

SCHEDULE 14A  
(RULE 14A-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION  
PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES  
EXCHANGE ACT OF 1934 (AMENDMENT NO. )

Filed by the Registrant  [X]

Filed by a Party other than the Registrant  [ ]

Check the appropriate box:

- [ ] Preliminary Proxy Statement  [ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- [X] Definitive Proxy Statement
- [ ] Definitive Additional Materials
- [ ] Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

McGrath Rentcorp

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- [X] No fee required.
- [ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  - (4) Proposed maximum aggregate value of transaction:
  - (5) Total fee paid:
- [ ] Fee paid previously with preliminary materials:
- [ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
  - (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
  - (4) Date Filed:

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
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June 3, 1999

Notice is hereby given that the 1999 Annual Meeting of Shareholders of McGrath RentCorp, a California corporation, will be held at McGrath RentCorp's Corporate Headquarters located at 5700 Las Positas Road, Livermore, California 94550, on Thursday, June 3, 1999, at 2:00 p.m., local time, for the following purposes:

1. To elect five directors to serve until the next annual meeting of shareholders and until their respective successors are duly elected;
2. To approve the appointment of Arthur Andersen LLP as McGrath RentCorp's independent public accountants for the year ending December 31, 1999; and
3. To transact such other business as may properly come before the Meeting or any adjournment thereof.

Shareholders of record at the close of business on April 15, 1999 are entitled to notice of, and to vote at, the Meeting or any adjournment thereof. All shareholders are cordially invited to attend the Meeting in person. However, to insure your representation at the Meeting, you are urged to mark, sign and return the enclosed Proxy as promptly as possible in the accompanying postage-prepaid envelope. Any shareholder attending the Meeting may vote in person even if he or she has returned the Proxy.

BY ORDER OF THE BOARD OF DIRECTORS

April 26, 1999

Delight Saxton, Secretary

MCGRATH RENTCORP  
-----PROXY STATEMENT  
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## INFORMATION CONCERNING SOLICITATION AND VOTING

## GENERAL

The enclosed Proxy is solicited on behalf of the Board of Directors of McGrath RentCorp (the "Company") to be voted at the 1999 Annual Meeting of Shareholders to be held on Thursday, June 3, 1999, at 2:00 p.m., local time, and at any adjournment thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders. The Annual Meeting will be held at the Company's Corporate Headquarters located at 5700 Las Positas Road, Livermore, California 94550.

These proxy materials were mailed on or about April 29, 1999, to all shareholders entitled to vote at the Meeting.

## RECORD DATE AND OUTSTANDING SHARES

Shareholders of record at the close of business on April 15, 1999, are entitled to notice of, and to vote at, the Meeting. At the record date, 13,466,098 shares of the Company's Common Stock were issued and outstanding. The Company has no other class of voting securities issued or outstanding.

## VOTING

In order to conduct business at the Meeting, a quorum must be established. The presence in person or by proxy of shareholders entitled to vote a majority of the Company's outstanding Common Stock will constitute a quorum for the transaction of business at the Meeting.

Every shareholder voting for the election of directors may cumulate such shareholder's votes and give one candidate a number of votes equal to the number of directors to be elected (five) multiplied by the number of shares held, or may distribute such shareholder's votes on the same principle among as many candidates as the shareholder may select. However, no shareholder shall be entitled to cumulate votes for any candidate unless the candidate's name has been placed in nomination prior to the voting and the shareholder, or any other shareholder, has given notice at the Meeting prior to the voting of the intention to cumulate the shareholder's votes. The proxy holders are given discretionary authority, under the terms of the Proxy, to cumulate votes represented by shares for which they are named in the Proxy. In electing directors, the candidates receiving the highest number of affirmative votes, up to the number of directors to be elected (five) shall be elected.

Unless otherwise noted herein, each of the Company's proposals (other than the election of directors) described in this Proxy Statement requires the affirmative vote of the holders of a majority of the shares of the Company's Common Stock represented and voting at the Meeting if a quorum is present. Unless otherwise instructed, each valid returned Proxy not revoked will be voted in the election of directors "FOR" the nominees of the Board of Directors and "FOR" Proposal No. 2 described in this Proxy Statement. If any other matters come before the Meeting of which the Company was not aware by March 14, 1999, the proxy holders will vote on such matters in their discretion. The Company does not anticipate, as of this date, that any matters other than as set forth in this Proxy Statement will come before the Meeting.

