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

FORM 10-Q

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

For the quarterly period ended June 30, 2008

Commission file number 0-13292

McGRATH RENTCORP

(Exact name of registrant as specified in its Charter)

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

5700 Las Positas Road, Livermore, CA 94551-7800
(Address of principal executive offices)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non accelerated filer, or a smaller reporting company. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one).

Large accelerated filer ☒		Accelerated filer ☐
Non-accelerated filer ☐	(Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of August 7, 2008, 23,657,318 shares of Registrant's Common Stock were outstanding.

FORWARD LOOKING STATEMENTS

Statements contained in this Quarterly Report on Form 10-Q which are not historical facts are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts regarding McGrath RentCorp's (the "Company's") business strategy, future operations, financial position, estimated revenues or losses, projected costs, prospects, plans and objectives are forward looking statements. These forward-looking statements appear in a number of places and can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "future," "intend," "hopes" or "certain" or the negative of these terms or other variations or comparable terminology.

Management cautions that forward-looking statements are subject to risks and uncertainties that could cause our actual results to differ materially from those projected in such forward-looking statements including, without limitation, the following: the future prospects for and growth of the Company and the industries in which it operates, the level of the Company's future rentals and sales, customer demand and cost of raw materials, the Company's ability to maintain its business model; the Company's ability to retain and recruit key personnel; the Company's ability to maintain its competitive strengths and to effectively compete against its competitors; the Company's short-term decisions and long-term strategies for the future and its ability to implement and maintain such decisions and strategies, including its strategies: (i) to focus on rental revenue growth from an increasing base of rental assets, (ii) to actively maintain, repair, redeploy, manage and anticipate the need for various models of rental equipment cost-effectively and to maximize the level of proceeds from the sale of such products, and (iii) to create internal facilities and infrastructure capabilities that can provide prompt and efficient customer service, experienced assistance, rapid delivery and timely maintenance of the Company's equipment; the demand by the educational market (and the K-12 market in particular) for the Company's modular products; the effect of delays or interruptions in the passage of statewide and local facility bond measures on the Company's operations; the effect of changes in applicable law, and policies relating to the use of temporary buildings on the Company's modular rental and sales revenues, including with respect to class size and building standards; the effects of changes in the level of state funding to public schools and the use of classrooms that meet the Department of Housing requirements; the Company's ability to maintain and upgrade modular equipment to comply with changes in applicable law and customer preference; the Company's strategy to effectively implement its expansion into Florida, North Carolina, Georgia and other new markets in the U.S.; the Company's expectation that the first phase of its ERP upgrade project will be completed in late 2008 and the Company's reliance on its information technology systems; the Company's engaging in and ability to consummate future acquisitions; manufacturers' ability to produce products to the Company's specification on a timely basis; the Company's ability to maintain good relationships with school districts, manufacturers, and other suppliers; the impact of debt covenants on the Company's flexibility in running its business and the effect of an event of default on the Company's results of operations; the effect of interest rate fluctuations; the Company's ability to manage its credit risk and accounts receivable; the timing and amounts of future capital expenditures and the Company's ability to meet its needs for working capital including its ability to negotiate lines of credit; the Company's ability to track technology trends to make good buy-sell decisions with respect to electronic test equipment; the effect of changes to the Company's accounting policies and impact of evolving interpretation and implementation of such policies; the risk of litigation and claims against the Company; the impact of a change in the Company's overall effective tax rate as a result of the Company's mix of business levels in various tax jurisdictions in which it does business; the adequacy of the Company's insurance coverage; the impact of a failure by third parties to manufacture our products timely or properly; the level of future warranty costs of modular equipment that we sell; the effect of seasonality on the Company's business; the growth of the Company's business in international markets and the Company's ability to succeed in those markets; and the Company's ability to pass on increases in its costs of rental equipment, including manufacturing costs, operating expenses and interest expense through increases in rental rates and selling prices. Further, our future business, financial condition and results of operations could differ materially from those anticipated by such forward-looking statements and are subject to risks and uncertainties including the risks set forth above and the "Risk Factors" set forth in this Form 10-Q. Moreover, neither we assume nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements.

Forward-looking statements are made only as of the date of this Form 10-Q and are based on management's reasonable assumptions, however these assumptions can be wrong or affected by known or unknown risks and uncertainties. No forward-looking statement can be guaranteed and subsequent facts or circumstances may contradict, obviate, undermine or otherwise fail to support or substantiate such statements. Readers should not place undue reliance on these forward-looking statements and are cautioned that any such forward-looking statements are not guarantees of future performance. We are under no duty to update any of the forward-looking statements after the date of this Form 10-Q to conform such statements to actual results or to changes in our expectations.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of McGrath RentCorp and Subsidiaries:

We have reviewed the accompanying consolidated balance sheet of McGrath RentCorp and Subsidiaries as of June 30, 2008, and the related statements of income for the three-month periods ended June 30, 2008 and 2007 and the statements of income and cash flows for the six-month periods ended June 30, 2008 and 2007. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the United States Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of McGrath RentCorp and Subsidiaries as of December 31, 2007, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 25, 2008, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2007, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Grant Thornton LLP
San Francisco, California
August 5, 2008

McGRATH RENTCORP
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(in thousands, except per share amounts)	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
REVENUES				
Rental	$48,846	$44,995	$ 97,082	$ 88,303
Rental Related Services	7,490	8,598	14,832	16,020
Rental Operations	56,336	53,593	111,914	104,323
Sales	17,001	13,224	26,174	22,567
Other	616	630	1,280	1,310
Total Revenues	73,953	67,447	139,368	128,200
COSTS AND EXPENSES				
Direct Costs of Rental Operations				
Depreciation of Rental Equipment	14,044	12,730	27,462	24,749
Rental Related Services	5,536	6,166	10,751	11,259
Other	9,591	8,996	17,681	16,594
Total Direct Costs of Rental Operations	29,171	27,892	55,894	52,602
Costs of Sales	11,667	9,203	17,465	15,729
Total Costs	40,838	37,095	73,359	68,331
Gross Profit	33,115	30,352	66,009	59,869
Selling and Administrative Expenses	14,230	12,607	27,774	24,255
Income from Operations	18,885	17,745	38,235	35,614
Interest Expense	2,291	2,832	4,758	5,453
Income Before Provision for Income Taxes	16,594	14,913	33,477	30,161
Provision for Income Taxes	6,505	5,816	13,123	11,763
Income Before Minority Interest	10,089	9,097	20,354	18,398
Minority Interest in Income (Loss) of Subsidiary		12		(15)
Net Income	$10,089	$ 9,085	$ 20,354	$ 18,413
Earnings Per Share:				
Basic	$ 0.43	$ 0.36	$ 0.85	$ 0.73
Diluted	$ 0.42	$ 0.36	$ 0.85	$ 0.72
Shares Used in Per Share Calculation:				
Basic	23,641	25,233	23,810	25,174
Diluted	23,890	25,491	23,977	25,431
Cash Dividends Declared Per Share	$ 0.20	$ 0.18	$ 0.40	$ 0.36

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

MCGRATH RENTCORP
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(in thousands)	June 30, 2008	December 31, 2007
Assets		
Cash	$ 1,302	$ 5,090
Accounts Receivable, net of allowance for doubtful accounts of $1,300 in 2008 and $1,400 in 2007	68,717	67,061
Rental Equipment, at cost:		
Relocatable Modular Buildings	492,774	475,077
Electronic Test Equipment	256,267	232,349
	749,041	707,426
Less Accumulated Depreciation	(240,529)	(221,412)
Rental Equipment, net	508,512	486,014
Property, Plant and Equipment, net	76,501	66,480
Prepaid Expenses and Other Assets	19,698	17,591
Total Assets	$ 674,730	$ 642,236
Liabilities and Shareholders’ Equity		
Liabilities:		
Notes Payable	$ 234,725	$ 197,729
Accounts Payable and Accrued Liabilities	53,784	55,642
Deferred Income	24,021	28,948
Deferred Income Taxes, net	126,462	115,886
Total Liabilities	438,992	398,205
Shareholders’ Equity:		
Common Stock, no par value - Authorized — 40,000 shares		
Issued and Outstanding — 23,657 shares in 2008 and 24,578 shares in 2007	42,968	41,917
Retained Earnings	192,770	202,114
Total Shareholders’ Equity	235,738	244,031
Total Liabilities and Shareholders’ Equity	$ 674,730	$ 642,236

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

MCGRATH RENTCORP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in thousands)	Six Months Ended June 30, 2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 20,354	$ 18,413
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	28,749	25,902
Provision for Doubtful Accounts	654	430
Non-Cash Stock-Based Compensation	1,919	1,704
Gain on Sale of Rental Equipment	(4,824)	(4,350)
Change In:		
Accounts Receivable	(2,312)	(4,755)
Prepaid Expenses and Other Assets	(2,107)	(1,047)
Accounts Payable and Accrued Liabilities	(2,725)	(4,434)
Deferred Income	(4,927)	(7,391)
Deferred Income Taxes	10,576	4,303
Net Cash Provided by Operating Activities	45,357	28,775
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Rental Equipment	(54,665)	(54,965)
Purchase of Property, Plant and Equipment	(11,308)	(1,511)
Proceeds from Sale of Rental Equipment	12,558	11,040
Net Cash Used in Investing Activities	(53,415)	(45,436)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Borrowings Under Bank Lines of Credit	36,996	20,424
Proceeds from the Exercise of Stock Options	663	3,374
Excess Tax Benefit from Exercise and Disqualifying Disposition of Stock Options	133	1,385
Repurchase of Common Stock	(24,418)	—
Payment of Dividends	(9,104)	(8,550)
Net Cash Provided by Financing Activities	4,270	16,633
Net Decrease in Cash	(3,788)	(28)
Cash Balance, beginning of period	5,090	349
Cash Balance, end of period	$ 1,302	$ 321
Interest Paid, during the period	$ 5,059	$ 5,632
Income Taxes Paid, during the period	$ 2,415	$ 6,076
Dividends Declared, not yet paid	$ 4,713	$ 4,558
Rental Equipment Acquisitions, not yet paid	$ 10,432	$ 8,970

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

NOTE 1. CONSOLIDATED FINANCIAL INFORMATION

The consolidated financial information for the six months ended June 30, 2008 and 2007 have not been audited, but in the opinion of management, all adjustments (consisting of normal recurring accruals, consolidation and eliminating entries) necessary for the fair presentation of the consolidated results of operations, financial position, and cash flows of McGrath RentCorp (the "Company") have been made. The consolidated results for the six months ended June 30, 2008 should not be considered as necessarily indicative of the consolidated results for the entire year. These consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's latest Form 10-K.

NOTE 2. NEW ACCOUNTING PRONOUNCEMENTS

The Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurement" ("SFAS No. 157") on January 1, 2008. SFAS No.157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosure about fair value measurements. The adoption of SFAS No. 157 did not have any significant impact on the Company's financial condition, or results of operations.

SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159") became effective on January 1, 2008. SFAS No. 159 permits entities to choose to measure financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The Company did not choose to measure any financial instruments or other items in accordance with the provisions of SFAS 159.

In December 2007, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141(R), "Business Combinations", and SFAS No. 160, "Accounting and Reporting of Noncontrolling Interest in Consolidated Financial Statements", an Amendment of Accounting Research Bulletin (ARB) No. 51. These new standards will significantly change the accounting for and reporting of business combination transactions and noncontrolling (minority) interests in consolidated financial statements. SFAS Nos. 141(R) and 160 are effective for financial statements issued for fiscal years beginning on or after December 15, 2008. SFAS No. 141(R) will be applied by the Company to business combinations occurring on or after January 1, 2009. The Company is currently evaluating the impact of the pending adoption of SFAS No. 141(R) on its consolidated financial statements. The Company does not currently have any noncontrolling interest in subsidiaries and does not believe the adoption of SFAS No. 160 will materially impact the presentation of the financial results of the Company.

NOTE 3. 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. 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, including the dilutive effects of stock options and other potentially dilutive securities. Common stock equivalents result from dilutive stock options computed using the treasury stock method and the average share price for the reported period. The effect of dilutive options on the weighted average number of shares for the three and six months ended June 30, 2008 and 2007 was 248,143 and 257,498 and 166,637 and 257,925 shares, respectively. As of June 30, 2008 and 2007, stock options to purchase 1,105,000 and 500,000 shares, respectively, of the Company's common stock were not included in the computation of diluted EPS because the exercise price exceeded the average market price for the quarter and the effect would have been anti-dilutive.

On May 14, 2008, the Company's Board of Directors authorized the Company to repurchase an aggregate of 2,000,000 shares of the Company's outstanding common stock. In connection with this authorization, the Board of Directors terminated its previous share repurchase authorization announced on March 21, 2003. These purchases are made in the over-the-counter market (NASDAQ) and/or through privately negotiated, large block transactions at such repurchase price as the officers of the Company deem appropriate and desirable on behalf of the Company. All shares repurchased by the Company are canceled and returned to the status of authorized but unissued shares of common stock. There were no repurchases of common stock during the three months ended June 30, 2008. During the six months ended June 30, 2008, the Company repurchased 968,746 shares of common stock for an aggregate repurchase price of $21.9 million, or an average price of $22.61 per share. There were no repurchases of common stock during the three and six months ended June 30, 2007. As of June 30, 2008, 2,000,000 shares remain authorized for repurchase.

NOTE 4. NOTES PAYABLE

In May 2008, the Company entered into a credit facility with a syndicate of banks (the “New Credit Facility”). The five-year facility matures on May 14, 2013 and replaces the Company’s prior $190.0 million line of credit. The New Credit Facility provides for a $350.0 million unsecured revolving credit facility, which includes a $25.0 million sub-limit for the issuance of standby letters of credit and a $10.0 million sub-limit for swing-line loans. The New Credit Facility requires the Company to pay interest determined by reference to the Consolidated Leverage ratio (as defined). In addition, the Company pays a commitment fee on the daily unused portion of the available facility. The New Credit Facility contains financial covenants requiring the Company to not: (1) permit the Consolidated Fixed Charge Coverage Ratio (as defined) as of the end of any fiscal quarter to be less than 2.00 to 1.00; (2) permit the Consolidated Asset Coverage Ratio (as defined) as of the end of any fiscal quarter to be less than 1.50 to 1.00; and (3) permit the Consolidated Leverage Ratio (as defined) at any time during any period of four consecutive fiscal quarters to be greater than 2.50 to 1.00 (provided that, for the three fiscal quarters immediately following the occurrence of a Material Transaction (as defined), the Consolidated Leverage Ratio (calculated on a pro forma basis giving effect to such Material Transaction) shall not exceed 3.00 to 1.00).

In June 2008, the Company entered into a Credit Facility Letter Agreement with Union Bank of California, N.A. and a Credit Line Note in favor of Union Bank of California, N.A., extending its $5.0 million line of credit facility related to its cash management services (“Sweep Service Facility”). The Sweep Service Facility matures on the earlier of May 14, 2013, or the date the Company ceases to utilize Union Bank of California, N.A. for its cash management services.

At June 30, 2008, the Company was in compliance with all covenants related to the New Credit Facility and had the capacity to borrow an additional $156.3 million under its lines of credit.

