Kirby Jefferson
Form 5
February 05, 2019

FORM 5

OMB APPROVAL

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Form 3 Holdings Reported
Form 4 Transactions Reported

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

ANNUAL STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

1. Name and Address of Reporting Person [*]
Kirby Jefferson

(Last) (First) (Middle)

ALLEGHANY CORPORATION,Â 1411 BROADWAY, 34TH FLOOR

(Street)

NEW YORK,Â NYÂ 10018

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ALLEGHANY CORP /DE [Y]

3. Statement for Issuer's Fiscal Year Ended (Month/Day/Year)
12/31/2018

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Reporting

(check applicable line)

_X_ Form Filed by One Reporting Person
___ Form Filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned at end of Issuer's Fiscal Year (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
				Amount	(A) or (D)	Price			
Common Stock	06/04/2018	Â	G[(1)]	17,775	A	$ 0	77,016	D	Â
Common Stock	10/16/2018	Â	G[(1)]	8,887	A	$ 0	85,903	D	Â
Common Stock	06/04/2018	Â	G[(1)]	118,510	D	$ 0	277,602	I	Held by trusts w. reporting

									person as co-trustee and beneficiary
Common Stock	10/16/2018	Â	G[(1)]	59,253	D	$ 0	218,349	I	Held by trusts w. reporting person as co-trustee and beneficiary
Common Stock	06/04/2018	Â	G[(1)]	11,850	A	$ 0	11,850	I	Held by trust w. reporting person as co-trustee and beneficiaries as reporting person's descendants
Common Stock	10/16/2018	Â	G[(1)]	5,925	A	$ 0	17,775	I	Held by trust w. reporting person as co-trustee and beneficiaries as reporting person's descendants
Common Stock	06/04/2018	Â	G[(1)]	14,224	A	$ 0	14,224	I	Held by trusts w. reporting person as sole trustee and beneficiaries as reporting person's children
Common Stock	07/17/2018	Â	G[(2)]	1,778	D	$ 0	12,446	I	Held by trusts w. reporting person as sole trustee and beneficiaries as reporting person's

									children
Common Stock	10/16/2018	Â	G(1)	7,112	A	$ 0	19,558	I	Held by trusts w. reporting person as sole trustee and beneficiaries as reporting person's children
Common Stock	10/18/2018	Â	G(2)	888	D	$ 0	18,670	I	Held by trusts w. reporting person as sole trustee and beneficiaries as reporting person's children
Common Stock	Â	Â	Â	Â	Â	Â	27,586	I	Held by trust w. reporting person as sole trustee and beneficiary
Common Stock	Â	Â	Â	Â	Â	Â	19	I	Held by reporting person's spouse
Common Stock	Â	Â	Â	Â	Â	Â	364	I	Held by reporting person's children sharing the same household

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 2270 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying	8. Price of Derivative Security	9. of D

(Instr. 3)	Price of Derivative Security	(Month/Day/Year)	(Instr. 8)	Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)				Securities (Instr. 3 and 4)		(Instr. 5)	Se Be O Er Is Fi (Ir
				(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Kirby Jefferson ALLEGHANY CORPORATION 1411 BROADWAY, 34TH FLOOR NEW YORK,Â NYÂ 10018	Â X	Â	Â	Â

Signatures

/s/ Stela Burghart, Attorney-in-Fact	02/05/2019
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Distribution by trust of which the reporting person is co-trustee to beneficiaries.

(2) Distribution by trust of which the reporting person is sole trustee to beneficiaries.

Note: File three copies of this Form, one of which must be manually signed. If space provided is insufficient, *see* Instruction 6 for procedure.
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Average Utilization[3]

73.4% 81.6% -10%

Average Monthly Rental Rate[4]

2.19% 2.28% -4%

Period End Rental Equipment[1]

$485,943 $476,368 $9,575 2%

Period End Utilization[3]

69.0%	81.0%	-15%

1 Average and Period End Rental Equipment represents the cost of rental equipment excluding new equipment inventory and 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 new equipment inventory and accessory equipment. Average Utilization for the period is calculated using the average cost 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.

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Mobile Modular s gross profit for 2009 decreased $7.9 million to $73.6 million from $81.5 million in 2008. For the year ended December 31, 2009 compared to the year ended December 31, 2008:

Gross Profit on Rental Revenues Mobile Modular s rental revenues decreased $10.9 million, or 11%, compared to 2008, primarily due to the decline in demand for commercial buildings and higher returns of classroom buildings in our education markets. The rental revenues decrease was due to 4% lower average monthly rental rates and 7% lower average rental equipment on rent. As a percentage of rental revenues, depreciation was 15% in 2009 and 13% in 2008 and other direct costs were 20% in 2009 compared to 24% in 2008, which resulted in gross margin percentage of 65% in 2009 and 63% in 2008. The lower rental revenues, partly offset by higher rental margins, resulted in gross profit on rental revenues decreasing $5.4 million, or 8%, to $59.9 million from $65.3 million in 2008.

Gross Profit on Rental Related Services Mobile Modular s rental related services revenues decreased $6.3 million, or 20%, compared to 2008. 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 changes in the mix of leases and the amortization of associated service revenues in 2009 as compared to 2008. The lower revenues combined with lower gross margin percentage of 26% in 2009 compared to 29% in 2008 resulted in rental related services gross profit decreasing $2.5 million, or 28%, to $6.5 million from $9.0 million in 2008.

Gross Profit on Sales Mobile Modular s sales revenues decreased $0.6 million, or 2%, compared to 2008 resulting in comparable sales gross profit of $6.7 million in each of 2009 and 2008. Sales occur routinely as a normal part of Mobile Modular s rental business; however, these sales can fluctuate from period to period depending on customer requirements, equipment availability and funding.

For 2009, Mobile Modular s selling and administrative expenses decreased $2.0 million, or 7%, to $27.3 million from $29.3 million in 2008, primarily due to lower personnel costs, partly offset by increased depreciation expense, and represented 30% of Mobile Modular s rental revenues in 2009 compared to 28% in 2008.

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TRS-RenTelco

For 2009, TRS-RenTelco s total revenues decreased $21.9 million, or 18%, to $99.9 million compared to 2008, primarily due to lower rental and sales revenues. Pre-tax income decreased $10.6 million to $8.5 million for 2009 from $19.1 million for 2008, primarily due to lower gross profit on rental and sales revenues, partly offset by lower selling and administrative expenses and lower interest expense.

The following table summarizes year-to-year results for each revenue and gross profit category, income from operations, pretax income, and other selected data.

TRS-RenTelco 2009 compared to 2008				
(dollar amounts in thousands)	*Year Ended December 31,*		*Increase (Decrease)*	
	2009	*2008*	*$*	*%*
Revenues				
Rental	$ 75,500	$ 92,982	$ (17,482)	-19%
Rental Related Services	1,970	2,024	(54)	-3%
Rental Operations	77,470	95,006	(17,536)	-18%
Sales	20,586	24,948	(4,362)	-17%
Other	1,858	1,896	(38)	-2%
Total Revenues	$ 99,914	$ 121,850	$ (21,936)	-18%
Costs and Expenses				
Direct Costs of Rental Operations:				
Depreciation of Rental Equipment	$ 40,175	$ 43,599	$ (3,424)	-8%
Rental Related Services	1,898	1,907	(9)	0%
Other	11,470	11,876	(406)	-3%
Total Direct Costs of Rental Operations	53,543	57,382	(3,839)	-7%
Costs of Sales	13,798	16,506	(2,708)	-16%
Total Costs of Revenues	$ 67,341	$ 73,888	$ (6,547)	-9%
Gross Profit				
Rental	$ 23,855	$ 37,507	$ (13,652)	-36%
Rental Related Services	72	117	(45)	-38%
Rental Operations	23,927	37,624	(13,697)	-36%
Sales	6,788	8,442	(1,654)	-20%
Other	1,858	1,896	(38)	-2%
Total Gross Profit	32,573	47,962	(15,389)	-32%
Selling and Administrative Expenses	21,878	25,237	(3,359)	-13%
Income from Operations	10,695	22,725	(12,030)	-53%
Interest Expense Allocation	2,213	3,663	(1,450)	-40%
Pre-tax Income	$ 8,482	$ 19,062	$ (10,580)	-56%
Other Information				
Average Rental Equipment[1]	$ 247,743	$ 250,173	$ (2,430)	-1%

Average Rental Equipment on Rent[1]	$ 152,234	$ 170,388	$ (18,154)	-11%
Average Monthly Total Yield[2]	2.54%	3.10%		-18%
Average Utilization[3]	61.4%	68.1%		-10%
Average Monthly Rental Rate[4]	4.13%	4.55%		-9%
Period End Rental Equipment[1]	$ 238,934	$ 255,420	$ (16,486)	-6%
Period End Utilization[3]	63.1%	64.0%		-1%

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.