## SOLICITATION; REVOCABILITY OF PROXIES

The cost of this solicitation will be borne by the Company. In addition, the Company may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation material to such beneficial owners. Proxies may also be solicited by certain of the Company's directors, officers and regular employees, without additional compensation, personally or by telephone or telegram. Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time

before its use by delivering to the Company a written notice of revocation or a duly executed proxy bearing a later date or by attending the Meeting and voting in person.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

NOMINEES

Directors of the Company are elected annually by the shareholders. The Board has nominated the five persons named in the table below for election as directors to serve until the next annual meeting of shareholders and until their respective successors are duly elected. Vacancies that may occur on the Board of Directors prior to an annual meeting of shareholders may be filled by the remaining directors. Unless otherwise instructed, the proxy holders will vote the Proxies received by them for the Company's nominees named below, all of whom are presently directors of the Company. In the event any nominee is unable or declines to serve as a director at the time of the Meeting, the Proxies will be voted for any nominee who shall be designated by the present Board of Directors to fill the vacancy. It is not expected any nominee will be unable, or will decline, to serve as a director. In the event additional persons are nominated for election as directors, the proxy holders intend to vote all Proxies received by them in such a manner in accordance with cumulative voting as will assure the election of as many of the nominees listed below as possible, and in such event, the specific nominees to be voted for under the Proxies will be determined by the proxy holders.

The names of the nominees and certain information about them are set forth below.

NAME OF NOMINEE -----	AGE ---	PRINCIPAL OCCUPATION -----	DIRECTOR SINCE -----
William J. Dawson	44	Corporate Senior Vice President, Business Development of McKesson HBOC, Inc.	1998
Joan M. McGrath	62	Businesswoman	1982
Robert P. McGrath	65	Chairman of the Board and Chief Executive Officer of the Company	1979
Delight Saxton	53	Senior Vice President, Chief Financial Officer and Secretary of the Company	1982
Ronald H. Zech	55	Chairman of the Board, President and Chief Executive Officer of GATX Corporation	1989

DESCRIPTION OF NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS

In March 1999, Bryant J. Brooks, who had been a director of the Company since 1989, passed away. The Board of Directors appreciates his significant contribution over the past 10 years during the Company's rapid growth. His wisdom and friendship will be greatly missed.

WILLIAM J. DAWSON was elected by the Board of Directors to fill a vacancy on the Board in August 1998. Mr. Dawson serves on the Board's Audit and Executive Compensation Committees. In 1993 through 1998, Mr. Dawson was a Managing Director of Volpe Brown Whelan, LLC, an investment banking firm, where he was responsible for corporate finance activities in the healthcare industry. In August 1998, Mr. Dawson joined McKesson HBOC, Inc., a large healthcare services company, as Corporate Senior Vice President, Business Development, with responsibility for mergers & acquisitions and venture capital investments.

JOAN M. MCGRATH joined the Company in 1980 and has been a director since 1982. Ms. McGrath served as a Vice President of the Company from 1982 through 1994, at which time she resigned that position. She continues to be an employee of the Company with responsibilities in training sales, supervisory and management personnel and general management.

ROBERT P. MCGRATH is the founder of the Company. He has been a director and its Chief Executive Officer since the Company's formation in 1979, and its Chairman of the Board since 1988. He also served as

the Company's President through 1994 and as its Chief Financial Officer until 1993. He is a member of the Executive Compensation Committee of the Company's Board of Directors.

DELIGHT SAXTON has been with the Company since its inception in 1979. She has been a director and the Secretary of the Company since 1982, its Chief Financial Officer since 1993, and a Senior Vice President since 1997. Ms. Saxton also served as the Company's Treasurer from 1982 until 1989, and then as its Vice President of Administration from 1989 until 1997. She is responsible for all corporate compliance requirements, monitors the auditing function, and is responsible for the Company's relationships with its bankers and auditors. Ms. Saxton was a member of the Audit Committee of the Company's Board of Directors until March 1999.

RONALD H. ZECH was elected a director of the Company in 1989, and he serves on its Audit and Executive Compensation Committees. In 1994, Mr. Zech was elected President and Chief Operating Officer of GATX Corporation, a New York Stock Exchange listed company. In 1995, he was elected Chief Executive Officer of that corporation, and in 1996 was elected its Chairman of the Board. GATX is engaged in the business of providing transportation and distribution equipment and related services. In 1998, Mr. Zech was elected to the Board of Directors of The PMI Group, Inc., a New York Stock Exchange listed company engaged in the business of providing private mortgage insurance.

#### BOARD MEETINGS

The Board of Directors of the Company held three meetings and took corporate action by unanimous written consent another seven times during the year ended December 31, 1998.

#### COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has an Audit Committee consisting of Directors William J. Dawson and Ronald H. Zech. The Audit Committee exercises the following powers: (1) nominates the independent auditors of the Company to be approved by the Board of Directors; (2) meets with the independent auditors to review the annual audit; (3) assists the full Board in evaluating the auditors' performance; and (4) reviews internal control procedures, related party transactions and, where appropriate, potential conflict of interest situations. The Audit Committee met twice during 1998.

The Board of Directors also has a three-member Executive Compensation Committee consisting of Directors William J. Dawson, Robert P. McGrath and Ronald H. Zech. The Executive Compensation Committee establishes the general compensation policies of the Company for its executive officers and sets the actual compensation plans and specific compensation levels for the individual officers. The Executive Compensation Committee held one meeting during 1998.