NOTE 5. SEGMENT REPORTING

SFAS No. 131, “Disclosure about Segments of an Enterprise and Related Information,” establishes annual and interim reporting standards for an enterprise’s operating segments and related disclosures about its products, services, geographic areas and major customers. In accordance with SFAS No. 131, the Company’s three reportable segments are Mobile Modular, TRS-RenTelco, and Enviroplex. The operations of each of these segments are described in Note 1 - Organization and Business, and the accounting policies of the segments are described in Note 2 - *Significant Accounting Policies* in the Company’s latest Form 10-K. Management focuses on several key measures to evaluate and assess each segment’s performance including rental revenue growth, gross profit, and income before provision for income taxes. As a separate corporate entity, Enviroplex revenues and expenses are maintained separately from Mobile Modular and TRS-RenTelco. Excluding interest expense, allocations of revenue and expense not directly associated with Mobile Modular or TRS-RenTelco are generally allocated to these segments based on their pro-rata share of direct revenues. Interest expense is allocated between Mobile Modular and TRS-RenTelco 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 six months ended June 30, 2008 and 2007 for the Company’s reportable segments is shown in the following table:

(dollar amounts in thousands)	Mobile Modular	TRS-RenTelco	Enviroplex [1]	Consolidated
Six Months Ended June 30,				
2008				
Rental Revenues	$ 51,192	$ 45,890	$ —	$ 97,082
Rental Related Services Revenues	13,930	902	—	14,832
Sales and Other Revenues	8,037	12,945	6,472	27,454
Total Revenues	73,159	59,737	6,472	139,368
Depreciation of Rental Equipment	6,488	20,974	—	27,462
Gross Profit	39,276	24,296	2,437	66,009
Interest Expense (Income) Allocation	3,220	1,746	(208)	4,758
Income before Provision for Income Taxes	21,992	10,220	1,265	33,477
Rental Equipment Acquisitions	21,142	36,552	—	57,694
Accounts Receivable, net (period end)	39,880	23,424	5,413	68,717
Rental Equipment, at cost (period end)	492,774	256,267	—	749,041
Rental Equipment, net book value (period end)	370,338	138,174	—	508,512
Utilization (period end) [2]	82.0%	70.0%		
Average Utilization [2]	82.3%	69.2%		
2007				
Rental Revenues	$ 48,566	$ 39,737	$ —	$ 88,303
Rental Related Services Revenues	15,165	855	—	16,020
Sales and Other Revenues	10,570	10,718	2,589	23,877
Total Revenues	74,301	51,310	2,589	128,200
Depreciation of Rental Equipment	5,948	18,801	—	24,749
Gross Profit	39,231	20,014	624	59,869
Interest Expense (Income) Allocation	3,893	1,837	(277)	5,453
Income (Loss) before Provision for Income Taxes	22,163	8,118	(120)	30,161
Rental Equipment Acquisitions	20,397	34,106	—	54,503
Accounts Receivable, net (period end)	36,818	22,779	4,562	64,159
Rental Equipment, at cost (period end)	468,388	209,688	—	678,076
Rental Equipment, net book value (period end)	355,558	118,849	—	474,407
Utilization (period end) [2]	82.8%	67.2%		
Average Utilization [2]	81.7%	66.5%		

1 Gross Enviroplex sales revenues were $7,558 and $3,205 for the six months ended June 30, 2008 and 2007, respectively, which includes inter-segment sales to Mobile Modular of $1,086 and $616, respectively, which are eliminated in consolidation.

2 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. The Average Utilization for the period is calculated using the average costs of rental equipment.

No single customer accounted for more than 10% of total revenues for the six months ended June 30, 2008 and 2007. In addition, total foreign country customers and operations accounted for less than 10% of the Company’s revenues and long-lived assets for the same periods.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements under federal securities laws. Forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties. Our actual results could differ materially from those indicated by forward-looking statements as a result of various factors, including but not limited to those set forth under this Item, as well as those discussed in Part II—Item 1A, "Risk Factors," and elsewhere in this document and those that may be identified from time to time in our reports and registration statements filed with the Securities and Exchange Commission.

This discussion should be read in conjunction with the Consolidated Financial Statements and related Notes included in Part I—Item 1 of this Quarterly Report on Form 10-Q and the Consolidated Financial Statements and related Notes and the Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K as filed with the Securities and Exchange Commission on February 25, 2008.

General

The Company, incorporated in 1979, is a leading rental provider of relocatable modular buildings for classroom and office space, and electronic test equipment for general purpose and communications needs. The Company's primary emphasis is on equipment rentals. The Company is comprised of three business segments: (1) Mobile Modular Management Corporation, its modular building rental division ("Mobile Modular"); (2) TRS-RenTelco, its electronic test equipment rental division and; (3) Enviroplex, Inc., its wholly-owned subsidiary classroom manufacturing business selling modular buildings used primarily as classrooms in California ("Enviroplex"). In the six months ended June 30, 2008, Mobile Modular, TRS-RenTelco and Enviroplex contributed 66%, 30% and 4% of the Company's income before provision for taxes (the equivalent of "pretax income"), respectively, compared to 73%, 27% and 0% for the same period in 2007. Although managed as a separate business unit, Enviroplex's revenues, pretax income contribution and total assets are not significant relative to the Company's consolidated financial position.

The Company generates the majority of its revenue from the rental of relocatable modular buildings and electronic test equipment on operating leases with sales of equipment occurring in the normal course of business. The Company requires significant capital outlay to purchase its rental inventory and recovers its investment through rental and sales revenues. Rental revenue and other services negotiated as part of the lease agreement with the customer and related costs are recognized on a straight-line basis over the term of the lease. Sales revenue and related costs are recognized upon delivery and installation of the equipment to the customer. Sales revenues are less predictable and can fluctuate from quarter to quarter and year to year depending on customer demands and requirements. Generally, rental revenues recover the equipment's capitalized cost in a short period of time relative to the equipment's rental life and when sold, sale proceeds recover a high percentage of its capitalized cost.

Significant risks of rental equipment ownership are borne by the Company, which include, but are not limited to, uncertainties in the market for its products over the equipment's useful life, use limitations for modular equipment related to updated building codes or legislative changes, technological obsolescence of electronic test equipment, and rental equipment deterioration. The Company believes it mitigates these risks by continuing advocacy and collaboration with governing agencies and legislative bodies for ongoing use of its modular product, staying abreast of technology trends in order to make good buy-sell decisions of electronic test equipment, and ongoing investment in repair and maintenance programs to insure both types of rental equipment are maintained in good operating condition.

The Company's modular revenues are primarily affected by demand for classrooms which in turn is affected by shifting and fluctuating school populations, the level of state funding to public schools, the need for temporary classroom space during reconstruction of older schools and changes in policies regarding class size. In particular, public schools in the State of California from time to time experience fluctuations in funding from the state. As a result of any reduced funding, lower expenditures by these schools may result in certain planned programs, and the demand for classrooms such as the Company provides, to be postponed or terminated. However, reduced expenditures may in fact result in schools reducing their long-term facility construction projects in favor of using the Company's modular classroom solutions. At this time, the Company can make no assurances as to whether public schools will either reduce or increase their demand for the Company's modular classrooms as a result of fluctuations in funding of public schools by the State of California. Looking forward, the Company believes that any interruption in the passage of facility bonds or contraction of class size reduction programs by public schools may have a material adverse effect on both rental and sales revenues of the Company. (For more information, see "*Item 1. Business – Relocatable Modular Buildings – Classroom Rentals and Sales to Public Schools (K-12)*" in the Company's Annual Report on Form 10-K for the year ended December 31, 2007 and "*Item 1A. Risk Factors – A significant reduction of funding to public schools could cause the demand for our modular classroom units to decline, which could result in a reduction in our revenues and profitability*", in Part II – Other Information section of this Form 10-Q.)

Revenues of TRS-RenTelco are derived from the rental and sale of general purpose, communications and environmental test equipment to a broad range of companies, from Fortune 500 to middle and smaller market companies primarily in the electronics, communications, aerospace and defense industries. Electronic test equipment revenues are primarily affected by the business activity within these industries related to research and development, manufacturing, and communication infrastructure installation and maintenance.

The Company's rental operations include rental and rental related service revenues which comprised approximately 80% and 81% of consolidated revenues in the six months ended June 30, 2008 and 2007, respectively. Of the total rental operations revenue for the six months ended June 30, 2008 and 2007, Mobile Modular and Enviroplex comprised 58% and 61%, respectively and TRS-RenTelco comprised 42% and 39%, respectively. The Company's direct costs of rental operations include depreciation of rental equipment, rental related service costs, impairment of rental equipment (if any), and other direct costs of rental operations which include direct labor, supplies, repairs, insurance, property taxes, license fees and amortization of certain lease costs.

The Company also sells modular and electronic test equipment that is new, previously rented, or manufactured by Enviroplex. The renting and selling of some modular equipment requires a dealer's license, which the Company has obtained from the appropriate governmental agencies. For the six months ended June 30, 2008 and 2007, sales and other revenues of modular and electronic test equipment comprised approximately 20% and 19%, respectively, of the Company's consolidated revenues. Of the total sales and other revenues for the six months ended June 30, 2008 and 2007, Mobile Modular and Enviroplex comprised 53% and 55%, respectively, and TRS-RenTelco comprised 47% and 45%, respectively. The Company's cost of sales includes the carrying value of the equipment sold and the direct costs associated with the equipment sold such as delivery, installation, modifications and related site work.

Selling and administrative expenses primarily include personnel and benefit costs, which include non-cash stock-based compensation, depreciation and amortization, bad debt expense, advertising costs, and professional service fees. The Company believes that sharing of common facilities, financing, senior management, and operating and accounting systems by all of the Company's operations, results in an efficient use of overhead. Historically, the Company's operating margins have been impacted favorably to the extent its costs and expenses are leveraged over a large installed customer base. However, there can be no assurance as to the Company's ability to maintain a large installed customer base or ability to sustain its historical operating margins.

To supplement the Company's financial data presented on a basis consistent with Generally Accepted Accounting Principles ("GAAP"), the Company presents Adjusted EBITDA which is defined by the Company as net income before minority interest in income of subsidiary, interest expense, provision for income taxes, depreciation, amortization, and non-cash stock-based compensation.

The Company presents Adjusted EBITDA as a financial measure as management believes it provides useful information to investors regarding the Company's liquidity and financial condition and because management, as well as the Company's lenders, uses this measure in evaluating the performance of the Company.

Management uses Adjusted EBITDA as a supplement to GAAP measures to further evaluate the Company's period-to-period operating performance and evaluate the Company's ability to meet future capital expenditure and working capital requirements. Management believes the exclusion of non-cash charges, including stock-based compensation, is useful in measuring the Company's cash available to operations and the performance of the Company. Because the Company finds Adjusted EBITDA useful, the Company believes its investors will also find Adjusted EBITDA useful in evaluating the Company's performance.

Adjusted EBITDA should not be considered in isolation or as a substitute for net income, cash flows, or other consolidated income or cash flow data prepared in accordance with generally accepted accounting principles in the United States or as a measure of the Company's profitability or liquidity. Adjusted EBITDA is not in accordance with or an alternative for GAAP, and may be different from non–GAAP measures used by other companies. Unlike EBITDA which may be used by other companies or investors, Adjusted EBITDA does not include stock-based compensation charges and income from the minority interest that previously existed in the Company's Enviroplex subsidiary. The Company believes that Adjusted EBITDA is of limited use in that it does not reflect all of the amounts associated with the Company's results of operations as determined in accordance with GAAP and does not accurately reflect real cash flow. In addition, other companies may not use Adjusted EBITDA or may use other non-GAAP measures, limiting the usefulness of Adjusted EBITDA. Therefore, Adjusted EBITDA should only be used to evaluate the Company's results of operations in conjunction with the corresponding GAAP measures. The presentation of Adjusted EBITDA is not meant to be considered in isolation or as a substitute for the most directly comparable GAAP measures. The Company compensates for the limitations of Adjusted EBITDA by relying upon GAAP results to gain a complete picture of the Company's performance. Since Adjusted EBITDA is a non-GAAP financial measure as defined by the Securities and Exchange Commission, the Company includes in the tables below reconciliations of Adjusted EBITDA to the most directly comparable financial measures calculated and presented in accordance with accounting principles generally accepted in the United States.

Reconciliation of Net Income to Adjusted EBITDA

	Three Months Ended June 30,		Six Months Ended June 30,		Twelve Months Ended June 30,	
(dollar amounts in thousands)	2008	2007	2008	2007	2008	2007
Net Income	$10,089	$ 9,085	$20,354	$18,413	$ 44,351	$ 42,985
Minority Interest in Income (Loss) of Subsidiary		12		(15)	79	330
Provision for Income Taxes	6,505	5,816	13,123	11,763	28,697	26,903
Interest	2,291	2,832	4,758	5,453	10,024	11,087
Income from Operations	18,885	17,745	38,235	35,614	83,151	81,305
Depreciation and Amortization	14,699	13,314	28,749	25,902	56,850	50,140
Non-Cash Stock-Based Compensation	987	854	1,919	1,704	3,672	3,281
Adjusted EBITDA [1]	$34,571	$31,913	$68,903	$63,220	$143,673	$134,726
Adjusted EBITDA Margin [2]	47%	47%	49%	49%	49%	49%

Reconciliation of Adjusted EBITDA to Net Cash Provided by Operating Activities

	Three Months Ended June 30,		Six Months Ended June 30,		Twelve Months Ended June 30,	
(dollar amounts in thousands)	2008	2007	2008	2007	2008	2007
Adjusted EBITDA [1]	$34,571	$31,913	$68,903	$63,220	$143,673	$134,726
Interest Paid	(2,899)	(3,727)	(5,059)	(5,632)	(10,144)	(11,125)
Income Taxes Paid	(1,576)	(5,481)	(2,415)	(6,076)	(10,762)	(14,750)
Gain on Sale of Rental Equipment	(2,484)	(2,293)	(4,824)	(4,350)	(10,500)	(10,740)
Change in certain assets and liabilities:						
Accounts Receivable, net	(8,339)	(3,925)	(1,657)	(4,325)	(4,558)	(10,516)
Prepaid Expenses and Other Assets	(3,102)	(1,380)	(2,104)	(1,047)	(2,780)	733
Accounts Payable and Other Liabilities	4,857	344	(2,560)	(5,624)	984	(2,077)
Deferred Income	(1,272)	(3,098)	(4,927)	(7,391)	5,560	(1,474)
Net Cash Provided by Operating Activities	$19,756	$12,352	$45,357	$28,775	$ 111,473	$ 84,777

1 Adjusted EBITDA is defined as net income before minority interest in income of subsidiary, interest expense, provision for income taxes, depreciation, amortization, and non-cash stock-based compensation.

2 Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by total revenues for the period.

Adjusted EBITDA is a component of two restrictive financial covenants for the Company's unsecured line of credit and senior notes. These instruments contain financial covenants requiring the Company to not:

- Permit the consolidated fixed charge coverage ratio of Adjusted EBITDA (as defined) to fixed charges as of the end of any fiscal quarter to be less than 2.00 to 1.00 under the line of credit and the senior notes. At June 30, 2008 the actual ratio for the line of credit and the senior notes was 3.30 and 3.68, respectively.
- Permit the consolidated leverage ratio of funded debt to Adjusted EBITDA (as defined) at any time during any period of four consecutive quarters to be (1) greater than 2.50 to 1.00 under the New Credit Facility and (2) greater than 2.25 to 1.00 under the senior notes. At June 30, 2008 the actual ratio was 1.63.

At June 30, 2008, the Company was in compliance with each of the aforementioned covenants. There are no anticipated trends that the Company is aware of that would indicate non-compliance with these covenants, though, significant deterioration in our financial performance could impact the Company's ability to comply with these covenants.

Recent Developments

On June 26, 2008, the Company entered into an agreement, extending its $5.0 million line of credit facility related to its cash management services ("Sweep Service Facility"). The Sweep Service Facility matures on the earlier of May 14, 2013, or the date the Company ceases to utilize Union Bank of California, N.A. for its cash management services.

On June 4, 2008, the Company announced that the board of directors declared a cash dividend of $0.20 per common share for the quarter ended June 30, 2008, and increase of 11% over the prior year's comparable quarter.

On May 14, 2008, the Company announced that the board of directors of the Company has authorized the repurchase of up to 2,000,000 shares of the Company's common stock. In connection with its authorization to repurchase 2,000,000 shares, the board of directors terminated its previous share repurchase authorization originally announced in a press release dated March 21, 2003. As of May 14, 2008 there were 210,878 shares that were available to repurchase under that previous authorization.

On May 14, 2008, the Company announced that it has entered into a new $350.0 million credit facility with a syndicate of banks. The five-year facility matures on May 14, 2013 and replaces the Company's prior $190.0 million line of credit.

In 2008, the Company began operations in two new areas: (1) the portable storage business under the name Mobile Modular Portable Storage and (2) the environmental test equipment rental business under TRS-Environmental. Mobile Modular Portable Storage offers portable storage units and high security portable office units for rent, lease and purchase in Northern California. TRS-Environmental offers a wide variety of environmental monitoring, environmental sampling, and field and safety supplies for rent, lease or purchase.

Results of Operations

Three Months Ended June 30, 2008 Compared to
Three Months Ended June 30, 2007

Overview

Consolidated revenues for the three months ended June 30, 2008 increased 10% to $74.0 million, from $67.4 million for the same period in 2007. Consolidated net income for the quarter increased $1.0 million, or 11% to $10.1 million, or $0.42 per diluted share, from $9.1 million, or $0.36 per diluted share, for the same period in 2007.

For the three months ended June 30, 2008, on a consolidated basis:

- Gross profit increased $2.8 million, or 9%, to $33.1 million, with gross profit of TRS-RenTelco increasing $2.3 million, or 22%, primarily due to higher gross profit on rental revenues and Mobile Modular's decreasing $0.7 million, or 4%, primarily due to lower gross profit on sales and rental related services revenues. Enviroplex gross profit increased $1.2 million primarily due to $3.1 million higher sales revenues.
- Selling and administrative expenses increased $1.6 million, or 13% to $14.2 million from $12.6 million in the same period in 2007, primarily due to higher personnel and employee benefit costs, increased data processing expenses and higher advertising costs.
- Interest expense decreased $0.5 million, to $2.3 million due to 35% lower net average interest rates (4.1% compared to 6.2% in 2007) partly offset by higher average debt levels of the Company.
- Pre-tax income contribution by Mobile Modular and TRS-RenTelco was 62% and 30%, respectively, compared to 74% and 26%, respectively, for the comparable 2007 period. These results are discussed on a segment basis below. Pre-tax income contribution by Enviroplex increased to 8% in 2008 from 0% in 2007
- Adjusted EBITDA increased $2.7 million, or 8%, to $34.6 million compared to $31.9 million in 2007, with TRS-RenTelco and Enviroplex increasing $2.3 million and $1.2 million, respectively and Mobile Modular decreasing $0.8 million.