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TRS-RenTelco s gross profit for 2009 decreased 32%, to $32.6 million from $48.0 million in 2008. For the year ended December 31, 2009 compared to year ended December 31, 2008:

Gross Profit on Rental Revenues Compared to 2008, TRS-RenTelco s rental revenues decreased $17.5 million, or 19%, while depreciation expense decreased $3.4 million, or 8%, resulting in a decrease of $13.7 million, or 36%, in gross profit on rental revenues of to $23.9 million in 2009. The rental revenues decrease was due to 9% lower average monthly rental rates and 11% lower average rental equipment on rent as compared to 2008. 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 TRS-RenTelco s sales revenues decreased $4.4 million, or 17%, compared to 2008. Gross margin percentage was 33% in 2009, compared to 34% in 2008, primarily due to lower gross margin on new and used equipment sales resulting in gross profit on sales decreasing 20%, to $6.8 million from $8.4 million in 2008. Sales occur routinely as a normal part of TRS-RenTelco s rental business; however, these sales and related gross margins can fluctuate from period to period depending on customer requirements, equipment availability and funding.

For 2009, TRS-RenTelco s selling and administrative expenses decreased $3.3 million, or 13% to $21.9 million from $25.2 million in 2008, primarily attributable to lower personnel costs. TRS-RenTelco s selling and administrative expenses as a percentage of TRS-RenTelco s rental revenues were 29% in 2009 and 27% in 2008.

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Adler Tanks

For 2009, Adler Tanks reported pre-tax income of $4.5 million, which resulted from rental revenues of $18.6 million, with gross profit on rental revenues of $12.4 million. Adler Tanks sales revenues in the year ended December 31, 2009 were $0.2 million. Adler Tanks selling and administrative expenses were $8.6 million in 2009.

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

Adler Tanks 2009 compared to 2008				
(dollar amounts in thousands)	*Year Ended December 31,*		*Increase (Decrease)*	
	2009	*2008*[5]	*$*	*%*
Revenues				
Rental	$ 18,611	$ 1,018	$ 17,593	*nm*
Rental Related Services	6,208	572	5,636	*nm*
Rental Operations	24,819	1,590	23,229	*nm*
Sales	170	176	(6)	*nm*
Other	34		34	*nm*
Total Revenues	$ 25,023	$ 1,766	$ 23,257	*nm*
Costs and Expenses				
Direct Costs of Rental Operations:				
Depreciation of Rental Equipment	$ 3,322	$ 205	$ 3,117	*nm*
Rental Related Services	4,697	329	4,368	*nm*
Other	2,929	138	2,791	*nm*
Total Direct Costs of Rental Operations	10,948	672	10,276	*nm*
Costs of Sales	165	168	(3)	*nm*
Total Costs of Revenues	$ 11,113	840	$ 10,273	*nm*
Gross Profit				
Rental	$ 12,360	$ 675	$ 11,685	*nm*
Rental Related Services	1,511	243	1,268	*nm*
Rental Operations	13,871	918	12,953	*nm*
Sales	5	8	(3)	*nm*
Other	34		34	*nm*
Total Gross Profit	13,910	926	12,984	*nm*
Selling and Administrative Expenses	8,566	354	8,212	*nm*
Income from Operations	5,344	572	4,772	*nm*
Interest Expense Allocation	893	56	837	*nm*
Pre-tax Income	$ 4,451	$ 516	$ 3,935	*nm*
Other Information				
Average Rental Equipment[1]	$ 59,276	*nm*		

Average Rental Equipment on Rent[1]	$ 39,333	*nm*		
Average Monthly Total Yield[2]	2.62%	*nm*		
Average Utilization[3]	66.4%	*nm*		
Average Monthly Rental Rate[4]	3.94%	*nm*		
Period End Rental Equipment[1]	$ 74,867	$ 43,679	$ 31,188	71%
Period End Utilization[3]	71.2%	70.3%		

1 Average and Period End Rental Equipment represents the cost of rental equipment excluding new equipment inventory and 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 new equipment inventory and accessory equipment. Average Utilization for the period is calculated using the average cost 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.

5 Represents Adler Tanks results since its acquisition on December 11, 2008 through December 31, 2008.

nm = not meaningful.

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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 in 2010 as compared to 2009 are summarized as follows:

Cash Flows from Operating Activities: The Company s operations provided net cash flow of $100.6 million for 2010, a decrease of 18%, as compared to $122.4 million in 2009. The $21.8 million decrease in net cash provided by operating activities was primarily due to increased accounts receivable in 2010, primarily due to higher business levels at Adler Tanks and Enviroplex, partly offset by other balance sheet changes and higher income from operations.

Cash Flows from Investing Activities: Net cash used in investing activities was $106.2 million for 2010 as compared to $45.5 million in 2009. The $60.7 million increase in net cash used in investing activities was primarily due to $52.2 million higher purchases of rental equipment at Adler Tanks and TRS-RenTelco and $9.9 million higher purchases of property, plant and equipment in 2010 consisting primarily of $3.7 million related to information technology projects, $2.7 million related to the acquisition of a real property in Deer Park, Texas and $2.4 million related to the expansion of the Company s inventory center in Livermore, California.

Cash Flows from Financing Activities: Net cash provided by financing activities was $5.4 million in 2010, compared to net cash used in financing activities of $77.1 million in 2009. The $82.5 million change in net cash flow from financing activities was primarily due to net borrowings of $18.3 million in 2010 compared to net repayments of $58.2 million in 2009 and $6.4 million higher proceeds from the exercise of stock options in 2010.

Significant capital expenditures are required to maintain and grow the Company s rental assets. During the last three years, the Company has financed its working capital and capital expenditure requirements through cash flow from operations, proceeds from the sale of rental equipment and from bank borrowings. Sales occur routinely as a normal part of the Company s rental business. However, these sales can fluctuate from period to period depending on customer requirements and funding. Although the net proceeds received from sales may fluctuate from period to period, the Company believes its liquidity will not be adversely impacted from lower sales in any given year because it believes it has the ability to increase its bank borrowings and conserve its cash in the future by reducing the amount of cash it uses to purchase rental equipment, pay dividends, or repurchase the Company s common stock.

As the following table indicates, cash flow provided by operating activities and proceeds from sales of rental equipment have been greater than rental equipment purchases over the past three years.