Until February 1999, the Board had a Long-Term Stock Bonus Plan Committee to administer the Company's Long-Term Stock Bonus Plan. The Long-Term Stock Bonus Plan Committee held one meeting during 1998. All members of the Board of Directors, except any director who was a participant in the Long-Term Stock Bonus Plan at any time within the preceding twelve months, were automatically members of this Committee. Throughout its life, all directors of the Company were members of the Long-Term Stock Bonus Plan Committee; thus to avoid unnecessary redundancy, the Committee was abolished by the Board of Directors in February 1999, and its duties were assumed directly by the Board.

#### COMPENSATION OF DIRECTORS

Each director who is not also an officer or employee of the Company is compensated for his or her services as a director at the rate of \$11,000 per annum plus an additional fee of \$600 per meeting for attendance at the meetings of the Board of Directors or one of its Committees (in the event a Committee meeting is held in conjunction with a Board meeting, only one \$600 fee is paid to the director). Mr. Zech and Mr. Brooks, who had been a director of the Company until his death in March 1999, each received \$12,800 for their services as directors of the Company during 1998. Mr. Dawson, who became a director of the Company during 1998, received \$4,725 for his services as a director of the Company during 1998. All directors, including

those who are officers or employees of the Company, are reimbursed for expenses incurred in connection with attending Board or Committee meetings.

In addition to cash compensation, the three outside directors of the Company during 1998 (Messrs. Brooks, Dawson and Zech) each received a non-qualified stock option under the Company's 1998 Stock Option Plan for the purchase of 10,000 shares of the Company's common stock at exercise prices ranging between \$20.25 to \$21.69 per share. See "Executive Officers of the Company -- 1998 Stock Option Plan" below.

PROPOSAL NO. 2

RATIFICATION OF APPOINTMENT  
OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors of the Company, with the approval of its Audit Committee, has appointed Arthur Andersen LLP to audit the books and records of the Company for year ending December 31, 1999. A resolution will be offered at the Meeting to approve the appointment of Arthur Andersen LLP as the Company's independent public accountants.

Representatives of the accounting firm are expected to be present at the Meeting with the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

The Board of Directors recommends a vote "FOR" such proposal. In the event of a negative vote on such ratification, the Board of Directors will reconsider its selection.

OTHER MATTERS

The Company knows of no other matters to be submitted to the Meeting. If any other matters properly come before the Meeting, it is the intention of the persons named in the enclosed form of Proxy to vote the shares they represent as the Board of Directors may recommend.

## STOCK PRICE PERFORMANCE GRAPH

The following graph compares the Company's stock price since December 31, 1993 against (1) the S&P 500 Index and (2) the composite prices of the companies listed by Value Line, Inc. in its Industrial/ Business Services Industries Group ("Peer Group"), and (3) the Russell 2000 Index. Since the Company is listed in the Russell 2000 Index, it has been added for a relevant comparison.

	MCGRATH RENTCORP -----	S & P 500 -----	RUSSELL 2000 -----	INDUSTRIAL SERVICES -----
'1993'	100.00	100.00	100.00	100.00
'1994'	120.57	101.60	98.02	104.32
'1995'	138.58	139.71	125.89	158.57
'1996'	192.60	172.18	146.59	235.20
'1997'	372.33	229.65	179.13	338.43
'1998'	340.80	294.87	174.23	265.51

The graph assumes an investment of \$100 on December 31, 1993 and monthly reinvestment of dividends thereafter, and is based upon information provided to the Company by Value Line, Inc.

## EXECUTIVE OFFICERS OF THE COMPANY

The following table sets forth certain information regarding the executive officers of the Company.

NAME ----	AGE ---	POSITION HELD WITH THE COMPANY -----
Robert P. McGrath	65	Chairman of the Board and Chief Executive Officer
Dennis C. Kakures	42	President and Chief Operating Officer
Delight Saxton	53	Senior Vice President, Chief Financial Officer and Secretary
Thomas J. Sauer	42	Vice President and Treasurer
Scott A. Alexander	38	Vice President
Thomas L. Sanders	55	Vice President
Randle F. Rose	41	Vice President of Administration

Robert P. McGrath and Delight Saxton are also directors of the Company and descriptions of them appear under "Proposal No. 1: Election of Directors -- Description of Nominees for Election to the Board of Directors" above.

DENNIS C. KAKURES joined the Company in 1982 as Sales and Operations Manager of the Company's Northern California office. He became a Vice President of the Company in 1987, Chief Operating Officer in 1989, Executive Vice President in 1993, and President in 1995.

THOMAS J. SAUER joined the Company in 1983 as its Accounting Manager, served as its Controller from 1987 to March 1999, became Treasurer in 1989 and a Vice President in 1995. Mr. Sauer is responsible for accounting, financial reporting and corporate taxes. Mr. Sauer is a Certified Public Accountant.