Mobile Modular

For the three months ended June 30, 2008, Mobile Modular's total revenues decreased $1.8 million, or 5%, to $37.3 million from the same period in 2007, due to $1.2 million lower sales and $1.1 million lower rental related services revenues, partly offset by $0.5 million higher rental revenues during the quarter. The revenue decrease and lower gross margin on rental related services and sales resulted in a decrease in pre-tax income of $0.7 million, or 6%, to $10.3 million for the three months ended June 30, 2008, from $11.0 million for the same period in 2007.

The following table summarizes quarter results for each revenue and gross profit category, pre-tax income, and other selected information.

Mobile Modular – Q2 2008 compared to Q2 2007 (Unaudited)

	Three Months Ended June 30,		Increase (Decrease)	
(dollar amounts in thousands)	2008	2007	$	%
Revenues				
Rental	$ 25,277	$ 24,730	$ 547	2%
Rental Related Services	7,029	8,116	(1,087)	-13%
Rental Operations	32,306	32,846	(540)	-2%
Sales	4,861	6,085	(1,224)	-20%
Other	159	157	2	1%
Total Revenues	$ 37,326	$ 39,088	$ (1,762)	-5%
Gross Profit				
Rental	$ 15,509	$ 15,328	$ 181	1%
Rental Related Services	1,970	2,448	(478)	-20%
Rental Operations	17,479	17,776	(297)	-2%
Sales	1,327	1,767	(440)	-25%
Other	159	157	2	1%
Total Gross Profit	$ 18,965	$ 19,700	$ (735)	-4%
Pre-tax Income	$ 10,287	$ 10,981	$ (694)	-6%
Other Information				
Depreciation of Rental Equipment	$ 3,248	$ 3,019	$ 229	8%
Interest Expense Allocation	$ 1,541	$ 2,000	$ (459)	-23%
Average Rental Equipment [1]	$454,107	$417,320	$ 36,787	9%
Average Rental Equipment on Rent [1]	$372,551	$342,683	$ 29,868	9%
Average Monthly Total Yield [2]	1.86%	1.98%		-6%
Average Utilization [3]	82.0%	82.1%		0%
Average Monthly Rental Rate [4]	2.26%	2.41%		-6%
Period End Rental Equipment [1]	$455,714	$421,170	$ 34,544	8%
Period End Utilization [3]	82.0%	82.8%		-1%
Period End Floors [1]	26,528	25,200	1,328	5%

1 Average and Period End Rental Equipment represents the cost of rental equipment excluding new equipment inventory and accessory equipment. Period End Floors excludes new equipment inventory.

2 Average Monthly Total Yield is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment, for the period.

3 Period End Utilization is calculated by dividing the cost of rental equipment on rent by the total cost of rental equipment excluding new equipment inventory and accessory equipment. Average utilization for the period is calculated using the average costs of the rental equipment.

4 Average Monthly Rental Rate is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment on rent, for the period.

Mobile Modular's gross profit for the three months ended June 30, 2008 decreased $0.7 million, or 4%, to $19.0 million from $19.7 million for the same period in 2007. For the three months ended June 30, 2008 compared to the same period in 2007:

- **Gross Profit on Rental Revenues –** Rental revenues increased $0.5 million, or 2%, over 2007, primarily due to the continued education market demand for classrooms, partly offset by decreased demand for commercial buildings. The rental revenues increase was due to a 9% increase in average rental equipment, partly offset by lower average total yield due to 6% lower average monthly rental rate with comparable average utilization in 2008 and 2007. As a percentage of rental revenues, depreciation was 13% in 2008 and 12% in 2007 and other direct costs was 26% in 2008 and 2007, which resulted in gross margin percentage of 61% in 2008 compared to 62% in 2007. The higher rental revenues and lower rental margins, resulted in gross profit on rental revenues increasing $0.2 million, or 1%, to $15.5 million in 2008.
- **Gross Profit on Rental Related Services** – Rental related services revenues decreased $1.1 million, or 13%, compared to 2007. Most of these service revenues are negotiated with the initial lease and are recognized on a straight-line basis with the associated costs over the initial term of the lease. The decrease in rental related services revenues was primarily attributable to the mix of leases and associated service revenues within the initial lease term and lower revenues from services rendered during the lease during 2008 as compared to 2007. The lower revenues and lower gross margin percentage resulted in rental related services gross profit decreasing 20%, to $2.0 million from $2.4 million in 2007.
- **Gross Profit on Sales** – Sales revenues decreased $1.2 million, or 20%, compared to 2007. Sales occur routinely as a normal part of Mobile Modular's rental business; however, these sales and related gross margins can fluctuate from quarter to quarter and year to year depending on customer requirements, equipment availability and funding. Lower sales revenues combined with lower gross margin percentage, 27% in 2008 compared to 29% in 2007, resulted in gross profit on sales decreasing 25%, to $1.3 million in 2008 from $1.8 million in 2007.

For the three months ended June 30, 2008, selling and administrative expenses increased $0.4 million, or 6%, to $7.1 million from $6.7 million in the same period in 2007, primarily due to headcount additions to support business growth and higher personnel and employee benefit costs.

TRS-RenTelco

For the three months ended June 30, 2008, TRS-RenTelco's total revenues increased $5.1 million, or 19%, to $32.0 million from $26.9 million for the same period in 2007, due to higher rental and sales revenues. Pre-tax income increased 32% to $5.1 million for the three months ended June 30, 2008 from $3.8 million for the same period of 2007, primarily due to higher gross profit on rental and sales revenues.

The following table summarizes quarter results for each revenue and gross profit category, pre-tax income, and other selected information.

TRS-RenTelco – Q2 2008 compared to Q2 2007 (Unaudited)

(dollar amounts in thousands)	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Increase (Decrease) $	Increase (Decrease) %
Revenues				
Rental	$ 23,569	$ 20,265	$ 3,304	16%
Rental Related Services	461	482	(21)	-4%
Rental Operations	24,030	20,747	3,283	16%
Sales	7,491	5,636	1,855	33%
Other	457	473	(16)	-3%
Total Revenues	$ 31,978	$ 26,856	$ 5,122	19%
Gross Profit				
Rental	$ 9,702	$ 7,941	$ 1,761	22%
Rental Related Services	(16)	(16)		0%
Rental Operations	9,686	7,925	1,761	22%
Sales	2,201	1,689	512	30%
Other	457	473	(16)	-3%
Total Gross Profit	$ 12,344	$ 10,087	2,257	22%
Pre-tax Income	$ 5,055	$ 3,830	$ 1,225	32%
Other Information				
Depreciation of Rental Equipment	$ 10,796	$ 9,711	$ 1,085	11%
Interest Expense Allocation	$ 852	$ 959	$ (107)	-11%
Average Rental Equipment [1]	$248,182	$203,688	$ 44,494	22%
Average Rental Equipment on Rent [1]	$172,253	$135,366	$ 36,887	27%
Average Monthly Total Yield [2]	3.17%	3.32%		-5%
Average Utilization [3]	69.4%	66.5%		4%
Average Monthly Rental Rate [4]	4.56%	4.99%		-9%
Period End Rental Equipment [1]	$253,975	$207,937	$ 46,038	22%
Period End Utilization [3]	70.0%	67.2%		4%

1 Average and Period End Rental Equipment represents the cost of rental equipment excluding new equipment inventory and accessory equipment. Period End Floors excludes new equipment inventory.

2 Average Monthly Total Yield is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment, for the period.

3 Period End Utilization is calculated by dividing the cost of rental equipment on rent by the total cost of rental equipment excluding new equipment inventory and accessory equipment. Average utilization for the period is calculated using the average costs of the rental equipment.

4 Average Monthly Rental Rate is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment on rent, for the period

TRS-RenTelco's gross profit for the three months ended June 30, 2008 increased $2.2 million, or 22% to $12.3 million from $10.1 million for the same period in 2007. For the quarter ended June 30, 2008 compared to the same period in 2007:

- **Gross Profit on Rental Revenues –** Rental revenues increased $3.3 million, or 16%, as compared to 2007, with depreciation expense increasing $1.1 million, or 11%, resulting in increased gross profit on rental revenues of $1.8 million, or 22%, to $9.7 million as compared to 2007. The increase in gross profit on rental revenues is primarily due to 22% higher average rental equipment as compared to 2007, partly offset by lower average monthly yield as average monthly rental rate decreased 9% and utilization of rental equipment increased 4% in 2008 compared to 2007. The rental rate decrease was due to account penetration and other competitive pressures, and to a lesser extent the phasing out of TRS acquired equipment having lower original cost compared to new equipment purchases and a greater mix of general purpose test equipment that typically has lower rental rates, but longer depreciable lives, compared to communications test equipment.
- **Gross Profit on Sales** – Sales revenues increased 33% to $7.5 million in 2008, as compared to $5.6 million in 2007. Gross margin percentage was 29% in 2008, compared to 30% in 2007, resulting in gross profit on sales increasing 30% to $2.2 million from $1.7 million in 2007. Sales occur routinely as a normal part of TRS-RenTelco's rental business; however, these sales and related gross margins can fluctuate from quarter to quarter depending on customer requirements, equipment availability and funding.

For the three months ended June 30, 2008, selling and administrative expenses increased $1.1 million, or 21%, to $6.4 million from $5.3 in the same period in 2007 due to headcount additions to support business growth and higher personnel and employee benefit costs.

Six Months Ended June 30, 2008 Compared to Six Months Ended June 30, 2007

Overview

Consolidated revenues for the six months ended June 30, 2008 increased $11.2 million, or 9%, to $139.4 million from $128.2 million for the same period in 2007. Consolidated net income for the six months ended June 30, 2008 increased $1.9 million, or 11% to $20.4 million, or $0.85 per diluted share, from $18.4 million, or $0.72 per diluted share, for the same period in 2007.

For the six months ended June 30, 2008, on a consolidated basis:

- Gross profit increased $6.1 million, or 10%, to $66.0 million from $59.9 million for the same period in 2007, with gross profit of TRS-RenTelco increasing $4.3 million, or 21%, due to higher gross profit on rental and sales revenues. Mobile Modular had comparable gross profit of $39.3 million compared to $39.2 million in 2007, as higher gross profit on rental revenues were partly offset by lower gross profit on rental related service and sales revenues. Enviroplex gross profit increased $1.8 million primarily due to $3.9 million higher sales revenues.
- Selling and administrative expenses increased $3.5 million, or 14% to $27.8 million from $24.3 million for the same period in 2007, primarily due to higher personnel and employee benefit costs, increased data processing expenses, higher travel and advertising costs and increased bad debt expense.
- Interest expense decreased $0.7 million, or 13% to $4.8 million from $5.5 million for the same period in 2007, primarily due to 29% lower average interest rates (4.4% in 2008 compared to 6.2% in 2007) partly offset by higher average debt levels of the Company.
- Pre-tax income contribution by Mobile Modular and TRS-RenTelco was 66% and 31%, respectively, compared to 73% and 27%, respectively, for the comparable 2007 period. These results are discussed on a segment basis below. Pre-tax income contribution by Enviroplex increased to 3% in 2008 from 0% in 2007.
- Adjusted EBITDA increased $5.7 million, or 9%, to $68.9 million compared to $63.2 million in 2007, with TRS-RenTelco increasing $4.3 million, Enviroplex increasing $1.5 million and Mobile Modular decreasing $0.1 million.

Mobile Modular

For the six months ended June 30, 2008, Mobile Modular's total revenues decreased $1.1 million, or 2%, to $73.2 million compared to the same period in 2007, primarily due to lower sales and rental related services revenues, partly offset by higher rental revenues during the period. The revenue decrease and lower gross margin on rental related services, resulted in a decrease in pre-tax income of $0.2 million, or 1%, to $22.0 million for the six months ended June 30, 2008, from $22.2 million for the same period in 2007.

The following table summarizes six months results for each revenue and gross profit category, pre-tax income, and other selected data.

Mobile Modular – Six Months Ended 6/30/08 compared to Six Months Ended 6/30/07 (Unaudited)

(dollar amounts in thousands)	Six Months Ended June 30, 2008	2007	Increase (Decrease) $	%
Revenues				
Rental	$ 51,192	$ 48,566	$ 2,626	5%
Rental Related Services	13,930	15,165	(1,235)	-8%
Rental Operations	65,122	63,731	1,391	2%
Sales	7,733	10,251	(2,518)	-25%
Other	304	319	(15)	-5%
Total Revenues	$ 73,159	$ 74,301	$ (1,142)	-2%
Gross Profit				
Rental	$ 32,676	$ 31,070	1,606	5%
Rental Related Services	4,039	4,768	(729)	-15%
Rental Operations	36,715	35,838	877	2%
Sales	2,257	3,074	(817)	-27%
Other	304	319	(15)	-5%
Total Gross Profit	$ 39,276	$ 39,231	$ 45	0%
Pre-tax Income	$ 21,992	$ 22,163	$ (171)	-1%
Other Information				
Depreciation of Rental Equipment	$ 6,488	$ 5,948	$ 540	9%
Interest Expense Allocation	$ 3,220	$ 3,893	$ (673)	-17%
Average Rental Equipment [1]	$452,704	$414,981	$ 37,723	9%
Average Rental Equipment on Rent [1]	$372,354	$339,166	$ 33,188	10%
Average Monthly Total Yield [2]	1.88%	1.95%		-4%
Average Utilization [3]	82.3%	81.7%		1%
Average Monthly Rental Rate [4]	2.29%	2.39%		-4%
Period End Rental Equipment [1]	$455,714	$421,170	$ 34,544	8%
Period End Utilization [3]	82.0%	82.8%		-1%
Period End Floors [1]	26,528	25,200	1,328	5%

1 Average and Period End Rental Equipment represents the cost of rental equipment excluding new equipment inventory and accessory equipment. Period End Floors excludes new equipment inventory.

2 Average Monthly Total Yield is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment, for the period.

3 Period End Utilization is calculated by dividing the cost of rental equipment on rent by the total cost of rental equipment excluding new equipment inventory and accessory equipment. Average Utilization for the period is calculated using the average costs of the rental equipment.

4 Average Monthly Rental Rate is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment on rent, for the period.

Mobile Modular’s gross profit for the six months ended June 30, 2008 increased $0.1 million, to $39.3 million from $39.2 million for the same period in 2007. For the six months ended June 30, 2008 compared to the same period in 2007:

- **Gross Profit on Rental Revenues –** Rental revenues increased $2.6 million, or 5%, over 2007, due to the continued education market demand for classrooms and partly offset by decreased demand for commercial buildings. The rental revenue increase was due to a 9% increase in average rental equipment, offset by lower average total yield due to lower average monthly rental rate, partly offset by higher average utilization. As a percentage of rental revenues, depreciation was 13% in 2008 and 12% in 2007 and other direct costs was 23% in 2008 compared to 24% in 2007, which resulted in gross margin percentage of 64% in 2008 and 2007. The higher rental revenues combined with comparable rental margins resulted in gross profit on rental revenues increasing $1.6 million, or 5%, to $32.7 million from $31.1 million in 2007.
- **Gross Profit on Rental Related Services** – Rental related services revenues decreased $1.2 million, or 8%, compared to 2007. Most of these service revenues are negotiated with the initial lease and are recognized on a straight-line basis with the associated costs over the initial term of the lease. The decrease in rental related services revenues was primarily attributable to lower revenues from services rendered during the lease during 2008 as compared to 2007. The lower revenues combined with lower gross margin percentage of 29% in 2008 compared to 31% in 2007, resulted in rental related services gross profit decreasing 15%, to $4.0 million from $4.8 million in 2007.
- **Gross Profit on Sales** – Sales revenues decreased $2.5 million, or 25%, compared to 2007. Sales occur routinely as a normal part of Mobile Modular’s rental business; however, these sales and related gross margins can fluctuate from quarter to quarter and year to year depending on customer requirements, equipment availability and funding. Lower sales revenues combined with lower gross margin percentage, 29% in 2008 compared to 30% in 2007, resulted in sales gross profit decreasing 27%, to $2.3 million from $3.0 million in 2007.

For the six months ended June 30, 2008, selling and administrative expenses increased $0.9 million, or 7%, to $14.1 million from $13.2 million in the same period in 2007, primarily due to head count additions to support business growth, higher personnel and employee benefit costs and increased advertising costs.