Funding of Rental Asset Growth

(amounts in thousands)

	Year Ended December 31,			Three Year
	2010	2009	2008	Totals
Cash Provided by Operating Activities	$ 100,598	$ 122,400	$ 98,738	$ 321,736
Proceeds from the Sale of Rental Equipment	28,694	29,255	29,346	87,295
Cash Available for Purchase of Rental Equipment	129,292	151,655	128,084	409,031
Purchases of Rental Equipment	(122,749)	(70,479)	(95,823)	(289,051)
Cash Available for Other Uses	$ 6,543	$ 81,176	$ 32,261	$ 119,980

In addition to increasing its rental assets, the Company had other capital expenditures for property, plant and equipment of $12.1 million in 2010, $2.2 million in 2009, and $13.6 million in 2008, and has used cash to provide returns to its shareholders, both in the form of cash dividends and stock repurchases. The Company has in the past made repurchases of shares of its common stock from time to time in the over-the-counter market (NASDAQ) and/or through privately negotiated, block transactions under an authorization from the Board of Directors. Shares repurchased by the Company are canceled and returned to the status of authorized but unissued stock. During the year ended December 31, 2010 and 2009, the Company did not repurchase any of its common stock. During the year

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ended December 31, 2008, the Company repurchased $21.9 million of its common stock representing 968,746 shares at an average price of $22.61 per share. As of February 25, 2011, 2,000,000 shares of the Company s common stock remain authorized for repurchase. The following table summarizes the dividends paid and the repurchases of the Company s common stock during the past three years.

Dividend and Repurchase Summary
(amounts in thousands, except per share data)

	Year Ended December 31,			Three Year
	2010	2009	2008	Totals
Cash Dividends Paid	$ 21,390	$ 20,414	$ 18,568	$ 60,372
Shares Repurchased			969	969
Average Price Per Share			$ 22.61	$ 22.61
Aggregate Repurchase Price			$ 21,900	$ 21,900
Total Cash Returned to Shareholders	$ 21,390	$ 20,414	$ 40,468	$ 82,272

Revolving Lines of Credit

As the Company s assets have grown, it has been able to negotiate increases in the borrowing limit under its general bank line of credit. 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 and 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, N.A. and a Credit Line Note in favor of Union Bank, 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 December 31, 2010, 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 $253.6 million was outstanding and had capacity to borrow up to an additional $101.4 million. During the year ended December 31, 2010 the highest and average amounts outstanding under the Credit Facility were $269.3 million and $243.5 million, respectively. 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 under the Company s credit facilities. At December 31, 2010 the actual ratio was 3.10 to 1.

Permit the Consolidated Asset Coverage Ratio (as defined) as of the end of any fiscal quarter to be less than 1.50 to 1 under the Company s credit facilities. At December 31, 2010 the actual ratio was 2.83 to 1.

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 under the Company s credit facilities. At December 31, 2010 the actual ratio was 2.01 to 1.

At December 31, 2010, 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 $60.0 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 fourth payment made on June 2, 2010 which reduced the principal balance to $12.0 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. At December 31, 2010 the actual ratio was 2.70 to 1.

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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 2.50 to 1. At December 31, 2010 the actual ratio was 2.01 to 1.

Permit tangible net worth (as defined, which includes the intangible assets of Adler Tanks) 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 December 31, 2010, such sum was $279.3 million and the actual tangible net worth (as defined) of the Company was $293.0 million.

At December 31, 2010, 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 is currently exploring completing a new issuance of senior notes that would, when completed, secure access to an additional source of capital and convert a portion of our current variable interest rate debt to fixed interest rate debt. This issuance of senior notes would likely increase the Company s average interest rate in 2011, while also providing greater interest rate certainty for 2011 and future years. The Company expects to complete the issuance of senior notes during the first half of 2011; however, we cannot guarantee that the issuance will be successfully finalized during this time frame.

Contractual Obligations and Commitments

At December 31, 2010, the Company s material contractual obligations and commitments consist of outstanding borrowings under our credit facility expiring in 2013, outstanding amounts under our 5.08% senior notes due in 2011, and operating leases for facilities. The operating lease amounts exclude property taxes and insurance. The table below provides a summary of the Company s contractual obligations and reflects expected payments due as of December 31, 2010 and does not reflect changes that could arise after that date.

Payments Due by Period

(dollar amounts in thousands)

	Total	Within 1 Year	Within 2 to 3 Years	Within 4 to 5 Years	More than 5 Years
Revolving Lines of Credit	$ 253,640	$	$ 253,640	$	$
5.08% Senior Notes due in 2011	12,305	12,305			
Operating Leases for Facilities	5,679	1,162	1,394	1,271	1,852
Total Contractual Obligations	$271,624	$13,467	$255,034	$1,271	$1,852

The Company believes that its needs for working capital and capital expenditures through 2011 and beyond will be adequately met by operating cash flow, proceeds from the sale of rental equipment, and bank borrowings.

Please see the Company s Consolidated Statements of Cash Flows on page 63 for a more detailed presentation of the sources and uses of the Company s cash.

Critical Accounting Policies

In response to the Securities and Exchange Commission s Release No. 33-8040, Cautionary Advice Regarding Disclosure About Critical Accounting Policies, the Company has identified the most critical accounting policies upon which its financial status depends. The Company determined its critical accounting policies by considering those policies that involve the most complex or subjective decisions or assessments. The Company has identified that its most critical accounting policies are those related to depreciation, maintenance and repair, and impairment of rental equipment. Descriptions of these accounting policies are found in both the notes to the consolidated financial statements and at relevant sections in this management s discussion and analysis.

Depreciation The estimated useful lives and estimated residual values used for rental equipment are based on the Company s experience as to the economic useful life and sale value of its products. Additionally, to the extent information is publicly available, the Company also compares its depreciation policies to other companies with similar rental products for reasonableness.

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The lives and residual values of rental equipment are subject to periodic evaluation. For modular equipment, external factors to consider may include, but are not limited to, changes in legislation, regulations, building codes, local permitting, and supply or demand. Internal factors for modulars may include, but are not limited to, change in equipment specifications, condition of equipment, or maintenance policies. For electronic test equipment, external factors to consider may include, but are not limited to, technological advances, changes in manufacturers selling prices, and supply or demand. Internal factors for electronic test equipment may include, but are not limited to, change in equipment specifications, condition of equipment or maintenance policies. For liquid and solid containment tanks and boxes, external factors to consider may include, but are not limited to changes in Federal and State legislation, the types of materials stored and the frequency of moves and uses. Internal factors for liquid and solid containment tanks and boxes may include, but are not limited to, change in equipment specifications and maintenance policies.

Changes in useful lives or residual values will impact depreciation expense and any gain or loss from the sale of used equipment. Depending on the magnitude of such changes, the impact on the financial statements could be significant.

Maintenance, Repair and Refurbishment Maintenance and repairs are expensed as incurred. The direct material and labor costs of value-added additions or major refurbishment of modular buildings are capitalized to the extent the refurbishment significantly improves the quality and adds value or life to the equipment. Judgment is involved as to when these costs should be capitalized. The Company s policies narrowly limit the capitalization of value-added items to specific additions such as restrooms, 40 and 60-foot sidewalls and ventilation upgrades. In addition, only major refurbishment costs incurred near the end of the estimated useful life of the rental equipment, which extend its useful life, and are subject to certain limitations, are capitalized. Changes in these policies could impact the Company s financial results.

Impairment of rental equipment The carrying value of the Company s rental equipment is its capitalized cost less accumulated depreciation. To the extent events or circumstances indicate that the carrying value cannot be recovered, an impairment loss is recognized to reduce the carrying value to fair value. The Company determines fair value based upon the condition of the equipment and the projected net cash flows from its sale considering current market conditions. Additionally, if the Company decides to sell or otherwise dispose of the rental equipment, it is carried at the lower of cost or fair value less costs to sell or dispose. Due to uncertainties inherent in the valuation process and market conditions, it is reasonably possible that actual results of operating and disposing of rental equipment could be materially different than current expectations.