SCOTT A. ALEXANDER joined the Company in 1982 as a sales representative, became a Branch Manager in 1990, and a Vice President in 1997. Mr. Alexander is responsible for the Northern California branch facility and for sales and marketing of the Mobile Modular Division.

THOMAS L. SANDERS joined the Company in 1990 as a Branch Manager, and became a Vice President in 1997. Mr. Sanders is responsible for the Southern California branch facility and for the inventory center operations of the Mobile Modular Division.

RANDLE F. ROSE joined the Company in 1997 as its Vice President of Administration. Mr. Rose is responsible for administration of human resources, risk management, real estate and facilities. For the three years prior to joining the Company, Mr. Rose was Vice President, Finance of Ardenbrook, Inc., a real estate company; and for the three years prior to that, he was Vice President of Mike Farley Company, a residential development and construction company.

Each executive officer of the Company serves at the pleasure of the Board of Directors.



## SUMMARY COMPENSATION TABLE

The following table sets forth the compensation earned by the Company's Chief Executive Officer and the Company's other four most highly compensated executive officers for services rendered in all capacities to the Company for each of the last three years.

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION		LONG-TERM COMPENSATION		ALL OTHER COMPENSATION 3
		SALARY	BONUS	AWARDS(1)	PAYOUT(2)	
Robert P. McGrath.....	1998	\$370,440	\$130,225	\$ --	\$ --	\$13,274
Chairman and Chief	1997	352,800	246,960	--	--	14,063
Executive Officer	1996	336,000	201,449	--	--	12,571
Dennis C. Kakures.....	1998	221,760	72,598	89,166	193,111	13,274
President and Chief	1997	201,600	141,120	112,137	80,974	14,063
Operating Officer	1996	192,000	115,114	42,900	38,094	14,732
Delight Saxton.....	1998	148,176	44,745	--	--	13,274
Senior Vice President,	1997	148,176	82,979	--	--	14,063
Chief Financial Officer and	1996	141,120	65,149	--	--	14,732
Secretary						
Thomas J. Sauer.....	1998	144,718	38,130	58,190	124,013	13,274
Vice President and	1997	131,565	73,676	68,404	55,653	14,063
Treasurer	1996	125,297	58,595	29,201	26,452	14,732
Scott A. Alexander.....	1998	125,000	48,061	--	--	13,274
Vice President	1997	120,625	57,266	--	--	14,063
	1996	107,500	43,704	--	--	14,143

(1) Upon an award of stock bonus shares under the Company's Long Term Stock Bonus Plan, 20% of such shares are vested in the participant and the remaining 80% vest over the next four years contingent upon the participant remaining in the employ of the Company. See "Long Term Stock Bonus Plan" below. The figures shown in the column designated "Awards" are the values of the vested 20% shares of the Company's Common Stock earned by the executive officers under the Plan, calculated based on the market value of the Common Stock as of the end of the respective years. Dividends are paid to the officer with respect to shares earned by the officer, whether or not vested. As the unvested shares subsequently vest, their values are shown in the column designated "Payout."

(2) The figures shown in the column designated "Payout" are the values of the shares of the Company's Common Stock previously earned by the executive officers under the Company's Long-Term Stock Bonus Plan in a prior year which vested during the year shown. The values are calculated based on the market value of the Common Stock as of the end of the year in which it was originally earned.

(3) The figures shown in the column designated "All Other Compensation" represent the executive officer's share of the allocation of the Company's contribution to the Company's Employee Stock Ownership Plan for 1998, and his or her share of any re-allocations of forfeited benefits in 1998 (see "Employee Stock Ownership Plan" below).

## EMPLOYEE STOCK OWNERSHIP PLAN

The Company's Employee Stock Ownership Plan ("ESOP") is intended to qualify as an employee stock ownership plan as defined in Section 4975(e)(7) of the Internal Revenue Code, and as a stock bonus plan under Section 401(a) of the Internal Revenue Code. A trust was created by the Company under the ESOP to hold plan assets, with Union Bank of California, N.A. acting as trustee. The Company may amend or terminate the ESOP at any time. All assets acquired by the trust are administered by a Plan Committee composed of Nanci Clifton, Edward Diaz, Brian Jensen, Thomas J. Sauer, Delight Saxton and Sandy Waggoner (all Company employees) for the exclusive benefit of employees who are participants in the ESOP and their designated beneficiaries.