TRS-RenTelco

For the six months ended June 30, 2008, TRS-RenTelco's total revenues increased $8.4 million, or 16%, to $59.7 million compared to the same period in 2007, due to higher rental and sales revenues. Pre-tax income increased $2.1 million to $10.2 million for the six months ended June 30, 2008 from $8.1 million for the same period in 2007, primarily due to higher gross margin on rental and sales revenues partly offset by higher selling and administrative expense.

The following table summarizes six months results for each revenue and gross profit category, pre-tax income, and other selected data.

TRS-RenTelco – Six Months Ended 6/30/08 compared to Six Months Ended 6/30/07 (Unaudited)

(dollar amounts in thousands)	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007	Increase (Decrease) $	Increase (Decrease) %
Revenues				
Rental	$ 45,890	$ 39,737	$ 6,153	15%
Rental Related Services	902	855	47	5%
Rental Operations	46,792	40,592	6,200	15%
Sales	11,969	9,727	2,242	23%
Other	976	991	(15)	-2%
Total Revenues	$ 59,737	$ 51,310	$ 8,427	16%
Gross Profit				
Rental	$ 19,263	$ 15,890	$ 3,373	21%
Rental Related Services	42	(7)	49	*nm*
Rental Operations	19,305	15,883	3,422	22%
Sales	4,015	3,140	875	28%
Other	976	991	(15)	-2%
Total Gross Profit	$ 24,296	$ 20,014	$ 4,282	21%
Pre-tax Income	$ 10,220	$ 8,118	$ 2,102	26%
Other Information				
Depreciation of Rental Equipment	$ 20,974	$ 18,801	$ 2,173	12%
Interest Expense Allocation	$ 1,746	$ 1,837	$ (91)	-5%
Average Rental Equipment [1]	$242,037	$197,581	$ 44,456	23%
Average Rental Equipment on Rent [1]	$167,447	$131,333	$ 36,114	27%
Average Monthly Total Yield [2]	3.16%	3.35%		-6%
Average Utilization [3]	69.2%	66.5%		4%
Average Monthly Rental Rate [4]	4.57%	5.04%		-9%
Period End Rental Equipment [1]	$253,975	$207,937	$ 46,038	22%
Period End Utilization [3]	70.0%	67.2%		4%

1 Average and Period End Rental Equipment represents the cost of rental equipment excluding accessory equipment.

2 Average Monthly Total Yield is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment, for the period.

3 Period End Utilization is calculated by dividing the cost of rental equipment on rent by the total cost of rental equipment excluding accessory equipment. Average Utilization for the period is calculated using the average costs of the rental equipment.

4 Average Monthly Rental Rate is calculated by dividing the averages of monthly rental revenues by the cost of rental equipment on rent, for the period.

nm = not meaningful

TRS-RenTelco's gross profit for the six months ended June 30, 2008 increased $4.3 million, or 21%, to $24.3 million from $20.0 million for the same period in 2007. For the six months ended June 30, 2008 compared to the same period in 2007:

- **Gross Profit on Rental Revenues –** Rental revenues increased $6.2 million, or 15%, as compared to 2007, with depreciation expense increasing $2.2 million, or 12%, resulting in increased gross profit on rental revenues of $3.4 million, or 21%, to $19.3 million as compared to the same period in 2007. The rental revenue increase was due to 23% higher average rental equipment as compared to 2007, partly offset by lower average monthly yield as average monthly rental rate decreased 9% in 2008 compared to 2007 and utilization of rental equipment increased 4%. The rental rate decrease was due to account penetration and other competitive pressures, and to a lesser extent the phasing out of TRS acquired equipment having lower original cost compared to new equipment purchases and a greater mix of general purpose test equipment that typically has lower rental rates, but longer depreciable lives, compared to communications test equipment.
- **Gross Profit on Sales** – Sales revenues increased 23% to $12.0 million in 2008 as compared to $9.7 million in 2007. Gross margin percentage was 34% in 2008, compared to 32% in 2007, primarily due to higher gross margin on used equipment sales resulting in gross profit on sales increasing $0.9 million, or 28%, to $4.0 million from $3.1 million in 2007. Sales occur routinely as a normal part of TRS-RenTelco's rental business; however, these sales and related gross margins can fluctuate from quarter to quarter depending on customer requirements, equipment availability and funding.

For the six months ended June 30, 2008, selling and administrative expenses increased 23%, to $12.3 million from $10.1 million in the same period in 2007 due to headcount additions to support business growth and higher personnel and employee benefit costs.

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 the statements at the beginning of this Item for cautionary information with respect to such forward-looking statements.

The Company's rental businesses are capital intensive and generate significant cash flows. Cash flows for the Company for the six months ended June 30, 2008 compared to the same period in 2007 are summarized as follows:

Cash Flows from Operating Activities: The Company's operations provided net cash flow of $45.4 million, an increase of 58% in 2008 as compared to $28.8 million in 2007. The $16.6 million increase in net cash provided by operating activities was primarily attributable to the improved results of operations in 2008, lower tax payments in 2008 compared to 2007 and other balance sheet changes.

Cash Flows from Investing Activities: Net cash used in investing activities was $53.4 million in 2008 compared to $45.4 million in 2007. The $8.0 million increase was primarily due to a $10.0 million increase in construction in progress partly offset by higher proceeds from sale of rental equipment of $12.6 million compared to $11.0 million in 2007.

Cash Flows from Financing Activities: Net cash provided by financing activities was $4.3 million in 2008, compared to $16.6 million in 2007. The $12.3 million decrease in net cash provided by financing activities was primarily due to $16.6 million increased borrowings under the Company's bank lines of credit during 2008 compared to 2007. The increased borrowings were primarily due to payment for repurchase of common stock of $24.4 million and purchases of property, plant and equipment totaling $11.3 million, partly offset by $16.6 million higher cash flows provided by operations in 2008 compared to 2007.

Revolving Lines of Credit

In May 2008, the Company entered into a credit facility with a syndicate of banks (the "Credit Facility). The Credit Facility provides for a $350.0 million unsecured revolving credit facility, which includes a $25.0 million sub-limit for the issuance of standby letters of credit and a $10.0 million sub-limit for swing-line loans.

The Credit Facility requires the Company to pay interest determined by reference to the Consolidated Leverage ratio (as defined). In addition, the Company pays a commitment fee on the daily unused portion of the available facility. The Credit Facility matures on May 14, 2013.

In June, 2008, the Company entered into a Credit Facility Letter Agreement with Union Bank of California, N.A. and a Credit Line Note in favor of Union Bank of California, N.A., extending its $5.0 million line of credit facility related to its cash management services (“Sweep Service Facility”). The Sweep Service Facility matures on the earlier of May 14, 2013, or the date the Company ceases to utilize Union Bank of California, N.A. for its cash management services.

At June 30, 2008, under the Credit Facility and the Sweep Service Facility, the Company had unsecured lines of credit that permit it to borrow up to $355.0 million of which $198.7 million was outstanding and has capacity to borrow up to an additional $156.3 million. The Credit Facility contains financial covenants requiring the Company to not:

- Permit the Consolidated Fixed Charge Coverage Ratio (as defined) as of the end of any fiscal quarter to be less than 2.00 to 1.00 under the Company’s credit facilities. At June 30, 2008 the actual ratio was 3.30.
- Permit the Consolidated Asset Coverage Ratio (as defined) as of the end of any fiscal quarter to be less than 1.50 to 1.00 under the Company’s credit facilities. At June 30, 2008 the actual ratio was 2.79.
- Permit the Consolidated Leverage Ratio (as defined) at any time during any period of four consecutive quarters to be greater than 2.50 to 1.00 under the Company’s credit facilities. At June 30, 2008 the actual ratio was 1.63.

At June 30, 2008, the Company was in compliance with each of the aforementioned covenants. There are no anticipated trends that the Company is aware of that would indicate non-compliance with these covenants, though, significant deterioration in our financial performance could impact the Company’s ability to comply with these covenants.

5.08% Senior Notes Due in 2011

In June 2004, the Company completed a private placement of $60 million of 5.08% senior notes due in 2011. Interest on these notes is due semi-annually in arrears and the principal is due in five equal annual installments, with the second payment made on June 2, 2008 which reduced the principal balance to $36.0 million. Among other restrictions, the Note Agreement, under which the senior notes were sold, contains financial covenants requiring the Company to not:

- Permit the consolidated fixed charge coverage ratio of EBITDA (as defined) to fixed charges as of the end of any fiscal quarter to be less than 2.00 to 1.00. At June 30, 2008 the actual ratio was 3.68.
- Permit the consolidated leverage ratio of funded debt to EBITDA (as defined) at any time during any period of four consecutive quarters to be greater than 2.25 to 1.00. At June 30, 2008 the actual ratio was 1.63.
- Permit tangible net worth calculated as of the last day of each fiscal quarter to be less than the sum of $127.5 million, plus 50% of net income for such fiscal quarter, plus 90% of the net cash proceeds from the issuance of the Company’s capital stock after December 31, 2003, excluding the first $2.0 million of such proceeds from the exercise of stock options after December 31, 2003. At June 30, 2008, such sum was $226.2 million and the actual tangible net worth of the Company was $233.9 million.

At June 30, 2008, the Company was in compliance with each of the aforementioned covenants. There are no anticipated trends that the Company is aware of that would indicate non-compliance with these covenants, though, significant deterioration in our financial performance could impact the Company’s ability to comply with these covenants.

The Company has in the past 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 Company's board of directors. Shares repurchased by the Company are cancelled and returned to the status of authorized but unissued stock. During the six months ended June 30, 2008, the Company repurchased 968,746 shares of common stock for an aggregate repurchase price of $21.9 million, or an average price of $22.61 per share. There were no repurchases of common stock in the six months ending June 30, 2007. As of August 7, 2008, 2,000,000 shares remain authorized for repurchase

Although no assurance can be given, the Company believes it will continue to be able to negotiate general bank lines of credit adequate to meet capital requirements not otherwise met by operational cash flows and proceeds from sales of rental equipment.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the Company's market risk exposures from those reported in our Annual Report on Form 10-K for the year ended December 31, 2007.

ITEM 4. CONTROLS AND PROCEDURES

The Company's management, under the supervision and with the participation of the Company's Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO"), performed an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2008. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective. There have been no significant changes in the Company's internal controls or in other factors that have materially affected, or would reasonably be likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is subject to various legal proceedings and claims arising in the ordinary course of business. The Company's management does not expect that the outcome in the current proceedings, individually or collectively, will have a material adverse effect on the Company's financial condition, operating results or cash flows.

ITEM 1A. RISK FACTORS

You should carefully consider the following discussion of various risks and uncertainties. We believe these risk factors are the most relevant to our business and could cause our results to differ materially from the forward-looking statements made by us. The following risk factors are not the only risk factors facing our Company. Additional risks that we do not consider material, or of which we are not currently aware, may also have an adverse impact on us. Our business, financial condition, and results of operations could be seriously harmed if any of these risks or uncertainties actually occur or materialize. In that event, the market price for our common stock could decline, and you may lose all or part of your investment.

Our stock price is subject to fluctuations and the value of your investment may decline.

The market price of our common stock fluctuates on the NASDAQ Global Select Market and is likely to be affected by a number of factors including but not limited to:

- our operating performance and the performance of our competitors, and in particular any variations in our operating results or dividend rate from our stated guidance or from investors' expectations;
- changes in general conditions in the economy, the industries in which we operate or the financial markets;
- investor's reaction to our press releases, public announcements, or filings with the SEC;
- the stock price performance of competitors or other comparable companies;
- changes in research analysts' coverage, recommendations or earnings estimates for us or for the stocks of other companies in our industry;
- sales of common stock by our directors, executive officers and our other large shareholders, particularly in light of the limited trading volume of our stock;
- any merger and acquisition activity that involves us or our competitors; and
- other announcements or developments affecting us, our industry, customers, suppliers, or competitors.

In addition, in recent years the stock market has experienced significant price and volume fluctuations. These fluctuations are often unrelated to the operating performance of particular companies. These broad market fluctuations may cause declines in the market price of our common stock and are based upon factors that have little or nothing to do with our Company or its performance, and these fluctuations could materially reduce our stock price.

Our future operating results may fluctuate, fail to match past performance or fail to meet expectations.

Our operating results may fluctuate in the future, may fail to match our past performance or fail to meet the expectations of analysts and investors. Our results and related ratios, such as gross margin, operating income percentage and effective tax rate may fluctuate as a result of a number of factors, some of which are beyond our control including but not limited to:

- general economic conditions in the states and countries where we rent and sell our products;
- legislative and educational policies where we rent and sell our products;
- seasonality of our rental businesses and our end-markets;
- success of our strategic growth initiatives;
- the timing and type of equipment purchases, rentals and sales;
- the nature and duration of the equipment needs of our customers;

- the timing of new product introductions by us, our suppliers and our competitors;
- the volume, timing and mix of maintenance and repair work on our rental equipment;
- our equipment mix, availability, utilization, and pricing;
- the mix, by state and country, of our revenues, personnel and assets;
- rental equipment impairment from excess, obsolete, or damaged equipment;
- movements in interest rates or tax rates;
- changes in, and application of, accounting rules;
- changes in the regulations applicable to us; and
- litigation matters.

As a result of these factors, our historical financial results are not necessarily indicative of our future results.

Our ability to retain our executive management and to recruit, retain and motivate key employees is critical to the success of our business.

If we cannot successfully recruit and retain qualified personnel, our operating results and stock price may suffer. We believe that our success is directly linked to the competent people in our organization, including our executive officers, senior managers and other key personnel, and in particular, Dennis Kakures our Chief Executive Officer. Personnel turnover can be costly and could materially and adversely impact our operating results and can potentially jeopardize the success of our current strategic initiatives. We need to attract and retain highly qualified personnel to replace personnel when turnover occurs, as well as add to our staff levels as growth occurs. Our business and stock price likely will suffer if we are unable to fill, or experience delays in filling open positions, or fail to retain key personnel when turnover occurs.

Failure by third parties to manufacture our products to our specifications or on a timely basis may harm our reputation and financial condition.

We depend on third parties to manufacture our products even though we are able to purchase products from a variety of third-party suppliers. In the future, we may be limited as to the number of third-party suppliers for some of our products. Currently, we do not have any long-term purchase contracts with any third-party supplier. In the future, we may not be able to negotiate arrangements with these third parties on acceptable terms, if at all. If we cannot negotiate arrangements with these third parties to produce our products or if the third parties fail to produce our products to our specifications or in a timely manner, our reputation and financial condition could be harmed.

Disruptions in our information technology systems could limit our ability to effectively monitor and control our operations and adversely affect our operations.

Our information technology systems facilitate our ability to monitor and control our operations and adjust to changing market conditions. Any disruption in any of our information technology systems or the failure of these systems to operate as expected could, depending on the magnitude of the problem, adversely affect our operating results by limiting our capacity to effectively monitor and control our operations and adjust to changing market conditions in a timely manner.

During June 2005, we entered into an agreement with Rental Result, a rental software application provider, to support the transition of our modular business, certain aspects of our electronic test equipment business and our accounting systems to their platform. This is a multi-year project and we expect the first phase of the project to be completed in late 2008. The new ERP and upgrades to our IT infrastructure will result in higher selling and administrative costs in 2008 and beyond. These information system upgrades are important to serve and support our strategic growth.

The delay or failure to implement these new systems effectively could disrupt our business, distract management's focus and attention from our business operations and growth initiatives, and increase our implementation and operating costs, any of which could negatively impact our operations and operating results.

We may engage in future acquisitions that could negatively impact our results of operations, financial condition and business.

In 2004, we acquired TRS, an electronic test equipment rental business. We anticipate that we will continue to consider acquisitions in the future that meet our strategic growth plans. We are unable to predict whether or when any prospective acquisition will be completed. Acquisitions involve numerous risks, including the following:

- difficulties in integrating the operations, technologies, products and personnel of the acquired companies;
- diversion of management's attention from normal daily operations of the business;
- difficulties in entering markets in which we have no or limited direct prior experience and where competitors in such markets have stronger market positions;
- timely completion of necessary financing and required amendments, if any, to existing agreements;
- an inability to implement uniform standards, controls, procedures and policies;
- undiscovered and unknown problems, defects or other issues related to any acquisition that become known to us only after the acquisition;
- negative reactions from our customers to an acquisition;
- disruptions among employees which may erode employee morale;
- potential loss of key employees, including costly litigation resulting from the termination of those employees.

In connection with acquisitions we may:

- assume liabilities or acquire damaged assets, some of which may be unknown at the time of such acquisitions;
- record goodwill and non-amortizable intangible assets that will be subject to future impairment testing and potential periodic impairment charges;
- incur amortization expenses related to certain intangible assets; or
- become subject to litigation.