Impairment of goodwill and intangible assets The Company assesses the carrying amount of its recorded goodwill and intangible assets annually or in interim periods if circumstances indicate an impairment may have occurred. The impairment review is performed at the reporting unit level. The impairment test is a two-step process and requires management to make certain judgments in determining what assumptions to use in the calculation. The first step in the evaluation consists of estimating the fair value of the reporting unit based on discounted cash flows using revenue and after tax profit estimates. Management then compares its estimate of the fair value of the reporting unit with the reporting unit s carrying amount, which includes goodwill and intangible assets. If the estimated fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, then goodwill and intangible assets are not impaired and no further testing is required. If the carrying value of the net assets assigned to the reporting unit were to exceed its fair value, then the second step is performed in order to determine the implied fair value of the reporting unit s goodwill and intangible assets and an impairment loss is recorded for an amount equal to the difference between the implied fair value and the carrying value of the goodwill and intangible assets.

Impact of Inflation

Although the Company cannot precisely determine the effect of inflation, from time to time it has experienced increases in costs of rental equipment, manufacturing costs, operating expenses and interest. Because a majority of its rentals are relatively short-term, the Company has generally been able to pass on such increased costs through increases in rental rates and selling prices, but there can be no assurance that the Company will be able to continue to pass on increased costs to customers in the future.

Off Balance Sheet Transactions

As of December 31, 2010, the Company did not have any off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company is exposed to cash flow and fair value risk due to changes in interest rates with respect to our 5.08% senior notes due in 2011 and our revolving lines of credit. Weighted average variable rates are based on implied forward rates in the yield curve at December 31, 2010. The estimate of fair value of the Company s fixed rate debt is based on the borrowing rates currently available to the Company for bank loans with similar terms and average maturities. The table below presents principal cash flows by expected annual maturities, related weighted average interest rates and estimated fair value our 5.08% senior notes due in 2011 and our revolving lines of credit as of December 31, 2010.

(dollar amounts in thousands)	2011	2012	2013	2014	2015	Total	Estimated Fair Value
5.08% Senior Notes due in 2011	$ 12,000	$	$	$	$	$ 12,000	$ 12,172
Weighted Average Interest Rate	5.08%					5.08%	
Revolving Lines of Credit	$		$ 253,640	$	$	$ 253,640	$ 253,640
Weighted Average Interest Rate	1.78%					1.78%	

The Company formed a wholly owned Canadian subsidiary, TRS-RenTelco Inc. in conjunction with the TRS acquisition (see Item 1 Business History, Strategic Expansion and Acquisitions and Note 2 to the Consolidated Financial Statements). The Canadian operations of the Company subject it to foreign currency risks (i.e. the possibility that the financial results could be better or worse than planned because of changes in foreign currency exchange rates). Currently, the Company does not use derivative instruments to hedge its economic exposure with respect to assets, liabilities and firm commitments denominated in foreign currencies. In 2010, the Company has experienced minimal impact on net income due to foreign exchange rate fluctuations. Although there can be no assurances, given the size of the Canadian operations, the Company does not expect future foreign exchange gains and losses to be significant.

The Company has no derivative financial instruments that expose the Company to significant market risk.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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Management s Report on Internal Control over Financial Reporting

The Company s management is responsible for the preparation and integrity of the consolidated financial statements appearing in our Annual Report filed on Form 10-K. The consolidated financial statements were prepared in conformity with United States generally accepted accounting principles and include amounts based on management s estimates and judgments. All other financial information in this report has been presented on a basis consistent with the information included in the financial statements.

The Company s management is also responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company maintains a system of internal control that is designed to provide reasonable assurance as to the reliable preparation and presentation of the consolidated financial statements, as well as to safeguard assets from unauthorized use or disposition.

The Company s system of internal control over financial reporting is embodied in the Company s Code of Business Conduct and Ethics. It sets the tone of our organization and includes factors such as integrity and ethical values. Our internal control over financial reporting is supported by formal policies and procedures, which are reviewed, modified and improved as changes occur in business conditions and operations.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

The Audit Committee of the Board of Directors, which is composed solely of outside directors, meets periodically with members of management and the independent auditors to review and discuss internal control over financial reporting, as well as accounting and financial reporting matters. The independent auditors report to the Audit Committee and accordingly have full and free access to the Audit Committee at any time.

The Company s management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2010 based on the criteria set forth in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation, management has concluded that, as of December 31, 2010, the Company s internal control over financial reporting was effective based on those criteria.

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Reports of Independent Registered Public Accounting Firm

Report on Internal Control over Financial Reporting

Board of Directors and Shareholders of McGrath RentCorp and Subsidiaries:

We have audited McGrath RentCorp and Subsidiaries internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). McGrath RentCorp and Subsidiaries management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on McGrath RentCorp and Subsidiaries internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed 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. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, McGrath RentCorp and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying consolidated balance sheets of McGrath RentCorp and Subsidiaries as of December 31, 2010 and 2009 and the related statements of income, shareholders equity and cash flows for each of the three years in the period ended December 31, 2010, and our report dated February 25, 2011 expressed an unqualified opinion thereon.

/s/ **GRANT THORNTON LLP**

San Francisco, California

February 25, 2011

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Reports of Independent Registered Public Accounting Firm *(Continued)*

Report on Consolidated Financial Statements

Board of Directors and Shareholders of McGrath RentCorp and Subsidiaries:

We have audited the accompanying consolidated balance sheets of McGrath RentCorp and Subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, shareholders equity and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of McGrath RentCorp and Subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), McGrath RentCorp and Subsidiaries internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 25, 2011 expressed an unqualified opinion theron.

/s/ **GRANT THORNTON LLP**

San Francisco, California

February 25, 2011

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MCGRATH RENTCORP

CONSOLIDATED BALANCE SHEETS

	December 31,	
(in thousands)	2010	2009
Assets		
Cash	$ 990	$ 1,187
Accounts Receivable, net of allowance for doubtful accounts of $1,700 in 2010 and 2009	76,488	70,597
Income Taxes Receivable	6,131	6,251
Rental Equipment, at cost:		
Relocatable Modular Buildings	514,548	504,018
Electronic Test Equipment	250,125	239,152
Liquid and Solid Containment Tanks and Boxes	133,095	80,916
	897,768	824,086
Less Accumulated Depreciation	(306,188)	(276,848)
Rental Equipment, net	591,580	547,238
Property, Plant and Equipment, net	83,861	77,092
Prepaid Expenses and Other Assets	13,944	14,240
Intangible Assets, net	12,868	13,670
Goodwill	27,700	27,661
Total Assets	$ 813,562	$ 757,936
Liabilities and Shareholders Equity		
Liabilities:		
Notes Payable	$ 265,640	$ 247,334
Accounts Payable and Accrued Liabilities	49,612	50,975
Deferred Income	23,790	24,744
Deferred Income Taxes, net	179,543	167,470
Total Liabilities	518,585	490,523
Commitments and Contingencies (Note 8)		
Shareholders Equity:		
Common Stock, no par value		
Authorized 40,000 shares		
Issued and Outstanding 24,235 shares in 2010 and 23,795 shares in 2009	63,623	50,869
Retained Earnings	231,354	216,544
Total Shareholders Equity	294,977	267,413
Total Liabilities and Shareholders Equity	$ 813,562	$ 757,936