Employees, who are 21 years or older, are entitled to participate in the ESOP when they have completed one year of service to the Company by June 30 of any year. As of December 31, 1998, 190 employees of the Company were participants in the ESOP. Allocations to each eligible participant's trust account are made

each year from Company contributions, trust income or loss and re-allocations of forfeited ESOP benefits if the participant remains employed throughout the year and has worked a minimum number of hours or his employment has terminated due to death or retirement (as that term is defined in the ESOP) during that year. Allocations are made based upon each participant's compensation from the Company and time employed by the Company. As provided by law, a participant's interest in the ESOP becomes 20% vested after three years of service and will continue to vest at 20% per year thereafter until it is fully vested after the seventh year or upon death or total disability. The vesting schedule will be accelerated and the Company's contributions and ESOP allocations will be modified if the ESOP becomes a "top heavy plan" under federal tax laws.

In general, Company contributions are immediately tax deductible by the Company, but participants do not recognize income for tax purposes until distributions are made to them. The amount of Company contributions to the ESOP in cash, Company stock or other property is determined by the Company's Board of Directors each year with consideration for federal tax laws. The Company's Board of Directors has authorized a \$750,000 cash contribution to the ESOP for the 1998 plan year, and the Company had made an aggregate of \$3,250,000 cash contributions for the five prior years. Employees may not make contributions to the ESOP. Contributions in cash are used to purchase Company stock; however, other investments may be made and loans may be incurred by the ESOP for the purchase of Company stock.

The Plan Committee has determined that cash dividends paid by the Company on shares of the Company's Common Stock held by the ESOP shall be paid out to the participants. The Plan Committee has the right to revoke this decision at any time.

#### 1987 INCENTIVE STOCK OPTION PLAN

The Company has a 1987 Incentive Stock Option Plan (the "1987 Plan") under which options have been granted to key employees of the Company for the purchase of its Common Stock. Options granted under the 1987 Plan are intended to qualify as incentive stock options as that term is defined in Section 422 of the Internal Revenue Code of 1986, as amended. The 1987 Plan authorized the issuance of an aggregate of 2,000,000 shares of the Company's Common Stock under options. As of April 15, 1999, options for an aggregate of 852,000 shares had been granted to 28 key employees at exercise prices ranging between \$3.06 and \$10.75 per share; and of such options granted, options have been exercised for the purchase of 495,680 shares, options for 54,198 shares have been terminated, and options for 302,122 shares remain outstanding. No options were granted under the 1987 Plan during 1998 to any of the Company's executive officers listed in the "Summary Compensation Table" above; and none of those officers exercised an option during 1998, or held an option at the end of 1998, under the 1987 Plan. The 1987 Plan is now terminated by its terms, and no further options will be granted under it; however, the options held by key employees for 302,122 shares still outstanding remain exercisable in accordance with the terms of those options.

#### 1998 STOCK OPTION PLAN

In March 1998, the Company adopted its 1998 Stock Option Plan (the "1998 Plan"). The 1998 Plan authorizes the issuance of an aggregate of 2,000,000 shares of the Company's Common Stock under options to officers, key employees, directors and other persons who provide valuable services to the Company or its subsidiaries. Options granted under the 1998 Plan may be either incentive stock options as defined in Section 422 of the Internal Revenue Code of 1986, as amended, or options which are not incentive stock options ("non-qualified options"). Options for an aggregate of 212,000 shares were granted in 1998 to 31 key employees at an exercise price of \$20.81 per share; and of such options granted, no options have been exercised, options for 35,000 have been terminated, and options for 177,000 shares remain outstanding. Options for an aggregate of 30,000 shares were granted in 1998 to three outside directors of the Company, Mr. Zech, Mr. Dawson, and Mr. Brooks (recently deceased), at exercise prices ranging between \$20.25 and \$21.69 per share; and of such options granted, no options have been exercised, options for 4,500 shares have been terminated, and options for 25,500 remain outstanding. No options were granted under the 1998 Plan to any of the Company's executive officers listed in the "Summary Compensation Table" above.

## LONG-TERM STOCK BONUS PLAN

The Company's Long-Term Stock Bonus Plan reserved 400,000 shares of the Company's Common Stock for bonuses to be granted to officers and other key employees to provide incentives for high levels of performance and unusual efforts to improve the financial performance of the Company. Long-Term Stock Bonus Agreements have been entered into with Dennis C. Kakures, the Company's President and Chief Operating Officer, and Thomas J. Sauer, the Company's Vice President and Treasurer. To date, Messrs. Kakures and Sauer are the only persons who have received Long-Term Stock Bonus Agreements under the Plan. Each Agreement provided for a stock bonus to the officer dependent upon the return on equity realized for the Company's shareholders over a three-year period, with the right to receive any stock bonus earned being subject to vesting over a four-year period contingent upon the officer remaining in the employ of the Company. Messrs. Kakures and Sauer were awarded stock bonus based upon the Company's performance over the three-year period ended December 31, 1998. The following table sets forth certain information with respect to the stock bonuses awarded based upon the three-year performance ended December 31, 1998. The "Values" in the table are calculated based on the market value of the shares of Common Stock as of December 31, 1998.