Acquisitions are inherently risky, and no assurance can be given that our future acquisitions will be successful or will not adversely affect our business, operating results, or financial condition. Failure to manage and successfully integrate acquisitions we make could harm our business and operating results in a material way. In addition, if we consummate one or more significant future acquisitions in which the consideration consists of stock or other securities, our existing shareholders' ownership could be diluted significantly. If we were to proceed with one or more significant future acquisitions in which the consideration included cash, we could be required to use a substantial portion of our available credit line, or we may be required to seek additional debt or equity financing.

If we do not effectively manage our credit risk, collect on our accounts receivable, or recover our rental equipment from our customers' sites, it could have a material adverse effect on our operating results.

We generally sell to customers on 30-day terms, individually perform credit evaluation procedures on our customers on each transaction and require security deposits or other forms of security from our customers when a significant credit risk is identified. Historically, accounts receivable write-offs and related equipment not returned by customers has not been significant and, in each of the last five years has been less than 1% of total revenues. Failure to manage our credit risk and receive timely payments on our customer accounts receivable may result in the write-off of customer receivables and loss of equipment, particularly electronic test equipment. If we are not able to manage credit risk issues, or if a large number of customers should have financial difficulties at the same time, our credit and equipment losses would increase above historical levels. If this should occur, our results of operations may be materially and adversely affected.

Effective management of our rental assets is vital to our business.

Our modular and electronics rental products have long useful lives and managing those assets is a critical element to each of our rental businesses. Modular asset management requires designing and building the product for a long life that anticipates the needs of our customers, including anticipating changes in legislation, regulations, building codes and local permitting in the various markets in which the Company operates. Electronic test equipment asset management requires understanding, selecting and investing in equipment technologies that support market demand, including anticipating technological advances and changes in manufacturers' selling prices. For both our modular and electronic test equipment assets, we must successfully maintain and repair this equipment cost-effectively to maximize the useful life of the products and the level of proceeds from the sale of such products.

The nature of our businesses exposes us to the risk of litigation and liability under environmental, health and safety and products liability laws.

Certain aspects of our businesses involve risks of liability. In general, litigation in our industry, including class actions that seek substantial damages, arises with increasing frequency. Claims may be asserted under environmental, labor, health and safety or product liability laws. Litigation is invariably expensive, regardless of the merit of the plaintiffs' claims. We may be named as a defendant in the future, and there can be no assurance, irrespective of the merit of such future actions, that we will not be required to make substantial settlement payments in the future. Further, a significant portion of our business is conducted in California which is one of the most highly regulated and litigious states in the country. Therefore, our potential exposure to losses and expenses due to new laws, regulations or litigation may be greater than companies with a less significant California presence.

Conducting our routine businesses exposes us to risk of litigation from employees, vendors and other third parties.

We are subject to claims arising from disputes with employees, vendors and other third parties in the normal course of business; these risks may be difficult to assess or quantify and their existence and magnitude may remain unknown for substantial periods of time. If the plaintiffs in any suits against us were to successfully prosecute their claims, or if we were to settle such suits by making significant payments to the plaintiffs, our operating results and financial condition would be harmed. Even if the outcome of a claim proves favorable to us, litigation can be time consuming and costly and may divert management resources. In addition, our organizational documents require us to indemnify our senior executives to the maximum extent permitted by California law. If our senior executives were named in any lawsuit, our indemnification obligations could magnify the costs of these suits.

Our debt instruments contain covenants that restrict or prohibit our ability to enter into a variety of transactions and may limit our ability to finance future operations or capital needs.

The agreements governing our 5.08% senior notes due in 2011 and our unsecured revolving line of credit facility contain various covenants that may limit our discretion in operating our business. In particular, we are limited in our ability to merge, consolidate, reorganize or transfer substantially all of our assets, make investments, pay dividends or distributions, redeem or repurchase stock, change the nature of our business, enter into transactions with affiliates, incur indebtedness and create liens on our assets to secure debt. In addition, we are required to meet certain financial covenants. These restrictions could limit our ability to obtain future financing, make strategic acquisitions or needed capital expenditures, withstand economic downturns in our business or the economy in general, conduct operations or otherwise take advantage of business opportunities that may arise.

A failure to comply with the restrictions contained in the agreements could lead to an event of default, which could result in an acceleration of our indebtedness. In the event of an acceleration, we may not have or be able to obtain sufficient funds to refinance our indebtedness or make the required accelerated payments. If we default on our indebtedness, our business financial condition and results of operation could be materially and adversely affected.

The majority of our indebtedness is subject to variable interest rates, which makes us vulnerable to increases in interest rates.

Our indebtedness exposes us to interest rate increases because the majority of our indebtedness is subject to variable rates. At present, we do not have any derivative financial instruments such as interest rate swaps or hedges to mitigate interest rate variability. The interest rates under our credit facilities will be reset at varying periods. These interest rate adjustments could expose our operating results and cash flows to periodic fluctuations. Our annual debt service obligations will increase by approximately $2.0 million per year for each 1% increase in the average interest rate we pay, based on the $198.7 million balance of variable rate debt outstanding at June 30, 2008. If interest rates rise in the future, and particularly, if they rise significantly, our income will be negatively affected.

Our effective tax rate may change and become less predictable as our business expands.

We continue to consider expansion opportunities domestically and internationally for our rental businesses, such as our organic expansion of our modular business in Florida, North Carolina and Georgia and expansion through acquisition of TRS and recent expansion into the portable storage and environmental test equipment business. Since the Company's effective tax rate depends on business levels, personnel and assets located in various jurisdictions, further expansion into new markets or acquisitions may change the effective tax rate in the future and may make it and consequently our earnings less predictable going forward. In addition, the enactment of tax law changes by federal and state taxing authorities may impact the Company's current period tax provision and its deferred tax liabilities.

Changes in financial accounting standards may cause lower than expected operating results and affect our reported results of operations.

Changes in accounting standards and their application may have a significant effect on our reported results on a going forward basis and may also affect the recording and disclosure of previously reported transactions. New accounting pronouncements and varying interpretations of accounting pronouncements have occurred and may occur in the future. Changes to existing rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business.

Failure to comply with internal control attestation requirements could lead to loss of public confidence in our financial statements and negatively impact our stock price.

As a public reporting company, we are required to comply with the Sarbanes-Oxley Act of 2002, including Section 404, and the related rules and regulations of the Securities and Exchange Commission, including expanded disclosures and accelerated reporting requirements. Compliance with Section 404 and other requirements has and will continue to increase our costs and require additional management resources. We may need to continue to implement additional finance and accounting systems, procedures and controls to satisfy new reporting requirements. While we completed a favorable assessment as to the adequacy of our internal control over financial reporting for our fiscal year ended December 31, 2007, there is no assurance that future assessments of the adequacy of our internal control over financial reporting will be favorable. If we are unable to obtain future unqualified reports as to the effectiveness of our internal control over financial reporting, investors could lose confidence in the reliability of our internal controls over financial reporting, which could adversely affect our stock price.

If we suffer loss to our facilities, equipment or distribution system due to catastrophe, our operations could be seriously harmed.

Our facilities, rental equipment and distribution systems may be subject to catastrophic loss due to fire, flood, hurricane, earthquake, terrorism or other natural or man-made disasters. In particular, we have our headquarters, three operating facilities, and rental equipment in California, which are located in areas with above average seismic activity and could be subject to a catastrophic loss caused by an earthquake. Our rental equipment and facilities in Florida, North Carolina and Georgia are located in areas subject to hurricanes and other tropical storms. In addition to customers' insurance on rented equipment, we carry property insurance on our rental equipment in inventory and operating facilities as well as business interruption insurance. We believe our insurance policies are adequate with the appropriate limits and deductibles to mitigate the potential loss exposure of our business. We do not have financial reserves for policy deductibles and we do have exclusions under our insurance policies that are customary for our industry, including earthquakes, flood and terrorism. If any of our facilities or a significant amount or our rental equipment were to experience a catastrophic loss, it could disrupt our operations, delay orders, shipments and revenue recognition and result in expenses to repair or replace the damaged rental equipment and facility not covered by insurance.

SPECIFIC RISKS RELATED TO OUR RELOCATABLE MODULAR BUILDINGS BUSINESS SEGMENT:

A significant reduction of funding to public schools could cause the demand for our modular classroom units to decline, which could result in a reduction in our revenues and profitability.

Rentals and sales of modulars to public school districts for use as classrooms, restroom buildings, and administrative offices for kindergarten through grade twelve represent a significant portion of Mobile Modular's rental and sales revenues. Funding for public school facilities is derived from a variety of sources including the passage of both statewide and local facility bond measures, developer fees and various taxes levied to support school operating budgets. Many of these funding sources are subject to financial and political considerations, which vary from district to district and are not tied to demand. Historically, we have benefited from the passage of facility bond measures and believe these are essential to our business. In California, our largest education market, state and local budgetary constraints have also affected the amount of funding received by public school districts.

To the extent public school districts' funding is reduced for the rental and purchase of modulars, our business could be harmed and our results of operations negatively impacted. We believe that interruptions or delays in the passage of facility bond measures, changes in legislative or educational policies at either the state or local level including the contraction or elimination of class size reduction programs, a lack or insufficient amount of fiscal funding, a significant reduction of funding to public schools, or changes negatively impacting enrollment may reduce the rental and sale demand for our educational products and may have a material adverse effect on both rental and sales revenue of the Company.

Public policies that create demand for our products and services may change.

California and Florida have passed legislation to limit the number of students that may be grouped in a single classroom for certain grade levels. School districts with class sizes in excess of these limits have been and continue to be a significant source of our demand for modular classrooms. Further, in California, efforts to address aging infrastructure and deferred maintenance have resulted in a significant increase in modernization and reconstruction projects by public school districts including seismic retrofitting, asbestos abatement and various building repairs and upgrades. If educational priorities and policies shift away from class-size reduction or modernization and reconstruction projects, demand for our products and services may decline, not grow as quickly as or reach the levels that we anticipate. Significant equipment returns may result in lower utilization until equipment can be redeployed or sold, which may cause rental rates to decline and negatively affect our revenues and operating income.

Failure to comply with applicable regulations could harm our business and financial condition, resulting in lower operating results and cash flows.

Similar to conventionally constructed buildings, the modular building industry, including the manufacturers and lessors of portable classrooms, are subject to regulations by multiple governmental agencies at the federal, state and local level relating to environmental, zoning, health, safety and transportation matters, among other matters. Failure to comply with these laws or regulations could impact our business or harm our reputation and result in higher capital or operating expenditures or the imposition of penalties or restrictions on our operations.

As with conventional construction, typically new codes and regulations are not retroactively applied. Nonetheless, new governmental regulations in these or other areas may increase our acquisition cost of new rental equipment, limit the use of or make obsolete some of our existing equipment, or increase our general and administrative costs.

Building codes are generally reviewed every three years. All aspects of a given code are subject to change including but not limited to such items as structural specifications for earthquake safety, energy efficiency and environmental standards, fire and life safety, transportation, lighting and noise limits. On occasion, state agencies have undertaken studies of indoor air quality and noise levels with a focus on permanent and modular classrooms. These results could impact our existing modular equipment, and affect the future construction of our modular product.

Compliance with building codes and regulations entail a certain amount of risk as municipalities do not necessarily interpret these building codes and regulations in a consistent manner, particularly where applicable regulations may be unclear and subject to interpretation. These regulations often provide broad discretion to governmental authorities that oversee these matters, which can result in unanticipated delays or increases in the cost of compliance in particular markets. The construction and modular industries have developed many “best practices” which are constantly evolving. Some of our peers and competitors may adopt practices that are more or less stringent than the Company’s. When, and if, regulatory standards are clarified, the effect of the clarification may be to impose rules on our business and practices retroactively, at which time, we may not be in compliance with such regulations and we may be required to incur costly remediation. If we are unable to pass these increased costs on to our customers, our profitability, operating cash flows and financial condition could be negatively impacted.

Our planned expansions of our modular operations into new markets will affect our operating results.

We have established modular operations in California, Texas and Florida and launched operations in North Carolina and Georgia in late 2007. We have identified several U.S. markets that we believe will be attractive long-term opportunities for our educational and commercial modular business and continue to consider opportunities for growth of our modular business. There are risks inherent in the undertaking of such expansion, including the risk of revenue from the business in these markets not meeting our expectations, higher than expected costs in entering these new markets, risk associated with compliance with applicable state laws and regulations, response by competitors and unanticipated consequences of expansion. In addition, expansion in new markets may by affected by local economic and market conditions. Expansion of our operations into these new markets will require a significant amount of attention from our management, a commitment of financial resources and will require us to add qualified management in these markets.

We are subject to laws and regulations governing government contracts. These laws and regulations make these government contracts more favorable to government entities than other third parties and any changes in these laws and regulations, or the failure to comply with these laws and regulations could harm our business.

We have agreements relating to the sale of our products to government entities and, as a result, we are subject to various statutes and regulations that apply to companies doing business with the government. The laws governing government contracts can differ from the laws governing private contracts. For example, many government contracts contain pricing terms and conditions that are not applicable to private contracts such as clauses that allow government entities not to perform on contractual obligations in the case of a lack of fiscal funding. Also, in the educational markets we serve, we are able to utilize “piggyback” contracts in marketing our products and services and ultimately to book business. The term “piggyback contract” refers to contracts for portable classrooms or other products entered into by public school districts following a formal bid process that allows for the use of the same contract terms and conditions with the successful vendor by other public school districts. As a result, “piggyback” contracts allow us to more readily book orders from our government customers, primarily public school districts, and to reduce the administrative expense associated with booking these orders. The governmental statutes and regulations that allow for use of “piggyback” contracts are subject to change or elimination in their entirety. A change in the manner of use or the elimination of piggyback contracts would likely negatively impact our ability to book new business from these government customers and could cause our administrative expenses related to processing these orders to increase significantly. In addition, any failure to comply with these laws and regulations might result in administrative penalties or even in the suspension of these contracts and as a result, the loss of the related revenues which would harm our business and results from operations.

Seasonality of our educational business may have adverse consequences for our business.

A significant portion of the modular sale and rental revenues are derived from the educational market. Typically, during each calendar year, our highest numbers of classrooms are shipped for rental and sale orders during the second and third quarters for delivery and installation prior to the start of the upcoming school year. The majority of classrooms shipped in the second and third quarters have rental start dates during the third quarter, thereby making the fourth quarter the first full quarter of rental revenues recognized for these transactions. These factors may impact the quarterly revenues and earnings of each year's second, third and fourth quarters. The differences in quarterly revenues and earnings may also be subject to fluctuations in state funding. In the past, impaired levels of funding available to the school districts from the states in which we do business have caused school districts to experience budget shortfalls and to reduce their demand for our products despite growing student populations, class size reduction initiatives and modernization and reconstruction project needs. Any reductions in funding available to school districts from the states in which we do business could result in a lower volume of orders for our products which could reduce our revenues and operating income and consequently harm our financial condition.

We face strong competition in our modular building markets.

The modular building leasing industry is highly competitive in our states of operation and we expect it to remain so. The competitive market in which we operate may prevent us from raising rental fees or sales prices to pass any increased costs on to our customers. We compete on the basis of a number of factors, including equipment availability, quality, price, service, reliability, appearance, functionality and delivery times. We believe we may experience pricing pressures in our areas of operation in the future as some of our competitors seek to obtain market share by reducing prices.

Some of our larger national competitors in the modular building leasing industry, notably Williams Scotsman International, Inc. and Modspace, formed in 2007 by the combination of the former GE Capital Modular Space and Resun Space Solutions, have a greater range of products and services, greater financial and marketing resources, larger customer bases, and greater name recognition than we have. These larger competitors may be better able to respond to changes in the relocatable modular building market, to finance acquisitions, to fund internal growth and to compete for market share, any of which could harm our business.

We may not be able to quickly redeploy modular equipment returning from leases.

As of June 30, 2008, 64% of our modular portfolio had equipment on rent for periods exceeding the original committed term. Generally, when a customer continues to rent the modular equipment beyond the contractual term, the equipment rents on a month-to-month basis. If a significant number of our rented modular units were returned during a short period of time, particularly those units that are rented on a month-to-month basis, a large supply of units would need to be remarketed. Our failure to effectively remarket a large influx of units returning from leases could negatively affect our financial performance and our ability to continue expanding our rental fleet.

Significant increases in raw material and labor costs could increase our acquisition cost of new modular rental equipment and repair and maintenance costs of our fleet, which would increase our operating costs and harm our profitability.