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

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MCGRATH RENTCORP

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
(in thousands, except per share amounts)	2010	2009	2008
Revenues			
Rental	$ 200,615	$ 186,442	$ 197,236
Rental Related Services	34,702	33,352	34,080
Rental Operations	235,317	219,794	231,316
Sales	54,055	53,376	70,404
Other	2,002	2,473	2,439
Total Revenues	291,374	275,643	304,159
Costs and Expenses			
Direct Costs of Rental Operations			
Depreciation of Rental Equipment	56,399	57,215	57,115
Rental Related Services	26,542	25,271	24,728
Other	40,007	33,147	36,661
Total Direct Costs of Rental Operations	122,948	115,633	118,504
Cost of Sales	37,637	38,695	49,917
Total Costs of Revenues	160,585	154,328	168,421
Gross Profit	130,789	121,315	135,738
Selling and Administrative Expenses	65,553	60,236	58,059
Income from Operations	65,236	61,079	77,679
Interest Expense	6,186	7,105	9,977
Income before Provision for Income Taxes	59,050	53,974	67,702
Provision for Income Taxes	22,571	20,649	26,498
Net Income	$ 36,479	$ 33,325	$ 41,204
Earnings Per Share:			
Basic	$ 1.52	$ 1.40	$ 1.74
Diluted	$ 1.50	$ 1.40	$ 1.72
Shares Used in Per Share Calculations:			
Basic	23,944	23,745	23,740
Diluted	24,289	23,869	23,944
Cash Dividends Declared Per Share	$ 0.90	$ 0.88	$ 0.80

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

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MCGRATH RENTCORP

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

(in thousands, except per share amounts)	Common Stock Shares	Common Stock Amount	Retained Earnings	Total Shareholders Equity
Balance at December 31, 2007	24,578	$ 41,917	$ 202,114	$ 244,031
Net Income			41,204	41,204
Repurchase of Common Stock	(969)	(1,663)	(20,237)	(21,900)
Non-Cash Stock-Based Compensation		3,766		3,766
Issuance of Common Stock	40	696		696
Exercise of Stock Options	60	898		898
Excess Tax Benefit from the Exercise of Stock Options		140		140
Dividends Declared of $0.80 Per Share			(18,954)	(18,954)
Balance at December 31, 2008	23,709	$ 45,754	$ 204,127	$ 249,881
Net Income			33,325	33,325
Non-Cash Stock-Based Compensation		3,598		3,598
Exercise of Stock Options	86	1,098		1,098
Excess Tax Benefit from the Exercise of Stock Options		419		419
Dividends Declared of $0.88 Per Share			(20,908)	(20,908)
Balance at December 31, 2009	23,795	$ 50,869	$ 216,544	$ 267,413
Net Income			36,479	36,479
Non-Cash Stock-Based Compensation		4,227		4,227
Exercise of Stock Options and Issuance of Restricted Stock	440	7,506		7,506
Excess Tax Benefit from the Exercise of Stock Options		1,021		1,021
Dividends Declared of $0.90 Per Share			(21,669)	(21,669)
Balance at December 31, 2010	24,235	$ 63,623	$ 231,354	$ 294,977

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

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MCGRATH RENTCORP

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Year Ended December 31, 2010	2009	2008
Cash Flows from Operating Activities:			
Net Income	$ 36,479	$ 33,325	$ 41,204
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	62,577	63,130	60,416
Provision for Doubtful Accounts	1,494	1,389	1,761
Non-Cash Stock-Based Compensation	4,227	3,598	3,766
Gain on Sale of Used Rental Equipment	(11,728)	(10,892)	(11,185)
Change In:			
Accounts Receivable	(7,385)	14,121	(15,102)
Income Taxes Receivable	120	1,676	(7,927)
Prepaid Expenses and Other Assets	296	4,079	(2,475)
Accounts Payable and Accrued Liabilities	3,399	(6,595)	(531)
Deferred Income	(954)	(3,311)	(893)
Deferred Income Taxes	12,073	21,880	29,704
Net Cash Provided by Operating Activities	100,598	122,400	98,738
Cash Flows from Investing Activities:			
Payments Related to Acquisition of Adler Tanks	(39)	(2,100)	(88,297)
Purchase of Rental Equipment	(122,749)	(70,479)	(95,823)
Purchase of Property, Plant and Equipment	(12,144)	(2,151)	(13,552)
Proceeds from Sale of Used Rental Equipment	28,694	29,255	29,346
Net Cash Used in Investing Activities	(106,238)	(45,475)	(168,326)
Cash Flows from Financing Activities:			
Net Borrowings (Payments) Under Bank Lines of Credit	30,306	(46,166)	119,771
Principal Payments on Senior Notes	(12,000)	(12,000)	(12,000)
Proceeds from the Exercise of Stock Options	7,506	1,098	898
Excess Tax Benefit from Exercise and Disqualifying Disposition of Stock Options	1,021	419	140
Repurchase of Common Stock			(24,418)
Payment of Dividends	(21,390)	(20,414)	(18,568)
Net Cash Provided by (Used in) Financing Activities	5,443	(77,063)	65,823
Net Decrease in Cash	(197)	(138)	(3,765)
Cash Balance, beginning of period	1,187	1,325	5,090
Cash Balance, end of period	$ 990	$ 1,187	$ 1,325
Interest Paid, during the period	$ 6,306	$ 7,412	$ 10,073
Net Income Taxes Paid (Refunds Received), during the period	$ 9,342	$ (3,321)	$ 4,581

Dividends Declared, not yet paid	$ 5,513	$ 5,235	$ 4,742
Rental Equipment Acquisitions, not yet paid	$ 5,388	$ 10,429	$ 8,329
Common Stock Issued for the Acquisition of Adler Tanks	$	$	$ 696

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

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MCGRATH RENTCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND BUSINESS

McGrath RentCorp (the Company) is a California corporation organized in 1979. The Company is a diversified business to business rental company with three rental products; relocatable modular buildings, electronic test equipment and liquid and solid containment tanks and boxes. Although the Company s primary emphasis is on equipment rentals, sales of equipment occur in the normal course of business. The Company is comprised of four business segments: its modular building division (Mobile Modular), its electronic test equipment division (TRS-RenTelco), its containment solutions for the storage of hazardous and non-hazardous liquids and solids division (Adler Tanks) and its classroom manufacturing business selling modular classrooms in California (Enviroplex).

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, changes in Federal and State laws regulating liquid and solid containment storage, environmental litigation and rental equipment deterioration. The Company believes it mitigates these risks by continuing advocacy and collaboration with governing agencies and legislative bodies for continuing use of its modular products, 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 all types of rental equipment are maintained in good operating condition.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of McGrath RentCorp and its 100% owned subsidiaries: Mobile Modular Management Corporation, Enviroplex Inc., TRS-RenTelco Inc. and Adler Tank Rentals, LLC. All intercompany accounts and transactions have been eliminated in consolidation.

Revenue Recognition

Rental revenue from operating leases is recognized on a straight-line basis over the term of the lease. Rental billings for periods extending beyond month end are recorded as deferred income and are recognized as earned. Rental related services revenue is primarily associated with relocatable modular building leases and consists of billings to customers for modifications, delivery, installation, building, additional site related work, and dismantle and return delivery. Revenue from these services is an integral part of the negotiated lease agreement with customers and is recognized on a straight-line basis over the term of the lease.

Sales revenue is recognized upon delivery and installation of the equipment to customers. Certain leases are accounted for as sales-type leases. For these leases, sales revenue and the related accounts receivable are recognized upon delivery and installation of the equipment and the unearned interest is recognized over the lease term on a basis which results in a constant rate of return on the unrecovered lease investment.

Other revenue is recognized when earned and primarily includes interest income on sales-type leases, rental income on facility rentals and certain logistics services.

Sales taxes charged to customers are reported on a net basis and are excluded from revenues and expenses.

Depreciation of Rental Equipment

Rental equipment is depreciated on a straight-line basis for financial reporting purposes and on an accelerated basis for income tax purposes. The costs of major refurbishment of relocatable modular buildings are capitalized to the extent the refurbishment significantly adds value to, or extends the life of the equipment. Maintenance and repairs are expensed as incurred.