NAME		AS OF 12/31/98		WILL VEST AT DECEMBER 31,			
		EARNED	VESTED	1998	1999	2000	2001
Dennis C. Kakures	Shares	20,262	4,053	4,053	4,052	4,052	4,052
	Value	\$445,764	\$89,166	\$89,166	\$89,144	\$89,144	\$89,144
Thomas J. Sauer	Shares	13,224	2,645	2,645	2,645	2,645	2,644
	Value	\$290,928	\$58,190	\$58,190	\$58,190	\$58,190	\$58,168

The Company has entered into further Long-Term Stock Bonus Agreements with both Mr. Kakures and Mr. Sauer, under which additional stock bonuses could be awarded if the Company's performance goals over the successive three-year periods ending December 31, 1999 and 2000 are met. The agreements for the three-year period ending December 31, 2000 have an additional performance goal based upon the Company's earnings before interest, taxes, depreciation and amortization ("EBITDA").

## REPORT BY THE EXECUTIVE COMPENSATION COMMITTEE

The Company has a three-member Executive Compensation Committee, consisting of its two outside directors, William J. Dawson and Ronald H. Zech, as well as its Chairman of the Board and Chief Executive Officer, Robert P. McGrath. The Committee establishes the general compensation policies of the Company for its executive officers and sets the actual compensation plans and specific compensation levels for the individual officers.

COMPENSATION PHILOSOPHY -- The Company's executive compensation philosophy is to pay for performance. The Executive Compensation Committee believes executive compensation should reflect the executive's, as well as the Company's, current and long-term performance, and any management compensation program should be structured to attract, motivate and retain qualified personnel by providing attractive compensation incentives consistent with Company performance. The executive compensation program is intended to provide an overall level of compensation opportunity that the Committee believes, based upon its own judgment and experience and upon periodic studies by independent executive compensation consultants, is competitive with other, comparable companies. The Committee also believes management should have significant equity participation through the ownership of Common Stock of the Company so as to align the interests of executives with those of the Company's other shareholders in an effort to achieve long-term shareholder returns.

COMPONENTS OF EXECUTIVE COMPENSATION -- In addition to the return executives receive along with other shareholders through their individual ownership of shares of the Company's Common Stock, there are currently three components of executive compensation: base salary, annual cash incentive bonus, and long-term stock ownership incentives.

Base Salaries -- The Executive Compensation Committee establishes the base salaries of each of the Company's executive officers after considering a variety of factors including the executive's level of responsibility and individual performance, the executive's contributions to the success of the Company, internal equities among the salaries of other officers and key personnel of the Company, the salaries of executive officers in similar positions in comparable companies, and the Company's financial performance.

Annual Cash Incentive Bonus -- The Executive Compensation Committee has divided the executive officers into three groups for purposes of providing cash incentive bonuses: the Chief Executive Officer, the next three highest compensated officers, and the remainder of the Company's executive officers.

The Executive Compensation Committee adopted a formula in early 1998 for calculating a cash incentive bonus for the Company's Chief Executive Officer for 1998 based solely upon the Company achieving certain levels of pre-tax profit for the year, with him being eligible to receive a bonus ranging from zero up to a maximum of 70% of his base salary. See "Chief Executive Officer's Compensation" below.

At the same time, the Executive Compensation Committee adopted a formula for calculating cash incentive bonuses for the next three highest compensated executive officers of the Company (Mr. Kakures, Ms. Saxton and Mr. Sauer) based upon a combination of the level of the Company's pre-tax profit for the year (75%) and the extent to which each executive officer achieves his or her own individual performance goals as determined by the Chief Executive Officer (25%). Mr. Kakures was eligible to receive a bonus ranging from zero up to a maximum of 70% of his base salary, while Ms. Saxton and Mr. Sauer were eligible to receive bonuses ranging from zero up to a maximum of 56% of their base salaries. The aggregate cash incentive bonuses earned by these three executive officers of the Company under this program for 1998 was 30.2% of their aggregate base salaries.

The Executive Compensation Committee had also directed Mr. McGrath, the Chief Executive Officer and Mr. Kakures, the President and Chief Operating Officer of the Company, to determine jointly at the end of 1998 the amount of incentive bonuses which should be paid for that year to each of the three other executive officers of the corporation (Messrs. Alexander, Sanders and Rose). The aggregate cash incentive bonuses awarded to these three executive officers was 34.5% of their aggregate base salaries.

Long-Term Stock Ownership Incentives -- The Company has two long-term stock ownership incentive programs for its executives and other key personnel: the Long-Term Stock Bonus Plan and the 1998 Stock Option Plan.

Until early this year, the grant of stock bonuses under the Company's Long-Term Stock Bonus Plan had been determined by the Company's Long-Term Stock Bonus Plan Committee. In February 1999, the Long-Term Stock Bonus Plan Committee was abolished and its functions taken over by the Board of Directors itself. The Executive Compensation Committee may make recommendations with respect to the granting of stock bonuses under the Plan to executive officers. The Long-Term Stock Bonus Plan has been used to reward the achievement of pre-set, long-term financial goals; and the bonuses of stock have been awarded for achieving pre-set goals with respect to the return on equity realized by the Company over successive three-year periods. See "Long-Term Stock Bonus Plan" above.

