted to John Doe on _____,
1998 to purchase an aggregate of _____Thousand (_____) shares of
McGRATH's Common Stock as evinced by the Director's Non-Qualified Incentive
Stock Option Agreement dated _____, 1998, this is official notice that
the undersigned intends to exercise such option to purchase shares as follows:

Number of Shares: _____

Date of Purchase: _____

Mode of Payment: _____

In connection with such exercise, the undersigned hereby reaffirms that
the representations and agreements set forth in Section 7.1 of the Agreement
evincing such option are now and will be at and as of the time of such exercise
true and in full force and effect with respect to the shares purchased.

The shares should be issued as follows:

Name: _____

Address: _____

Social Security Number: _____

Signed: _____

Date: _____

[CHRISTOPHER REAM LETTERHEAD]

March 8, 1999

McGrath RentCorp
2700 Las Positas Road
Livermore, CA 94550

Gentlemen:

I have acted as counsel for McGrath RentCorp (the "Company") in connection with the adoption of its 1988 Stock Option Plan (the "Plan") and in connection with the registration under the Securities Act of 1933, as amended, of 2,000,000 shares of the Company's Common Stock (the "Shares") to be issued upon the exercise of options granted under the Plan. I have examined the Registration Statement on Form S-8 to be filed by the Company with the Securities and Exchange Commission on March 9, 1999. As the Company's legal counsel, I have examined the proceedings taken, and am familiar with the proceedings proposed to be taken by the Company, in connection with the sale and issuance of the Shares.

It is my opinion, upon completion of the proceedings being taken prior to the issuance of the Shares, including proceedings being taken in order to permit such transactions to be carried out in accordance with applicable state securities laws, that the Shares will be legally and validly issued, fully paid and non-assessable when issued and sold in the manner described in the Registration Statement and in accordance with the resolutions adopted by the Board of Directors of the Company.

I hereby consent to the filing of this opinion as an exhibit to the Registration Statement, and further consent to the use of my name wherever appearing in the Registration Statement.

Very truly yours,

Christopher Ream

Christopher Ream

CR:lc

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in this Registration Statement on Form S-8 of our report dated February 20, 1998, incorporated by reference in McGrath RentCorp's Form 10-K for the year ended December 31, 1997, and to all references to our Firm included in this Registration Statement.

Arthur Andersen LLP

ARTHUR ANDERSEN LLP

San Francisco, California
March 5, 1999