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MCGRATH RENTCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

The estimated useful lives and residual values of the Company s rental equipment used for financial reporting purposes are as follows:

Relocatable modular buildings and accessories	3 to 18 years, 0% to 50% residual value
Electronic test equipment and accessories	1 to 8 years, no residual value
Portable storage containers	25 years, 62.5% residual value
Liquid and solid containment tanks and boxes and accessories	10 to 20 years, no residual value

Costs of Rental Related Services

Costs of rental related services are primarily associated with relocatable modular building leases and consist of costs for services to be provided under the negotiated lease agreement for delivery, installation, modifications, skirting, additional site related work, and dismantle and return delivery. Costs related to these services are recognized on a straight-line basis over the term of the lease. Costs of rental related services associated with liquid and solid containment solutions consists of costs of delivery, removal and cleaning of the tanks and boxes. These costs are recognized in the period the service is performed.

Impairment of Long-Lived Assets

The Company evaluates the carrying value of rental equipment and identifiable definite lived intangible assets for impairment whenever events or circumstances have occurred that would indicate the carrying amount may not be fully recoverable. A key element in determining the recoverability of long-lived assets is the Company s outlook as to the future market conditions for its rental equipment. If the carrying amount is not fully recoverable, an impairment loss is recognized to reduce the carrying amount to fair value. The Company determines fair value based upon the condition of the rental equipment and the projected net cash flows from its sale considering current market conditions. Impairment loss, if any, for identifiable indefinite lived intangible assets is determined based upon the estimated fair value of the asset. There were no impairments of long-lived assets during the years ended December 31, 2010, 2009 and 2008.

Other Direct Costs of Rental Operations

Other direct costs of rental operations include direct labor, supplies, repairs, insurance, property taxes, license fees and certain modular lease costs charged to the customer in the negotiated rental rate, which are recognized on a straight-line basis over the term of the lease.

Cost of Sales

Cost of sales in the Consolidated Statements of Income includes the carrying value of the equipment sold and all direct costs associated with the sale.

Warranty Reserves

Sales of new relocatable modular buildings, portable storage containers, electronic test equipment and related accessories and liquid and solid containment tanks and boxes not manufactured by the Company are typically covered by warranties provided by the manufacturer of the products sold. The Company typically provides limited 90-day warranties for certain sales of used rental equipment and one-year warranties on equipment manufactured by Enviroplex. Although the Company s policy is to provide reserves for warranties when required for specific circumstances, the Company has not found it necessary to establish such reserves to date as warranty costs have not been significant.

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MCGRATH RENTCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation. Depreciation is recognized on a straight-line basis for financial reporting purposes, and on an accelerated basis for income tax purposes with no residual values. Depreciation expense is included in Selling and Administrative Expenses in the Consolidated Statements of Income. Maintenance and repairs are expensed as incurred.

Property, plant and equipment consist of the following:

(dollar amounts in thousands)	Estimated Useful Life In Years	December 31, 2010	2009
Land	Indefinite	$ 28,151	$ 26,046
Land improvements	20 50	31,821	31,732
Buildings	30	17,508	16,873
Furniture, Office and Computer Equipment	5 10	17,347	16,738
Machinery and Service Equipment	5 20	8,686	6,772
		103,513	98,161
Less Accumulated Depreciation		(26,051)	(21,527)
		77,462	76,634
Construction In Progress		6,399	458
		$ 83,861	$ 77,092

Construction in progress at December 31, 2010 consisted primarily of $3.7 million related to information technology projects and $2.4 million related to the expansion of the inventory center in Livermore, California. Construction in progress at December 31, 2009 consisted primarily of costs related to information technology projects.

Income Taxes

Income taxes are accounted for using an asset and liability approach. Deferred tax assets and liabilities are recorded based on the differences between the financial statement and tax bases of assets and liabilities at the tax rates in effect when these differences are expected to reverse.

Goodwill and Intangible Assets

Goodwill and intangible assets primarily consists of intangible assets of $39.9 million from the 2008 acquisition of Adler Tanks. Intangible assets related to customer relationships are amortized over eleven years. Intangible assets related to goodwill and trade name are not amortized, but are evaluated for impairment at least annually. At December 31, 2010 and 2009, goodwill and trade name intangible assets which have indefinite lives totaled $33.4 milion. (See Note 10)

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MCGRATH RENTCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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 the number of dilutive options computed using the treasury stock method and the average share price for the reported period. The table below presents the weighted-average common stock used to calculate basic and diluted earnings per share:

(in thousands)	Year Ended December 30,		
	2010	2009	2008
Weighted-average common stock for calculating basic earnings per share	23,944	23,745	23,740
Effect of potentially dilutive securities from equity-based compensation	345	124	204
Weighted-average common stock for calculating diluted earnings per share	24,289	23,869	23,944

The following securities were not included in the computation of diluted earnings per share as their effect would have been anti-dilutive:

(in thousands)	Year Ended December 30,		
	2010	2009	2008
Options to purchase common stock	1,066	2,436	1,077

Accounts Receivable and Concentration of Credit Risk

The Company s accounts receivable consist of amounts due from customers for rentals, sales, financed sales and unbilled amounts for the portion of Mobile Modular end-of-lease services earned, which were negotiated as part of the lease agreement. Unbilled receivables related to end-of-lease services were $17.0 million and $17.8 million at December 31, 2010 and 2009, respectively. The Company sells primarily on 30-day terms, individually performs credit evaluation procedures on its customers on each transaction and will require security deposits from its customers when a significant credit risk is identified. The Company records an allowance for doubtful accounts in amounts equal to the estimated losses expected to be incurred in the collection of the accounts. The estimated losses are based on historical collection experience in conjunction with an evaluation of the current status of the existing accounts. Customer accounts are written off against the allowance for doubtful accounts when an account is determined to be uncollectable. The allowance for doubtful accounts activity was as follows:

(in thousands)	2010	2009
Beginning Balance, January 1	$ 1,700	$ 1,400
Acquired Adler Tanks Reserve (see Note 9)		53
Provision for doubtful accounts	1,494	1,389
Write-offs, net of recoveries	(1,494)	(1,141)
Ending Balance, December 31	$ 1,700	$ 1,700

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of trade accounts receivable.

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MCGRATH RENTCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Fair Value of Financial Instruments

The Company believes that the carrying amounts for cash, accounts receivable, accounts payable and notes payable approximate their fair values except for fixed rate debt included in notes payable which has an estimated fair value of $12.2 million and $24.8 million compared to the recorded value of $12.0 million and $24.0 million as of December 31, 2010 and 2009, respectively. The estimates of fair value of the Company s fixed rate debt are based on the borrowing rates currently available to the Company for bank loans with similar terms and average maturities.

Foreign Currency Transactions

The Company s Canadian subsidiary, TRS-RenTelco Inc., a British Columbia corporation, functions as a branch sales office for TRS-RenTelco in Canada. Since the functional currency of the Company s Canadian subsidiary is the U.S. dollar, foreign currency transaction gains and losses of the Company s Canadian subsidiary are reported in the results of operations in the period in which they occur. Currently, the Company does not use derivative instruments to hedge its economic exposure with respect to assets, liabilities and firm commitments as the foreign currency transactions and risks to date have not been significant.

Stock-Based Compensation

The Company measures stock-based compensation expense based on grant date fair value and recognizes that expense in earnings over the service period of each award. The Company utilizes the Black-Scholes option-pricing model to estimate the fair value of employee stock-based compensation at the date of grant, which requires the use of accounting judgment and financial estimates, including estimates of the expected term option holders will retain their vested stock options before exercising them, the estimated volatility of the Company s stock price over the expected term and the expected number of options that will be forfeited prior to the completion of their vesting requirements. Application of alternative assumptions could produce significantly different estimates of the fair value of stock-based compensation amounts recognized in the Consolidated Statements of Income.