By the terms of the Company's 1998 Stock Option Plan, the grant of stock options is determined by the Company's Board of Directors. The Executive Compensation Committee may make recommendations to the Board of Directors with respect to the granting of stock options under the 1998 Plan to executive officers. The Board has granted stock options from time to time to executive officers and other key personnel of the Company under the 1998 Plan and earlier option plans because the Board believed such grants would be an effective part of the particular executive officer's overall compensation package and that an increase in his or her equity participation in the Company would be appropriate.

CHIEF EXECUTIVE OFFICER'S COMPENSATION -- Throughout 1998, Robert P. McGrath was the Chief Executive Officer of the Company, as well as the Chairman of its Board of Directors. Mr. McGrath was the founder of the Company, and he still owns a significant percentage of its Common Stock (see "Security Ownership of Management and Principal Shareholders" below).

Base Salary -- After a review in early 1998 of Mr. McGrath's level of responsibility, performance and contributions to the Company's success, the Executive Compensation Committee raised Mr. McGrath's base salary to \$370,440.

Annual Cash Incentive Bonus -- Mr. McGrath earned a cash incentive bonus of \$130,225 for 1998 (35.2% of his base salary). This bonus was calculated as a function of the extent to which the Company achieved its goal for pre-tax profits in 1998 in accordance with the formula which had been established by the Executive Compensation Committee early in that year.

Long-Term Stock Ownership Incentives -- Mr. McGrath did not participate in any of the various long-term stock ownership incentive plans offered by the Company to its officers and employees (except that, as an employee, he has participated in the Company's Employee Stock Ownership Plan ("ESOP") on the same basis as other employees).

Executive Compensation Committee:  
William J. Dawson  
Robert P. McGrath  
Ronald H. Zech

#### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION IN COMPENSATION DECISIONS

No member of the Company's Executive Compensation Committee has a compensation committee interlocking relationship (as defined by the Securities and Exchange Commission). One member of the Committee, Robert P. McGrath, is an employee and officer of the Company, and he has participated in deliberations of the Committee concerning executive officer compensation.

SECURITY OWNERSHIP OF MANAGEMENT  
AND PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding each person who is known by the Company to be the beneficial owner of more than 5% of the outstanding Common Stock of the Company, each of the directors, the chief executive officer and the other four most highly compensated officers of the Company, and all officers and directors as a group as of April 15, 1999. The table is presented in accordance with the rules of the Securities and Exchange Commission and, accordingly, in several instances beneficial ownership of the same shares is attributed to more than one person.

NAME -----	ADDRESS -----	BENEFICIAL OWNERSHIP	
		NUMBER OF SHARES -----	PERCENTAGE OF OUTSTANDING -----
Robert P. McGrath(1, 2, 3) and Joan M. McGrath(1, 2, 3)	McGrath RentCorp 5700 Las Positas Road Livermore, CA 94550	2,291,802	17.02%
T. Rowe Price Associates, Inc.(4)	100 E. Pratt Street Baltimore, MD 21202	2,053,800	15.25%
Dennis C. Kakures(3, 5)	McGrath RentCorp 5700 Las Positas Road Livermore, CA 94550	362,073	2.69%
Delight Saxton(1, 3)	McGrath RentCorp 5700 Las Positas Road Livermore, CA 94550	339,537	2.52%
Thomas J. Sauer (3, 5)	McGrath RentCorp 5700 Las Positas Road Livermore, CA 94550	282,294	2.10%
Scott A. Alexander(3)	McGrath RentCorp 5700 Las Positas Road Livermore, CA 94550	206,550	1.53%
Ronald H. Zech(1)	GATX Corporation 500 West Monroe Chicago, IL 60661	7,000	0.05%
William J. Dawson(1)	McKesson HBOC, Inc. 1 Post Street San Francisco, CA 94104	2,000	0.01%
All Executive Officers and Directors as a group (10 persons)(2, 3, 5, 6)		3,585,904	26.46%

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(1) Currently a director of the Company.

(2) Includes 399,006 shares held by two organizations controlled by Mr. and Mrs. McGrath; however, they disclaim any beneficial interest in such shares.

(3) Includes the shares held by the McGrath RentCorp Employee Stock Ownership Plan for benefit of the named individual. The number of shares included are 53,427 shares for Mr. McGrath, 30,619 shares for Ms. McGrath, 46,227 shares for Mr. Kakures, 40,537 shares for Ms. Saxton, 34,286 shares for Mr. Sauer, 38,548 shares for Mr. Alexander, and 251,792 shares for all executive officers and directors as a group. These shares are included because beneficiaries under the Plan hold sole voting power over the shares (whether or not rights to the shares have vested).