We incur labor costs and purchase raw materials, including lumber, siding and roofing and other products to perform periodic repairs, modifications and refurbishments to maintain physical conditions of our modular equipment. The volume, timing and mix of maintenance and repair work on our rental equipment may vary quarter-to-quarter and year-to-year. Generally, increases in labor and raw material costs will also increase the acquisition cost of new modular equipment and increase the repair and maintenance costs of our fleet. We also maintain a fleet of service trucks and use subcontractor companies for delivery, set-up, return delivery and dismantle of modulars for our customers. We rely on our subcontractor service companies to meet customer demands for timely shipment and return, and the loss or inadequate number of subcontractor service companies may cause prices to increase, while negatively impacting our reputation and operating performance. During periods of rising prices for labor, raw materials or fuel, and in particular, when the prices increase rapidly or to levels significantly higher than normal, we may incur significant increases in our acquisition costs for new modular equipment and incur higher operating costs that we may not be able to recoup from our customers, which would reduce our profitability.

Failure by third parties to manufacture our products timely or properly may harm our reputation and financial condition.

We are dependent on third parties to manufacture our products even though we are able to purchase products from a variety of third-party suppliers. Mobile Modular purchases new modulars from various manufacturers who build to Mobile Modular's design specifications. With the exception of Enviroplex, none of the principal suppliers are affiliated with the Company. During 2007, Mobile Modular purchased 33% of its modular product from one manufacturer. The Company believes that the loss of its primary manufacturer of modulars could have an adverse effect on its operations since Mobile Modular could experience higher prices and longer delivery lead times for modular product until other manufacturers were able to increase their production capacity.

Failure to properly design, manufacture, repair and maintain the modular product may result in impairment charges and reduction of our operating results and cash flows.

We estimate the useful life of the modular product to be 18 years with a residual value of 50%. However, proper design, manufacture, repairs and maintenance of the modular product during our ownership is required for the product to reach the estimated useful life of 18 years with a residual value of 50%. If we do not appropriately manage the design, manufacture, repair and maintenance of our modular product, or otherwise, delay or defer such repair or maintenance, we may be required to incur impairment charges for equipment that is beyond economic repair, incur significant capital expenditures to acquire new modular product to serve demand and accordingly experience reduction of our future operating results and cash flows.

Our warranty costs may increase.

Sales of new relocatable modular buildings not manufactured by us are typically covered by warranties provided by the manufacturer of the products sold. We provide ninety-day warranties on certain modular sales of used rental equipment and one-year warranties on equipment manufactured by our Enviroplex subsidiary. Historically, our warranty costs have not been significant, and we monitor the quality of our products closely. If a defect were to arise in the installation of our equipment at the customer's facilities or in the equipment acquired from our suppliers or by our Enviroplex subsidiary, we may experience increased warranty claims. Such claims could disrupt our sales operations, damage our reputation and require costly repairs or other remedies, negatively impacting revenues and operating income.

<u>SPECIFIC RISKS RELATED TO OUR ELECTRONIC TEST EQUIPMENT BUSINESS SEGMENT:</u>

Market risk and cyclical downturns in the industries using test equipment may result in periods of low demand for our product resulting in excess inventory, impairment charges and reduction of our operating results and cash flows.

TRS-RenTelco's revenues are derived from the rental and sale of general purpose, communications and environmental test equipment to a broad range of companies, from Fortune 500 to middle and smaller market companies, in the aerospace, defense, communications, manufacturing and semiconductor industries. Electronic test equipment rental and sales revenues are primarily affected by the business activity within these industries related to research and development, manufacturing, and communication infrastructure and maintenance. Historically, these industries have been cyclical and have experienced periodic downturns, which have a material adverse impact on the industry's demand for equipment, including the electronic test equipment rented by us. We experienced this in 2002, as a result of a significant and prolonged downturn in the telecommunications industry, and recorded non-cash impairment charges of $24.1 million resulting from the depressed and low projected demand for the rental products coupled with high inventory levels, especially communications equipment.

In addition, the severity and length of any downturn in an industry may also affect overall access to capital, which could adversely affect our customers. During periods of reduced and declining demand for test equipment, we are exposed to additional receivable risk from non-payment and may need to rapidly align our cost structure with prevailing market conditions while at the same time motivating and retaining key employees. While the market demand for communications test equipment has improved from 2002 levels as the telecommunications industry has recovered, no assurance can be given regarding the length or extent of the recovery, and no assurance can be given that our rental utilization rates, operating results and cash flows will not be adversely impacted by the reversal of any current trends or any future downturns or slowdowns in the rate of capital investment in this industry.

Seasonality of our electronic test equipment business may impact quarterly results.

Generally, rental activity declines in the fourth quarter month of December and the first quarter months of January and February. These months may have lower rental activity due to holiday closures, particularly by larger companies, inclement weather and its impact on various field related communications equipment rentals, and companies’ operational recovery from holiday closures which may impact the start-up of new projects coming online in the first quarter. These seasonal factors may impact quarterly results in each year’s first and fourth quarter.

Our rental test equipment may become obsolete, which could result in an impairment charge.

Electronic test equipment is characterized by changing technology and evolving industry standards that may render our existing equipment obsolete through new product introductions, or enhancements, before the end of its anticipated useful life, causing us to incur impairment charges. We must anticipate and keep pace with the introduction of new hardware, software and networking technologies and acquire equipment that will be marketable to our current and prospective customers.

Additionally, some manufacturers of our equipment may be acquired or cease to exist, resulting in a future lack of support for equipment purchased from those manufacturers. This could result in the remaining useful life to shorten, causing us to incur an impairment charge. We monitor our manufacturers’ capacity to support their products, the introduction of new technologies, and acquire equipment that will be marketable to our current and prospective customers. Failure to properly select, manage and respond to the technological needs of our customers and changes of our products through their technology life cycle may cause certain electronic test equipment to become obsolete, resulting in impairment charges and may negatively impact operating results and cash flows.

If we do not effectively compete in the rental equipment market, our operating results will be materially and adversely affected.

The electronic test equipment rental business is characterized by intense competition from several competitors, including Electro Rent Corporation, Telogy and Continental Resources, some of which may have access to greater financial and other resources than we do. Although no single competitor holds a dominant market share, we face intensifying competition from these established entities and new entrants in the market. We believe that we anticipate and keep pace with the introduction of new products and acquire equipment that will be marketable to our current and prospective customers. We compete on the basis of a number of factors, including product availability, price, service and reliability. Some of our competitors may offer similar equipment for lease, rental or sale at lower prices and may offer more extensive servicing, or financing options. Failure to adequately forecast the adoption of, and demand for, new or existing products may cause us not to meet our customers’ equipment requirements and may materially and adversely affect our operating results.

If we are not able to obtain equipment at favorable rates, there could be a material adverse effect on our operating results.

The majority of our rental equipment portfolio is comprised of general-purpose test and measurement instruments purchased from leading manufacturers such as Agilent Technologies and Tektronix, a division of Danaher Corporation. We depend on purchasing equipment from these manufacturers and suppliers for use as our rental equipment. If, in the future, we are not able to purchase necessary equipment from one or more of these suppliers on favorable terms, we may not be able to meet our customers' demands in a timely manner or for a rental rate that generates a profit. If this should occur, we may not be able to secure necessary equipment from an alternative source on acceptable terms and our business may be materially and adversely affected.

If we are not able to anticipate and mitigate the risks associated with operating internationally, there could be a material adverse effect on our operating results.

Currently, total foreign country customers and operations account for less than 10% of the Company's revenues and long-lived assets. In recent years some of our customers have expanded their international operations faster than domestic operations, and this trend may continue. Over time, we anticipate the amount of international business may increase if our focus on international market opportunities continues. Operating in foreign countries subjects the Company to additional risks, any of which may adversely impact our future operating results, including:

- international political, economic and legal conditions including tariffs and trade barriers;
- our ability to comply with customs, import/export and other trade compliance regulations of the countries in which we do business, together with any unexpected changes in such regulations;
- greater difficulty in our ability to recover rental equipment and obtain payment of the related trade receivables;
- difficulties in attracting and retaining staff and business partners to operate internationally;
- language and cultural barriers;
- seasonal reductions in business activities in the countries where our international customers are located;
- difficulty with the integration of foreign operations;
- longer payment cycles;
- currency fluctuations; and
- potential adverse tax consequences.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

The Company held its 2008 Annual Meeting of Shareholders on June 4, 2008. The proposals voted on by the Company shareholders and the voting results were as follows:

Proposal 1: Election of Directors

The election of directors was approved as follows:

	For	Withheld	Abstentions
William J. Dawson	23,498,930	45,243	90,341
Robert C. Hood	23,495,143	49,030	90,341
Dennis C. Kakures	23,484,463	59,710	90,341
Robert P. McGrath	23,385,454	158,719	90,341
Dennis P. Stradford	23,495,247	48,926	90,341
Ronald H. Zech	23,335,428	208,745	90,341

Elected as directors at the meeting were William J. Dawson, Robert C. Hood, Dennis C. Kakures, Robert P. McGrath, Dennis P. Stradford and Ronald H. Zech.

Proposal 2: Approval of the Amendment to the Company's Bylaws Increasing the Number of Authorized Directors

The Amendment was approved with 23,435,804 votes in favor, 56,791 against, and 141,919 abstentions.

Proposal 3: Ratification of Appointment of Independent Auditors

Grant Thornton LLP was ratified as the Company's independent auditors for fiscal year 2008 with 23,515,791 votes in favor, 23,130 against, and 95,593 abstentions.

ITEM 5. OTHER INFORMATION

Dividends

On June 4, 2008 the Company declared a quarterly dividend on its Common Stock; the dividend was $0.20 per share. Subject to its continued profitability and favorable cash flow, the Company intends to continue the payment of quarterly dividends.

ITEM 6. EXHIBITS

3.1	Amended and Restated Bylaws of McGrath RentCorp
15.1	Awareness Letter From Grant Thornton LLP
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

	MCGRATH RENTCORP
Date: August 7, 2008	By: /s/ Keith E. Pratt
	Keith E. Pratt
	Senior Vice President and Chief Financial Officer
	By: /s/ David M. Whitney
	David M. Whitney
	Vice President, Controller and Principal Accounting Officer

AMENDED AND RESTATED BYLAWS

OF

McGRATH RENTCORP,
a California corporation

(Amended and Restated as of June 4, 2008)

1. OFFICES

1.1. **Principal Office.** The Board of Directors shall fix the location of the principal executive office of the corporation at any place within or outside the State of California. If the principal executive office is located outside this state, and the corporation has one or more business offices in this state, the Board of Directors shall fix and designate a principal business office in the State of California.

1.2. **Other Offices.** Branch or subordinate offices may at any time be established by the Board of Directors at any place or places where the corporation is qualified to do business.

2. MEETINGS OF SHAREHOLDERS

2.1. **Place of Meetings.** All meetings of shareholders shall be held either at the principal executive office of the corporation or at any other place within or without the State of California designated by the Board of Directors. In the absence of any such designation, shareholders' meeting shall be held at the principal executive office of the corporation.

2.2. **Annual Meetings.** The Annual Meeting of shareholders shall be held each year on a date and at a time designated by the Board of Directors. In the absence of such designation, the Annual Meeting of shareholders shall be held on the first Thursday of June in each year at 2:00 p.m. However, if this day falls on a legal holiday, then the meeting shall be held at the same time and place on the next succeeding full business day. At such meeting, directors shall be elected, reports of the affairs of the corporation shall be considered, and any other proper business may be transacted.

2.3. **Special Meetings.** Special meetings of the shareholders may be called at any time by the Board of Directors, the Chairman of the Board, the President, or by the holders of shares in the aggregate entitled to cast not less than 10 percent of the votes at the meeting.

If a special meeting is desired to be called by any person or persons other than the Board of Directors, their request shall be made in writing, specifying the time of such meeting and the general nature of the business proposed to be transacted. The written request shall then be delivered personally or by registered mail or by telegraphic or other facsimile transmission to the Chairman of the Board, President, any Vice President, or Secretary of the corporation. The officer receiving the request shall cause notice to be promptly given to the shareholders entitled to vote, in accordance with the provisions of Sections 2.4 and 2.5 of these Bylaws, that a meeting will be held at the time requested by the person or persons calling the meeting, not less than thirty-five (35) nor more than sixty (60) days after the receipt of the request. If the notice is not given within twenty (20) days after receipt of the request, the person or persons requesting the meeting may give the notice. Nothing contained in this paragraph shall be construed as limiting, fixing or affecting the time when a meeting of shareholders called by action of the Board of Directors may be held.

2.4. **Notice of Shareholders' Meetings.** All notices of meetings of shareholders shall be sent or otherwise given to each shareholder entitled to vote thereat in accordance with Section 2.5 of these Bylaws not less than ten (10) nor more than sixty (60) days before the date of the meeting. The notice shall specify the place, date and hour of the meeting and (i) in the case of a special meeting, the general nature of the business to be transacted, and no other business may be transacted, or (ii) in the case of the annual meeting, those matters which the Board of Directors, at the time of giving the notice, intends to present for action by the shareholders. The notice of any meeting at which Directors are to be elected shall include the name of any nominee or nominees whom, at the time of the notice, management intends to present for election.

If shareholder action, other than unanimous approval of those entitled to vote, is proposed to be taken at any meeting for approval of (i) a contract or transaction in which a director has a direct or indirect financial interest, pursuant to Section 310 of the California Corporations Code, (ii) an amendment of the Articles of Incorporation, pursuant to Section 902 of that Code, (iii) a reorganization of the corporation, pursuant to Section 1201 of that Code, (iv) a voluntary dissolution of the corporation, pursuant to Section 1900 of that Code, or (v) a plan of distribution other than in accordance with the rights of outstanding preferred shares, pursuant to Section 2007 of that Code, then the notice shall also state the general nature of that proposal.

2.5. **Manner of Giving Notice; Affidavit of Notice.** Written notice of any meeting of shareholders shall be given to each shareholder entitled to vote thereat either personally or by first class mail or other means of written communication, charges prepaid, addressed to the shareholder at the address of that shareholder appearing on the books of the corporation or given by the shareholder to the corporation for the purpose of notice. If no such address appears on the corporation's books or is given, notice shall be deemed to have been given if sent to that shareholder by first class mail or other means of written communication to the corporation's principal executive office, or if published at least once in a newspaper of general circulation in the county where that office is located. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by other means of written communication.

If any notice addressed to a shareholder at the address of that shareholder appearing on the books of the corporation is returned to the corporation by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver the notice to the shareholder at that address, all future notices or reports shall be deemed to have been duly given without further mailing if these shall be available to the shareholder on written demand of the shareholder at the principal executive office of the corporation for a period of one year from the date of the giving of notice.

An affidavit of the mailing or other means of giving any notice of any shareholders' meeting shall be executed by the Secretary, Assistant Secretary, or any transfer agent of the corporation giving the notice, and shall be filed and maintained in the Minute Book of the Corporation.

2.6. **Quorum.** The presence in person or by proxy of shareholders entitled to vote a majority of the voting shares of the corporation at any meeting of shareholders shall constitute a quorum for the transaction of business. The shareholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum.

2.7. **Adjourned Meetings and Notice Thereof.** Whether or not a quorum is present, any shareholders' meeting may be adjourned from time to time by the vote of a majority of the shares represented at that meeting, either in person or by proxy, but in the absence of a quorum no other business may be transacted at that meeting, except as provided in Section 2.6 of these Bylaws.

When any meeting of shareholders is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place are announced at the meeting at which the adjournment is taken, unless a new record date for the adjourned meeting is fixed, or unless the adjournment is for more than forty-five (45) days from the date set for the original meeting, in which case the Board of Directors shall set a new record date. When required, notice of any such adjourned meeting shall be given to each shareholder of record entitled to vote at the adjourned meeting in accordance with the provisions of Sections 2.4 and 2.5 of these Bylaws. At any adjourned meeting the corporation may transact any business which might have been transacted at the original meeting.

2.8. **Voting.** Except as provided in Section 708 of the California Corporations Code, each outstanding share of this corporation, regardless of class, shall be entitled to one vote on each matter submitted to a vote of shareholders. The shareholders entitled to vote at any meeting of shareholders shall be determined in accordance with the provisions of Section 2.11 of these Bylaws, subject to the provisions of Sections 702, 703 and 704 of the California Corporations Code (relating to voting by fiduciaries, corporate shareholders, or shares standing in joint ownership). The shareholders' vote may be by voice vote or by ballot; provided, however, that any election for directors must be by ballot if demanded by any shareholder at the meeting and before the voting has begun. Any shareholder entitled to vote on a proposal may vote part of the shares in favor of the proposal and refrain from voting the remaining shares or vote them against the proposal, but, if the shareholder fails to specify the number of shares which the shareholder is voting affirmatively, it will be conclusively presumed that the shareholder's approving vote is with respect to all shares which the shareholder is entitled to vote.

If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on any matter (other than the election of directors) shall be the act of the shareholders unless the vote of a greater number or voting by classes is required by the California Corporations Code or by the Articles of Incorporation.