For the years ended December 31, 2010, 2009 and 2008, the non-cash stock-based compensation expense included in Selling and Administrative Expenses in the Consolidated Statements of Income was $4.2 million, $3.6 million and $3.8 million, before provision for income taxes, respectively. The Company recorded a tax benefit of approximately $1.6 million, $1.4 million and $1.5 million related to the aforementioned stock-based compensation expenses. For the years ended December 31, 2010, 2009 and 2008, the stock-based compensation expenses, net of taxes, reduced net income by $2.6 million, $2.2 million and $2.3 million, respectively or $0.11, $0.09, and $0.10 per diluted share for each period, respectively.

The fair value of each option granted was estimated on the date of grant using the Black-Scholes option-pricing model using the following weighted average assumptions:

	Year Ended December 31,		
	2010	2009	2008
Expected term (in years)	5.2	5.0	5.0
Expected volatility	51.2%	45.2%	33.3%
Expected dividend yields	3.8%	5.6%	3.8%
Risk-free interest rates	2.2%	2.0%	2.8%

The Company monitors option exercise behavior to determine the appropriate homogenous groups for estimation purposes. Currently, the Company s option activity is separated into two categories: directors and employees. The expected term of the options represents the estimated period of time until exercised and is based on historical experience, giving consideration to the option terms, vesting schedules and expectations of future employee behavior. Expected stock volatility is based on historical stock price volatility of the Company and the risk-free interest rates are based on U.S. Treasury yields in effect on the date of the option grant for the estimated period the options will be outstanding. The expected dividend yield is based upon the current dividend annualized as a percentage of the grant exercise price.

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MCGRATH RENTCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

The weighted average fair value per share of grants at grant dates was $8.12, $3.91 and $4.69 during the years ended 2010, 2009 and 2008, respectively.

New Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued new guidance to improve financial reporting by enterprises involved with variable interest entities (VIE). This new guidance amends current GAAP by: requiring ongoing reassessments of whether an enterprise is the primary beneficiary of a VIE; amending the quantitative approach previously required for determining the primary beneficiary of the VIE; modifying the guidance used to determine whether an entity is a VIE; adding an additional reconsideration event (e.g. troubled debt restructurings) for determining whether an entity is a VIE; and requiring enhanced disclosures regarding an entity s involvement with a VIE. The Company implemented these new requirements in its first quarter of fiscal year 2010. The adoption of this accounting guidance did not have a significant impact on the Company s consolidated financial statements.

In October 2009, the FASB amended revenue recognition guidance for arrangements with multiple deliverables. The guidance eliminates the residual method of revenue recognition and requires the use of management s best estimate of the selling price for individual elements of an arrangement when vendor specific objective evidence (VSOE) or third-party evidence (TPE) of selling price is unavailable. This guidance should be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. The Company implemented these new requirements in its third quarter of fiscal year 2010. The adoption of this accounting guidance did not have a significant impact on the Company s consolidated financial statements.

In April 2010, the FASB issued an accounting standards update to clarify that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity s equity securities trades, should not be considered to contain a condition that is not a market, performance or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. This update is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The Company does not expect the adoption of this update to have a significant impact on its consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions in determining reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during each period presented. Actual results could differ from those estimates. The most significant estimates included in the financial statements are the future cash flows and fair values used to determine the recoverability of the rental equipment and identifiable definite lived intangible assets carrying value, the various assets useful lives and residual values, and the allowance for doubtful accounts.

Reclassifications

Certain prior period amounts have been reclassified to conform to current year presentation, including $3.0 million of capital assets from rental equipment, net to property, plant and equipment, net. This reclassification had no impact on gross profit, net income, earnings per share or operating cash flows.

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MCGRATH RENTCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTE 3. FINANCED LEASE RECEIVABLES

The Company has entered into sales type leases to finance certain equipment sales to customers. The lease agreements have a bargain purchase option at the end of the lease term. The minimum lease payments receivable and the net investment included in accounts receivable for such leases are as follows:

(in thousands)	December 31, 2010	December 31, 2009
Gross minimum lease payments receivable	$ 2,850	$ 3,148
Less unearned interest	(261)	(356)
Net investment in sales type lease receivables	$ 2,589	$ 2,792

As of December 31, 2010, the future minimum lease payments under non-cancelable sales-type leases to be received in 2011 and thereafter are as follows:

(in thousands)	
Year Ended December 31,	
2011	$ 2,301
2012	543
2013	6
2014 and thereafter	
Total minimum future lease payments	$2,850

NOTE 4. NOTES PAYABLE

Notes Payable consists of the following:

(in thousands)	December 31, 2010	December 31, 2009
5.08% Senior Notes due in 2011	$ 12,000	$ 24,000
Unsecured Revolving Lines of Credit	253,640	223,334
	$ 265,640	$ 247,334

5.08% Senior Notes Due in 2011

In June 2004, the Company completed a private placement of $60.0 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 fourth payment made on June 2, 2010 which reduced the principal balance to $12.0 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 Adjusted EBITDA (as defined) to fixed charges as of the end of any fiscal quarter to be less than 2.00 to 1. At December 31, 2010 the actual ratio was 2.70 to 1.

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 greater than 2.50 to 1. At December 31, 2010 the actual ratio was 2.01 to 1.

Permit tangible net worth (as defined to include the intangible assets of Adler Tanks) 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 December 31, 2010, such sum was $279.3 million and the actual tangible net worth of the Company was $293.0 million.

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MCGRATH RENTCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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 and 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, N.A. and a Credit Line Note in favor of Union Bank, 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, N.A. for its cash management services.

At December 31, 2010, 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 $253.6 million was outstanding, leaving capacity to borrow up to an additional $101.4 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 under the Company s credit facilities. At December 31, 2010 the actual ratio was 3.10 to 1.

Permit the Consolidated Asset Coverage Ratio (as defined) as of the end of any fiscal quarter to be less than 1.50 to 1 under the Company s credit facilities. At December 31, 2010 the actual ratio was 2.83 to 1.

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 under the Company s credit facilities. At December 31, 2010 the actual ratio was 2.01 to 1.

At December 31, 2010, 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 the Company s financial performance could impact its ability to comply with these covenants.

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

(dollar amounts in thousands)	Year Ended December 31,	
	2010	2009
Maximum amount outstanding	$ 269,267	$ 272,500
Average amount outstanding	$ 243,542	$ 249,622
Weighted average interest rate, during the period	2.15%	2.22%
Weighted average interest rate, end of period	1.78%	1.76%
Prime interest rate, end of period	3.25%	3.25%

NOTE 5. INCOME TAXES

The provision for income taxes consists of the following:

(in thousands)	Year Ended December 31,		
	2010	2009	2008
Current	$ 8,754	$ (1,231)	$ (3,206)
Deferred	13,817	21,880	29,704
	$ 22,571	$ 20,649	$ 26,498

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MCGRATH RENTCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

	Year Ended December 31,		
	2010	2009	2008
Federal statutory rate	35.0%	35.0%	35.0%
State taxes, net of federal benefit	4.2	3.6	4.7
Other	(1.0)	(0.3)	(0.6)
	38.2%	38.3%	39.1%

The following table shows the deferred income taxes related to the temporary differences between the tax bases of assets and liabilities and the respective amounts included in Deferred Income Taxes, net on the Company s Consolidated Balance Sheets:

(in thousands)	December 31,	
	2010	2009
Deferred Tax Liabilities:		
Accelerated Depreciation	$ 195,804	$ $170,218
Prepaid Costs Currently Deductible	4,253	4,220
Deferred Revenues	830	3,424
Other		741
Total Deferred Tax Liabilities	200,887	178,603
Deferred Tax Assets:		
Accrued Costs Not Yet Deductible	5,359	5,476
Allowance for Doubtful Accounts	661	660
Net Operating Loss Carry Forwards	8,248	
Stock Based Compensation	6,301	4,997
Other	775	
Total Deferred Tax Assets	21,344	11,133
Deferred Income Taxes, net	$ 179,543	$ 167,470

In 2010, 2009 and 2008 the Company obtained an excess tax benefit of $1.0 million, $0.4 million and $0.1 million respectively, from the exercise of non-qualified stock options and early dispositions of stock obtained through the exercise of incentive stock options by employees. The tax benefit was recorded as common stock in conjunction with the proceeds received from the exercise of the stock options.