(4) These securities are owned by various individual and institutional investors, including T. Rowe Price Small Cap Value Fund, Inc. which owns 1,298,000 shares, for which T. Rowe Price Associates, Inc. ("Price Associates") serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.

- (5) Includes unvested shares issued to the named individual under the McGrath RentCorp Long-Term Stock Bonus Plan, which shares are subject to return to the Company under certain circumstances. The number of shares included are 39,199 shares for Mr. Kakures, 25,254 shares for Mr. Sauer, and 64,453 shares for all executive officers as a group.
- (6) Includes 85,000 shares which are the portions of outstanding stock options held by two officers which will be exercisable over the next 60 days.

#### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

##### COMPLIANCE WITH SEC.16(A) OF THE SECURITIES EXCHANGE ACT OF 1934

The members of the Board of Directors, the executive officers of the Company, and persons who hold more than 10% of the Company's outstanding Common Stock are subject to the reporting requirements of sec.16(a) of the Securities Exchange Act of 1934 which require them to file reports with respect to their ownership of the Company's Common Stock and their transactions in such Common Stock. Based upon (i) the copies of the sec.16(a) reports the Company received from such persons during or with respect to 1998, and (ii) written representations received from all such persons that no annual Form 5 reports were required to be filed by them with respect to 1998, the Company believes that all reporting requirements under sec.16(a) for 1998 and prior years were met in a timely manner by its directors, executive officers and greater than 10% shareholders.

##### INDEMNIFICATION AGREEMENTS

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

##### CONTROL

By virtue of their positions in the Company and ownership of the Company's Common Stock, Robert P. McGrath and Joan M. McGrath may be deemed "control persons" of the Company as that term is defined under the Securities Act of 1933, as amended.

##### FAMILY RELATIONSHIPS

There are no family relationships between any director or executive officer of the Company except that Robert P. McGrath and Joan M. McGrath are husband and wife.

##### DEADLINE FOR RECEIPT OF SHAREHOLDER PROPOSALS

Proposals of shareholders of the Company which are intended to be presented at the Company's 2000 Annual Meeting must be received by the Company no later than December 29, 1999, in order that they may be included in the proxy statement and form of proxy relating to that meeting.

Dated: April 26, 1999

THE BOARD OF DIRECTORS

## MCGRATH RENTCORP

## PROXY

THE BOARD OF DIRECTORS SOLICITS THIS PROXY FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON THURSDAY, JUNE 3, 1999 AT 2:00 P.M., LOCAL TIME, AT THE MCGRATH RENTCORP CORPORATE HEADQUARTERS LOCATED AT 5700 LAS POSITAS ROAD, LIVERMORE, CALIFORNIA 94550.

The undersigned hereby constitutes and appoints Robert P. McGrath and Delight Saxton, or each of them, with full power of substitution and revocation, attorneys and proxies of the undersigned at the Annual Meeting of Shareholders of McGrath RentCorp or any adjournments thereof, and to vote, including the right to cumulate votes (if cumulative voting is required), the shares of Common Stock of McGrath RentCorp registered in the name of the undersigned on the record date for the Meeting.

## PROPOSAL NO. 1: Election of Directors:

- FOR the election of William J. Dawson, Joan M. McGrath, Robert P. McGrath, Delight Saxton and Ronald H. Zech as directors (TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE, STRIKE A LINE THROUGH THE NOMINEE'S NAME);
- or
- TO WITHHOLD AUTHORITY to vote for any of the nominees for director listed above.

## PROPOSAL NO. 2: Approval of the appointment of Arthur Andersen LLP as McGrath RentCorp's independent public accountants for the year ending December 31, 1999.

FOR                       AGAINST                       ABSTAIN



The Board of Directors recommends a vote FOR the nominees named above and FOR Proposal No. 2. The shares represented by this Proxy will be voted as directed above; IF NO SPECIFICATION IS MADE, THE SHARES WILL BE VOTED FOR SAID NOMINEES AND PROPOSAL. The proxies are authorized to vote in their discretion upon such other business as may properly come before the Meeting to the extent authorized by Rule 14a-4(c) promulgated by the Securities and Exchange Commission.

The undersigned hereby acknowledges receipt of the Notice of Annual Meeting of Shareholders, the Proxy Statement and the 1998 Annual Report to Shareholders furnished with this Proxy.

Dated: \_\_\_\_\_, 1999

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Signature

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Signature

Signature should agree with name printed hereon. If stock is held in the name of more than one person, EACH joint owner should sign. Executors, administrators, trustees, guardians, and attorneys should indicate the capacity in which they sign. Attorneys should submit powers of attorney.

PLEASE RETURN THIS SIGNED AND DATED PROXY IN THE ACCOMPANYING ADDRESSED ENVELOPE