At a shareholders' meeting at which Directors are to be elected, no shareholders shall be entitled to cumulate votes (i.e., cast for any one or more candidates a number of votes greater than the number of the shareholder's shares) unless such candidate's or candidates' names have been placed in nomination prior to commencement of the voting and a shareholder has given notice prior to commencement of the voting of the shareholder's intention to cumulate votes. If any shareholder has given such a notice, then every shareholder entitled to vote may cumulate votes for candidates in nomination and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which that shareholder's shares are entitled, or distribute the shareholder's shares on the same principle among any or all of the candidates, as the shareholder thinks fit. The candidates receiving the highest number of affirmative votes, up to the number of directors to be elected, shall be elected. A shareholder may not cumulate his votes for any candidate whose name was not placed in nomination prior to the commencement of the voting.

2.9. **Waiver of Notice or Consent by Absent Shareholders.** The transactions of any meeting of shareholders, however called and noticed, and wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each person entitled to vote, who was not present in person or by proxy, signs a written waiver of notice or a consent to the holding of the meeting, or an approval of the minutes thereof. The waiver of notice or consent need not specify either the business to be transacted or the purpose of any annual or special meeting of shareholders, except that if action is taken or proposed to be taken for approval of any of those matters specified in the second paragraph of Section 2.4 of these Bylaws, the waiver of notice or consent shall state the general nature of the proposal. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Attendance by a person at a meeting shall also constitute a waiver of notice of that meeting, except when the person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting if that objection is expressly made at the meeting.

2.10. **Shareholder Action by Written Consent Without a Meeting.** Any action which may be taken at any annual or special meeting of shareholders may be taken without a meeting and without prior notice, if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take that action at a meeting at which all shares entitled to vote on that action were present and voted. In the case of the election of directors, such a consent shall be effective only if signed by the holders of all outstanding shares entitled to vote for the election of directors; provided, however, that a director may be elected at any time to fill a vacancy on the board of directors that has not been filled by the directors, by the written consent of the holders of a majority of the outstanding shares entitled to vote for the election of directors. All such consents shall be filed with the Secretary of the corporation and shall be maintained in the corporate records. Any shareholder giving a written consent, or the shareholder's proxy holders, or a transferee of the shares or a personal representative of the shareholder or their respective proxy holders, may revoke the consent by a writing received by the Secretary of the corporation before written consents of the number of shares required to authorize the proposed action have been filed with the Secretary, but may not do so thereafter. Such revocation is effective upon its receipt by the Secretary.

If the consents of all shareholders entitled to vote have not been solicited in writing, and if the unanimous written consent of all such shareholders shall not have been received, the Secretary shall give prompt notice of the corporate action approved by the shareholders without a meeting. This notice shall be given in the manner specified in Section 2.5 of these Bylaws. In the case of approval of (i) contracts or transactions in which a director has a direct or indirect financial interest, pursuant to Section 310 of the California Corporations Code, (ii) indemnification of agents of the corporation, pursuant to Section 317 of that Code, (iii) reorganization of the corporation, pursuant to Section 1201 of that Code, and (iv) a distribution in dissolution other than in accordance with the rights of outstanding preferred shares, pursuant to Section 2007 of that Code, the notice shall be given at least ten (10) days before the consummation of any action authorized by that approval.

Any form of written consent distributed to 10 or more shareholders of this corporation shall afford an opportunity on the form of written consent to specify a choice between approval, disapproval or abstention as to each matter or group of related matters the approval for which the written consent is solicited, other than elections to office.

2.11. **Record Date for Shareholder Notice, Voting, and Giving Consents.** For purposes of determining the shareholders entitled to notice of any meeting or to vote or entitled to give consent to corporate action without a meeting, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) days nor less than ten (10) days before the date of any such meeting nor more than sixty (60) days before any such action without a meeting; and in this event only shareholders of record on the date so fixed are entitled to notice and to vote or to give consents, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date, except as otherwise provided in the California General Corporation Law.

If the Board of Directors does not so fix a record date:

(a) The record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the business day next preceding the day on which notice is given or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held.

(b) The record date for determining shareholders entitled to give consent to the corporate action in writing without a meeting, (i) when no prior action by the Board has been taken, shall be the day on which the first written consent is given, or (ii) when prior action of the Board has been taken, shall be at the close of business on the date on which the Board adopts the resolution relating to that action, or the sixtieth (60th) day before the date of such action, whichever is later.

2.12. **Proxies.** Every person entitled to vote shares shall have the right to do so either in person or by one or more agents authorized by a written proxy signed by the person and filed with the Secretary of the corporation. A proxy shall be deemed signed if the shareholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission, or otherwise) by the shareholder or the shareholder's attorney in fact. A validly executed proxy which does not state that it is irrevocable shall continue in full force and effect unless (i) revoked by the person executing it, before the vote pursuant to that proxy, by a writing delivered to the corporation stating that the proxy is revoked, or by a subsequent proxy executed by, or by attendance at the meeting and voting in person by, the person executing the proxy; or (ii) written notice of the death or incapacity of the maker of that proxy is received by the corporation before the vote pursuant to that proxy is counted; provided, however, that no proxy shall be valid after the expiration of eleven (11) months from the date of the proxy, unless otherwise provided in the proxy. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Sections 705(e) and 705(f) of the California Corporations Code.

Any form of proxy distributed to 10 or more shareholders of this corporation shall afford an opportunity on the proxy to specify a choice between approval, disapproval or abstention as to each matter or group of related matters intended to be acted upon at the meeting for which the proxy is solicited, other than elections to office.

2.13. **Inspectors of Election.** Before any meeting of shareholders, the Board of Directors may appoint any persons other than nominees for office to act as inspectors of election at the meeting or its adjournment. If no inspectors of election are appointed, the Chairman of the meeting may, and on the request of any shareholder or a shareholder's proxy shall, appoint inspectors of election at the meeting. The number of inspectors shall be either one (1) or three (3). If inspectors are appointed at a meeting on the request of one or more shareholders or proxies, the holders of a majority of shares or their proxies present at the meeting shall determine whether one (1) or three (3) inspectors are to be appointed. If any person appointed as inspector fails to appear or fails or refuses to act, the Chairman of the meeting may, and upon the request of any shareholder or a shareholder's proxy shall, appoint a person to fill that vacancy.

As prescribed by California Corporations Code Section 707, these inspectors shall:

(a) Determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity, and effect of proxies;

(b) Receive votes, ballots, or consents;

(c) Hear and determine all challenges and questions in any way arising in connection with the right to vote;

(d) Count and tabulate all votes or consents;

(e) Determine when the polls shall close;

(f) Determine the result; and

(g) Do any other acts that may be proper to conduct the election or vote with fairness to all shareholders.

3. DIRECTORS

3.1. **Powers.** Subject to the provisions of the California General Corporation Law and any limitations in the Articles of Incorporation and these Bylaws relating to action required to be approved by the shareholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board of Directors.

Without prejudice to these general powers, and subject to the same limitations, the directors shall have the power to:

(a) Select and remove all officers, agents and employees of the corporation; prescribe any powers and duties for them that are consistent with law, with the Articles of Incorporation, and with these Bylaws; fix their compensation; and require from them security for faithful service.

(b) Conduct, manage, and control the affairs and business of the corporation, and to make such rules and regulations therefor not inconsistent with law, or with the Articles of Incorporation, or the Bylaws, as they may deem to be in the best interests of the corporation.

(c) Change the principal executive office or the principal business office in the State of California from one location to another; cause the corporation to be qualified to do business in any other state, territory, dependency, or country and conduct business within or without the State of California; and designate any place within or without the State of California for the holding of any shareholders' meeting or meetings, including annual meetings.

(d) Adopt, make, and use a corporate seal; prescribe the forms of certificates of stock; and alter the form of the seal and certificates.

(e) Authorize the issuance of shares of stock of the corporation on any lawful terms, in consideration of money paid, labor done, services actually rendered, debts or securities cancelled, or tangible or intangible property actually received.

(f) Borrow money and incur indebtedness on behalf of the corporation, and cause to be executed and delivered for the corporation's purposes, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, and other evidences of debt and securities.

3.2. **Number of Directors.** The number of directors of the corporation shall be not less than five (5) nor more than nine (9). The exact number of directors shall be six (6) until changed, within the limits specified above, by a Bylaw amending this Section 3.2 duly adopted by the Board of Directors or by the shareholders. The indefinite number of directors may be changed, or a definite number fixed without provision for an indefinite number, by an amendment to this Bylaw duly adopted by the vote or written consent of a majority of the outstanding shares entitled to vote.

3.3. **Election and Term of Office.** The Directors shall be elected at each annual meeting of shareholders, but if any such annual meeting is not held, or the Directors are not elected thereat, the Directors may be elected at any special meeting of shareholders held for that purpose. Each Director, including a Director elected to fill a vacancy, shall hold office until the next annual or special meeting of shareholders at which Directors are elected and until their successors are elected and qualified.

3.4. **Vacancies.** A vacancy or vacancies in the Board of Directors shall be deemed to exist in the event of the death, resignation, or removal of any director, or if the Board of Directors by resolution declares vacant the office of the Director who has been declared of unsound mind by an order of court or convicted of a felony, or if the authorized number of directors is increased, or if the shareholders fail, at any meeting of shareholders at which any Director or Directors are elected, to elect the number of directors to be voted for at that meeting.

Any Director may resign effective on giving written notice to the Chairman of the Board, the President, the Secretary, or the Board of Directors, unless the notice specifies a later time for that resignation to become effective. If the resignation of a Director is effective at a future time, the Board of Directors may elect a successor to take office when the resignation becomes effective.

Vacancies in the Board of Directors may be filled by a majority of the remaining Directors, though less than a quorum, or by a sole remaining Director, except that a vacancy created by the removal of a Director by the vote or written consent of the shareholders or by court order may be filled only by the vote of a majority of the shares entitled to vote represented at a duly held meeting at which a quorum is present, or by the written consent of holders of a majority of the outstanding shares entitled to vote.

The shareholders may elect a Director or Directors at any time to fill any vacancy or vacancies not filled by the Directors, but any such election by written consent shall require the consent of a majority of the outstanding shares entitled to vote.

No reduction of the authorized number of Directors shall have the effect of removing any Director before that Director’s term of office expires.

3.5. **Place of Meetings and Meetings by Telephone.** Regular meetings of the Board of Directors may be held at any place within or outside the State of California that has been designated from time to time by resolution of the Board. In the absence of such a designation, regular meetings shall be held at the principal executive office of the corporation. Special meetings of the Board shall be held at any place within or outside the State of California that has been designated in the notice of the meeting or, if not stated in the notice or there is no notice, at the principal executive office of the corporation. Any meeting, regular or special, may be held by conference telephone or similar communication equipment, so long as all Directors participating in the meeting can hear one another, and all such Directors shall be deemed to be present in person at the meeting.

3.6. **Annual Meeting.** Immediately following each annual meeting of shareholders, the Board of Directors shall hold a regular meeting for the purpose of organization, any desired election of officers, and the transaction of other business. Notice of this meeting shall not be required.

3.7. **Other Regular Meetings.** Other regular meetings of the Board of Directors shall be held without call at such time as shall from time to time be fixed by the Board of Directors; provided, however, that if any regular meeting should fall on a legal holiday, then said meeting shall be held at the same time and place on the next day thereafter which is not a legal holiday. Such regular meetings may be held without notice.

3.8. **Special Meetings.** Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the Chairman of the Board or the President or any Vice President or the Secretary or any two Directors.

Notice of the time and place of special meetings shall be delivered personally or by telephone to each Director or sent by first-class mail or telegram, charges prepaid, addressed to each Director at that Director's address as it is shown on the records of the corporation. In case the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. In case the notice is delivered personally, or by telephone or telegram, it shall be delivered personally or by telephone or to the telegraph company at least forty-eight (48) hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the Director or to a person at the office of the Director who the person giving the notice has reason to believe will promptly communicate it to the Director. The notice need not specify the purpose of the meeting.

3.9. **Quorum.** A majority of the authorized number of Directors shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 3.11 of these Bylaws. Every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, subject to the provisions of Section 310 of the California Corporations Code (as to approval of contracts or transactions in which a Director has a direct or indirect material financial interest), Section 311 of that Code (as to appointment of committees), and Section 317(e) of that Code (as to indemnification of Directors). A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

3.10. **Waiver of Notice.** The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice if a quorum is present and if, either before or after the meeting, each of the Directors not present signs a written waiver of notice, a consent to holding the meeting or an approval of the Minutes. The waiver of notice or consent need not specify the purpose of the meeting. All such waivers, consents, and approvals shall be filed with the corporate records or made a part of the Minutes of the meetings. Notice of a meeting need not be given to any Director who attends the meeting without protesting, before or at its commencement, the lack of notice to that Director.

3.11. **Adjournment.** A majority of the Directors present, whether or not constituting a quorum, may adjourn any meeting of the Board to another time and place.

3.12. **Notice of Adjournment.** Notice of the time and place of holding an adjourned meeting need not be given, unless the meeting is adjourned for more than twenty-four (24) hours, in which case notice of the time and place shall be given before the time of the adjourned meeting, to the Directors who were not present at the time of the adjournment.

3.13. **Action Without Meeting.** Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board shall individually or collectively consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board of Directors. Such written consent or consents shall be filed with the Minutes of the proceedings of the Board.

3.14. **Fees and Compensation of Directors.** Directors and members of committees may receive such compensation, if any, for their services, and such reimbursement of expenses, as may be fixed or determined by resolution of the Board of Directors. This shall not be construed to preclude any Director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise, and receiving compensation for those services.

4. COMMITTEES

4.1. **Committees of Directors.** The Board of Directors may, by resolution adopted by a majority of the authorized number of Directors, designate one or more committees, each consisting of two or more Directors, to serve at the pleasure of the Board. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. Any committee, to the extent provided in the resolution of the Board, shall have all the authority of the Board, except with respect to:

(a) the approval of any action which, under the General Corporation Law of California, also requires the vote or consent of the shareholders;

(b) the filling of vacancies on the Board of Directors or on any committee;

(c) the fixing of compensation of the Directors for serving on the Board or on any committee;

(d) the amendment or repeal of Bylaws or the adoption of new Bylaws;

(e) the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable;

(f) a distribution to the shareholders of the corporation, except at a rate or in a periodic amount or within a price range determined by the Board of Directors; or

(g) the appointment of any other committees of the Board of Directors or the members of these committees.

5. OFFICERS

5.1. **Officers.** The officers of the corporation shall be a President, a Secretary, and a Chief Financial Officer. The corporation may also have, at the discretion of the Board of Directors, a Chairman of the Board, one or more Vice Presidents, one or more Assistant Secretaries, one or more Assistant Financial Officers, and such other officers as may be appointed in accordance with these Bylaws. Any number of offices may be held by the same person.

5.2. **Election of Officers.** The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Section 5.3 or Section 5.5 of these Bylaws, shall be chosen by the Board of Directors, and each shall serve at the pleasure of the Board, subject to the rights, if any, of an officer under any contract of employment.

5.3. **Subordinate Officers.** The Board of Directors may appoint, and may empower the President to appoint, such other officers as the business of the corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws or as the Board of Directors may from time to time determine.

5.4. **Removal and Resignation of Officers.** Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by the Board of Directors, at any regular or special meeting of the Board, or, except in case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors.

Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

5.5. **Vacancies in Offices.** A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office.

5.6. **Chairman of the Board.** The Board of Directors may, in its discretion, elect a Chairman of the Board from among its members. He shall preside at all meetings of the Board of Directors at which he is present and shall exercise and perform such other powers and duties as may be from time to time assigned to him by the Board of Directors or prescribed by the Bylaws.

5.7. **President.** Subject to such supervisory powers, if any, as may be given by the Board of Directors to the Chairman of the Board, if there be such an officer, the President shall, subject to the control of the Board of Directors, have general supervision, direction, and control of the business and officers of the corporation. He shall preside at all meetings of the shareholders and at all meetings of the Board of Directors not presided over by the Chairman of the Board. He shall have the general powers and duties of management usually vested in the office of president of a corporation, shall have such other powers and duties as may be prescribed by the Board of Directors or the Bylaws and shall be primarily responsible for carrying out all orders and resolutions of the Board of Directors.

5.8. **Vice President.** In the absence or disability of the President, the Vice Presidents, if any, in order of their rank as fixed by the Board of Directors, or if not ranked, the Vice President designated by the Board of Directors, shall perform all the duties of the President, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the President. The Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors or the Bylaws, and the President or the Chairman of the Board.

5.9. **Secretary.** The Secretary shall keep or cause to be kept, at the principal office, at the office of the corporation's counsel or at such other place as the Board of Directors may order, a Book of Minutes of all meetings and actions of Directors, committees of directors, and shareholders, with the time and place of holding, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at Directors' meetings or committee meetings, the number of shares present or represented at shareholders' meetings and the proceedings thereof.

The Secretary shall keep, or cause to be kept, at the principal office or at the office of the corporation's transfer agent or registrar, a share register, or a duplicate share register, showing the names of all shareholders and their addresses, the number and classes of shares held by each, the number and dates of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The Secretary shall give, or cause to be given, notice of all meetings of the shareholders and of the Board of Directors required by the Bylaws or by law to be given, and he shall keep the seal of the corporation, if one be adopted, in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by the Bylaws.

5.10. **Chief Financial Officer.** The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, surplus, retained earnings, and shares. The books of account shall at all reasonable times be open to inspection by any Director.

The Chief Financial Officer shall deposit all moneys and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the Board of Directors. He shall disburse the funds of the corporation as may be ordered by the Board of Directors, shall render to the President and Directors, whenever they request it, an account of all of his transactions as Chief Financial Officer and of the financial condition of the corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.

6. INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND OTHER AGENTS

6.1. **Indemnification.** The corporation may, to the maximum extent permitted by Section 317 of the California General Corporation Law, indemnify each of its "agents" (as defined in Section 317(a) of the California General Corporation Law) against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding against such agent arising by reason of the fact any such person is or was an agent of the corporation. Except with respect to indemnification of agents which is mandatory under Section 317(d) of the California General Corporation Law, such indemnification shall only be effective:

(a) if "approval by the shareholders" (as defined in Section 153 of the California General Corporation Law) in a particular instance;

(b) if approved by the disinterested vote of the Board of Directors in a particular instance; or

(c) if authorized by a written agreement between the corporation and the agent to be indemnified entered into prior to assertion of the claim giving rise to indemnity thereunder by the corporation with any director of the corporation (in any or all of his or her corporate capacities) or with such other agent or agents as the Board of Directors shall approve.

6.2. **Required Approval.** Except as provided in Section 317(d) of the California General Corporation Law, any indemnification under Section 6.1 of these Bylaws shall be made by this corporation only if authorized in the specific case (on a determination that indemnification of the agent is proper under the circumstances because the agent has met the applicable standard of conduct set forth in Sections 317(b) or (c) of the California General Corporation Law) by:

(a) a majority vote of a quorum of the Board consisting of directors who are not parties to the proceeding;

(b) "approval of the shareholders" (as defined in Section 153 of the California General Corporation Law), with the shares owned by the person to be indemnified not being considered outstanding or entitled to vote thereon;

(c) the court in which the proceeding is or was pending, on application made by this corporation or the agent or the attorney or other person rendering services in connection with the defense, whether or not such application by the agent, attorney, or other person is opposed by this corporation; or

(d) such other method as Section 317 of the California General Corporation Law shall allow.

6.3. **Advance of Expenses.** Expenses incurred in defending any proceeding described in Section 6.1 of these Bylaws may be advanced by this corporation before the final disposition of the proceeding on receipt of an undertaking by or on behalf of the agent to repay the amount of the advance if it shall be determined ultimately that the agent is not entitled to be indemnified as authorized in Sections 6.1 and 6.2 of these Bylaws.

6.4. **Insurance.** This corporation shall have power to purchase and maintain insurance on behalf of any agent of the corporation against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, whether or not this corporation would have the power to indemnify the agent against that liability under Sections 6.1 and 6.2 of these Bylaws. Notwithstanding Section 6.1 above, the corporation shall not be obligated to indemnify any agent, to the extent any amount subject to indemnification thereunder is covered by insurance payable to such agent, the premiums for which are paid by the corporation.

6.5. **No Limitation of Other Rights.** The indemnification provided by this Section 6 above shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under Section 6.6 below to the extent such additional rights to indemnification are authorized in the corporation's Articles of Incorporation and Section 6.6 below. The rights to indemnity contained in Sections 6.1 and 6.4 above shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of the person. Nothing contained in Sections 6.1 through 6.4 above shall affect any right to indemnification to which persons other than the directors and officers may be entitled by contract or otherwise.

6.6. **Additional Indemnification.** If expressly authorized in the corporation's Articles of Incorporation, the corporation may provide indemnification of agents in excess of the indemnification otherwise permitted by Section 317 of the California General Corporation Law and to the fullest extent permitted by California law. Such additional indemnification shall only be effective (i) if "approved by the shareholders" (as defined in Section 153 of the California General Corporation Law) in a particular instance, (ii) if approved by the disinterested vote of the Board of Directors in a particular instance or (iii) if authorized by a written agreement between the corporation and the agent to be indemnified entered into prior to assertion of the claim giving rise to indemnity thereunder by the corporation with any director of the corporation (in any or all of his or her corporate capacities) or with such other agent or agents as the Board of Directors shall approve; provided, however, that no such agent shall be indemnified for any acts, omissions or transactions, or under circumstances, as to which indemnification is prohibited by Section 204(a)(11) of the California General Corporation Law, as such Section may be amended from time to time.

6.7. **Amendment.** Any amendment, repeal or modification of any provision of this Section 6 by the shareholders or the Board of Directors shall not adversely affect any right or protection of an agent of the corporation at the time of such amendment, repeal or modification.

7. RECORDS AND REPORTS

7.1. **Maintenance, Inspection and Location of Share Register.** The corporation shall keep at its principal executive office, or at the office of its transfer agent or registrar, if either be appointed and as determined by resolution of the Board of Directors, a record of its shareholders, giving the names and addresses of all shareholders and the number and class of shares held by each shareholder.

A shareholder or shareholders of the corporation holding at least five percent (5%) in the aggregate of the outstanding voting shares of the corporation may (i) inspect and copy the records of shareholders' names and addresses and shareholdings during usual business hours on five days' prior written demand on the corporation, and (ii) obtain from the transfer agent of the corporation, on written demand and on the tender of such transfer agent's usual charges for such list, a list of the shareholders' names and addresses, who are entitled to vote for the election of directors, and their shareholdings as of the most recent record date for which that list has been compiled or as of a date specified by the shareholder after the date of demand. This list shall be made available to any such shareholder by the transfer agent on or before the later of five (5) days after the demand is received or the date specified in the demand as the date as of which the list is to be compiled. The record of shareholders shall also be open to inspection and copying on the written demand of any shareholder or holder of a voting trust certificate, at any time during usual business hours, for a purpose reasonably related to the holder's interests as a shareholder or as the holder of a voting trust certificate. Any inspection and copying under this Section may be made in person or by an agent or attorney of the shareholder or holder of a voting trust certificate making the demand.

7.2. **Maintenance, Inspection and Location of Bylaws.** The corporation shall keep at its principal executive office, the original or a copy of these Bylaws as amended to date, which shall be open to inspection by the shareholders at all reasonable times during office hours.

7.3. **Maintenance, Inspection and Location of Other Corporate Records.** The accounting books and records and Minutes of proceedings of the shareholders and the Board of Directors and any committee or committees of the Board of Directors shall be kept at such place or places designated by the Board of Directors, or, in the absence of such designation, at the principal executive office of the corporation. The Minutes shall be kept in written form and the accounting books and records shall be kept either in written form or in any other form capable of being converted into written form. The Minutes and accounting books and records shall be open to inspection upon the written demand of any shareholder or holder of a voting trust certificate, at any reasonable time during usual business hours, for a purpose reasonably related to the holder's interests as a shareholder or as the holder of a voting trust certificate. The inspection may be made in person or by an agent or attorney, and shall include the right to copy and make extracts. These rights of inspection shall extend to the records of each subsidiary corporation of the corporation.

7.4. **Inspection by Directors.** Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of every kind and the physical properties of the corporation and each of its subsidiary corporations. This inspection by a director may be made in person or by an agent or attorney, and the right of inspection includes the right to copy and make extracts of documents.

7.5. **Annual Report to Shareholders.** The Board of Directors shall cause an annual report to be sent to the shareholders not later than one hundred twenty (120) days after the close of the fiscal year adopted by the corporation. This report shall be sent at least fifteen (15) days before the annual meeting of shareholders to be held during the next fiscal year and in the manner specified in Section 2.5 of these Bylaws for giving notice to shareholders of the corporation. The annual report shall contain a balance sheet as of the end of the fiscal year and an income statement and statement of changes in financial position for the fiscal year, accompanied by any report of independent accountants or, if there is no such report, the certificate of an authorized officer of the corporation that the statements were prepared without audit from the books and records of the corporation. The annual report shall also contain such further information as required by Section 1501(b) of the California Corporations Code.

7.6. **Financial Statements.** A copy of any annual financial statement and any income statement of the corporation for each quarterly period of each fiscal year, and any accompanying balance sheet of the corporation as of the end of each such period, that has been prepared by the corporation shall be kept on file in the principal executive office of the corporation for twelve (12) months, and each such statement shall be exhibited at all reasonable times to any shareholder demanding an examination of any such statement or a copy shall be mailed to any such shareholder.

If a shareholder or shareholders holding at least five percent (5%) of the outstanding shares of any class of stock of the corporation makes a written request to the corporation for an income statement of the corporation for the three-month, six-month or nine-month period of the then current fiscal year ended more than thirty (30) days before the date of the request, and a balance sheet of the corporation as of the end of that period, the Chief Financial Officer shall cause that statement to be prepared, if not already prepared, and shall deliver personally or mail that statement or statements to the person making the request within thirty (30) days after the receipt of the request. If the corporation has not sent to the shareholders its annual report for the last fiscal year, this report shall likewise be delivered or mailed to the shareholder or shareholders within thirty (30) days after the request.

The corporation shall also, upon the written request of any shareholder, mail to the shareholder a copy of the last annual, semi-annual, or quarterly income statement which it has prepared, and a balance sheet as of the end of that period.

The quarterly income statements and balance sheets referred to in this Section shall be accompanied by the report, if any, of any independent accountants engaged by the corporation or the certificate of an authorized officer of the corporation that the financial statements were prepared without audit from the books and records of the corporation. All financial statements are to be prepared on a consolidated basis if the corporation has subsidiaries.

7.7. **Annual Statement of General Information.** The corporation shall, during the period in each year as provided for in Section 1502 of the California Corporations Code, file with the Secretary of State of the State of California, on the prescribed form, a statement setting forth the authorized number of directors, the number of vacancies on the board, if any, the names and complete business or residence addresses of all incumbent directors, the names and complete business or residence addresses of the Chief Executive Officer, Secretary and Chief Financial Officer, the street address of its principal executive office or principal business office in this state, and the general type of business constituting the principal business activity of the corporation, together with a designation of the agent of the corporation for the purpose of service of process, all in compliance with Section 1502 of the California Corporations Code.

8. GENERAL CORPORATE MATTERS

8.1. **Record Date for Purposes Other than Notice and Voting.** For purposes of determining the shareholders entitled to receive payment of any dividend or other distribution or allotment of any rights or entitled to exercise any rights in respect of any other lawful action (other than action by shareholders by written consent without a meeting), the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) days before any such action, and in that case only shareholders of record on the date so fixed are entitled to receive the dividend, distribution, or allotment of rights or to exercise the rights, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date so fixed, except as otherwise provided in the California General Corporation Law.

If the Board of Directors does not so fix a record date, the record date for determining shareholders for any such purpose shall be at the close of business on the day on which the Board adopts the applicable resolution or the sixtieth (60th) day before the date of that action, whichever is later.

8.2. **Checks, Drafts, Evidences of Indebtedness.** All checks, drafts, or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the corporation, shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the Board of Directors, or in the absence of such determination, by the President and the Secretary or the Chief Financial Officer.

8.3. **Corporate Contracts and Instruments; How Executed.** The Board of Directors, except as otherwise provided in these Bylaws, may authorize one or more officers, employees, or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation, and this authority may be general or confined to specific instances; and, unless so authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent, or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

8.4. **Certificates; Direct Registration System.** Shares of the Corporation's stock may be certificated or uncertificated, as provided under California law. Any certificates that are issued shall be signed in the name of the Corporation by the Chairman of the Board or Vice Chairman of the Board or the President or Vice President and by the Chief Financial Officer or any Assistant Financial Officer or the Secretary or any Assistant Secretary, certifying the number of shares and the class or series of shares owned by the shareholder. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed on a certificate shall have ceased to be that officer, transfer agent, or registrar before that certificate is issued, it may be issued by the corporation with the same effect as if that person were an officer, transfer agent, or registrar at the date of issue. Shares of the Corporation's capital stock may also be evidenced by registration in the holder's name in uncertificated, book-entry form on the books of the Corporation in accordance with a direct registration system approved by the Securities and Exchange Commission and by the NASDAQ or any securities exchange on which the stock of the Corporation may from time to time be traded.

8.5. **Lost Certificates.** Except as provided herein, no new certificates for shares shall be issued to replace an old certificate unless the latter is surrendered to the corporation and cancelled at the same time. The Board of Directors may, in case any share certificate or certificate for any other security is lost, stolen or destroyed, authorize the issuance of a replacement certificate or uncertificated shares in place of any certificate or certificates previously issued by the Corporation on such terms and conditions as the Board may require, including provision for indemnification of the Corporation secured by a bond or other adequate security sufficient to protect the Corporation against any claim that may be made against it, including any expense or liability, on account of the alleged loss, theft or destruction of the certificate or the issuance of the replacement certificate or the uncertificated shares.

8.6. **Representation of Shares of Other Corporations.** The Chairman of the Board, the President or any Vice President, or any other person authorized by resolution of the Board of Directors or by any of the foregoing designated officers, is authorized to vote on behalf of the corporation any and all shares of any other corporation or corporations, foreign or domestic, standing in the name of the corporation. The authority granted to these officers to vote or represent on behalf of the corporation any and all shares held by the corporation in any other corporation or corporations may be exercised by any of these officers in person or by any person authorized to do so by a proxy duly executed by these officers.

8.7. **Construction and Definitions.** Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the California General Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the foregoing, the singular number includes the plural, the plural number includes the singular, and the term “person” refers to corporations and other entities as well as to natural persons.

9. AMENDMENTS

9.1. **Amendment by Shareholders.** New Bylaws may be adopted or these Bylaws may be amended or repealed by the vote or written consent of holders of a majority of the outstanding shares entitled to vote.

9.2. **Amendment by Directors.** Subject to the rights of the shareholders as provided in Section 9.1 hereof, bylaws may be adopted, amended, or repealed by the Board of Directors, except that the Board of Directors may adopt a bylaw or amendment of a bylaw changing the authorized number of directors only for the purpose of fixing the exact number of directors within the limits specified in Section 3.2 of these Bylaws.

CERTIFICATION

I, the undersigned, do hereby certify:

(1) That I am the duly elected and acting Secretary of McGrath RentCorp, a California corporation; and

(2) That the foregoing is a full, true and correct copy of the Bylaws of the corporation with all amendments to date of this Certificate.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said corporation this 4th day of June, 2008.

/s/ Randle F. Rose

Randle F. Rose
Secretary

Exhibit 15.1

AWARENESS LETTER FROM GRANT THORNTON LLP

U.S. Securities and Exchange Commission
Washington, D.C. 20549

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited condensed consolidated interim financial statements of McGrath RentCorp and Subsidiaries as of June 30, 2008 and for the three and six-month periods ended June 30, 2008 and 2007, as indicated in our report dated August 5, 2008; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 is incorporated by reference in Registration Statements No. 333-06112, effective October 16, 1996, No. 333-74089, effective March 9, 1999 and No. 333-151815 effective June 20, 2008 on Form S-8.

We are also aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ Grant Thornton LLP
San Francisco, California
August 5, 2008

Exhibit 31.1

McGRATH RENTCORP
SECTION 302 CERTIFICATION

I, Dennis C. Kakures, certify that:

1. I have reviewed this quarterly report on Form 10-Q of McGrath RentCorp;

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

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

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

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

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

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

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

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

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

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

Date: August 7, 2008

By: /s/ Dennis C. Kakures
Dennis C. Kakures
Chief Executive Officer

Exhibit 31.2

McGRATH RENTCORP
SECTION 302 CERTIFICATION

I, Keith E. Pratt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of McGrath RentCorp;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2008

By: /s/ Keith E. Pratt
Keith E. Pratt
Chief Financial Officer

Exhibit 32.1

McGRATH RENTCORP
SECTION 906 CERTIFICATION

In connection with the periodic report of McGrath RentCorp (the “Company”) on Form 10-Q for the period ended June 30, 2008, as filed with the Securities and Exchange Commission (the “Report”), I, Dennis C. Kakures, Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

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

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

Date: August 7, 2008

By: /s/ Dennis C. Kakures
Dennis C. Kakures
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

McGRATH RENTCORP
SECTION 906 CERTIFICATION

In connection with the periodic report of McGrath RentCorp (the "Company") on Form 10-Q for the period ended June 30, 2008, as filed with the Securities and Exchange Commission (the "Report"), I, Keith E. Pratt, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

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

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Date: August 7, 2008

By: /s/ Keith E. Pratt
Keith E. Pratt
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.