As of December 31, 2010, the Company s federal net operating losses for tax return purposes were $23.0 million. If not utilized, these carry forwards will begin to expire in 2031. As of December 31, 2010, the Company had state tax credits carry forwards of $0.3 million, majority of which will not expire.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company evaluated all of its tax positions for which the statute of limitations remained open and determined there were no material unrecognized tax benefits as of December 31, 2010 and 2009. In addition, there have been no material changes in unrecognized benefits during 2010, 2009 and 2008.

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MCGRATH RENTCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

The Company is subject to income taxes in the U.S. federal jurisdiction, and various states and foreign jurisdictions. Tax regulations within each jurisdiction are subject to interpretation of the related tax laws and regulations and require the application of significant judgment. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for the years before 2006.

The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes for all periods presented. Such interest and penalties were not significant.

NOTE 6. BENEFIT PLANS

Stock Plans

The Company adopted the 2007 Stock Incentive Plan (the 2007 Plan) effective June 6, 2007, under which 1,875,000 shares of common stock of the Company, plus the number of shares that remained available for grants of awards under the Company s 1998 Stock Option Plan (the 1998 Plan) and those shares that become available as a result of forfeiture, termination, or expiration of awards previously granted under the 1998 Plan, were reserved for the grant of awards to its employees, directors and consultants to acquire common stock of the Company. The 2007 Plan provides for the grant of awards in the form of stock options, stock appreciation rights, restricted stock, restricted stock units or other rights and benefits. Options under the 2007 Plan are granted at an exercise price of not less than 100% of the fair market value of the Company s common stock on the date of grant. The 2007 Plan replaced the Company s 1998 Plan and the 2000 Long-Term Bonus Plan.

Stock Options

As of December 31, 2010, a cumulative total of 6,135,500 shares subject to options have been granted with exercise prices ranging from $11.26 to $34.28. Of these, options have been exercised for the purchase of 2,096,900 shares, while options for 694,150 shares have been terminated, and options for 3,344,450 shares remain outstanding under the stock plans. Most of these options vest over five years and expire seven and ten years after grant. To date, no options have been issued to any of McGrath RentCorp s non-employee advisors. As of December 31, 2010, 956,250 shares remain available for issuance of awards under the stock plans.

Option activity and options exercisable including the weighted average exercise price for the three years ended December 31, 2010 are as follows:

	Year Ended December 31,					
	2010		2009		2008	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding at January 1,	3,504,319	$ 22.09	2,985,942	$ 23.35	2,173,346	$ 24.30
Options granted during the year	282,000	23.72	680,000	15.62	949,000	20.83
Options exercised during the year	(422,069)	17.78	(86,823)	12.64	(59,354)	15.13
Options terminated during the year	(19,800)	22.03	(74,800)	23.29	(77,050)	25.64
Options outstanding at December 31,	3,344,450	22.80	3,504,319	22.09	2,985,942	23.35
Options exercisable at December 31,	2,148,100	23.91	2,011,869	23.30	1,399,817	22.82

The aggregate intrinsic value of stock options is calculated as the difference between the exercise price of the underlying awards and the quoted price of the Company s common stock. The aggregate intrinsic value of options outstanding as of December 31, 2010 and 2009 was $11.4

million and $0.9 million, respectively, and had a weighted average remaining contract life of 4.33 years and 5.17 years, respectively. The intrinsic value for options exercisable as of December 31, 2010 and 2009 was $5.0 million and zero,

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MCGRATH RENTCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

respectively, and had a weighted average remaining contract life of 4.10 years and 4.92 years, respectively. The aggregate intrinsic value of options exercised and sold under the Company s stock option plans was $3.6 million, $0.6 million and $0.4 million for the years ended December 31, 2010, 2009 and 2008, respectively, determined as of the date of option exercise. As of December 31, 2010, there was approximately $5.8 million of total unrecognized compensation cost related to unvested share-based compensation option arrangements granted under the Company s stock plans, which is expected to be recognized over a weighted-average period of 2.5 years.

The following table indicates the options outstanding and options exercisable by exercise price with the weighted average remaining contractual life for the options outstanding and the weighted average exercise price at December 31, 2010:

	Options Outstanding			Options Exercisable	
Exercise Price	Number Outstanding at December 31, 2010	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable at December 31, 2010	Weighted Average Exercise Price
$10 15	126,500	2.28	$ 12.11	117,250	$ 12.13
15 20	704,931	4.79	15.59	282,431	15.54
20 25	1,445,019	4.54	21.71	832,519	21.47
25 30	578,000	5.02	29.36	532,750	29.42
30 35	490,000	3.24	31.38	383,150	31.33
10 35	3,344,450	4.33	22.80	2,148,100	23.91

Restricted Stock Units

The following table summarizes the activity of the Company s restricted stock units for the years ended December 31, 2010 and 2009:

	Year Ended December 31, 2010		2009	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Restricted stock unvested as of January 1,	23,200	$ 15.62		
Restricted stock granted during the year	106,200	23.91	40,000	$ 15.62
Restricted stock vested during the year	(17,850)	15.62		15.62
Restricted stock forfeited during the year	(1,350)	15.62	(16,800)	15.62
Restricted stock unvested as of December 31,	110,200	23.61	23,200	15.62

Stock-based compensation expense for restricted stock for the year ended December 31, 2010 and 2009 was $1.2 million and $0.3 million, respectively. As of December 31, 2010, the total unrecognized compensation expense net of forfeitures related to unvested restricted stock awards not yet recognized was $1.4 million and is expected to be recognized over a period of 55 months.

Employee Stock Ownership Plan

In 1985, the Company established a non-leveraged Employee Stock Ownership Plan (Plan). Under the terms of the Plan, as amended, the Company makes annual contributions in the form of cash or common stock of McGrath RentCorp to a trust for the benefit of eligible employees. Employees of the Company are generally eligible to participate in the Plan on the January 1^{st}, or

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MCGRATH RENTCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

July 1st, immediately following the completion of the minimum of 1,000 hours and twelve months of service. The amount of the contribution is determined annually by the Board of Directors. Contributions are expensed in the year approved and were $0.7 million for 2008. There was no contribution approved in 2009 or 2010. Contributions to the Plan are allocated to participants following a formula based upon years of service and covered compensation. Dividends paid to Plan participants are treated as ordinary dividends and, in accordance with existing tax laws, are deducted by the Company in the year paid. For the years ended December 31, 2010, 2009 and 2008, dividends deducted by the Company were $0.5 million each year, which resulted in a tax benefit of approximately $0.2 million each year. Plan shares outstanding at December 31, 2010 were 479,467, or 2% of total common shares outstanding, and are included in basic and diluted earnings per share calculations.

401(k) Plans

In 1995, McGrath RentCorp established a contributory retirement plan, the McGrath RentCorp 401(k) Plan, as amended, covering eligible employees of McGrath RentCorp with at least three months of service. The McGrath RentCorp 401(k) Plan provides that each participant may annually contribute an elected percentage of his or her salary, not to exceed the statutory limit. McGrath RentCorp, at its discretion, may make contributions. Contributions are expensed in the year approved. In 2009, an employer contribution of $0.9 million was approved by the Board of Directors. There were no contributions approved in 2010 or 2008.

In 1997, Enviroplex established a contributory retirement plan, the Enviroplex 401(k) Plan, as amended, covering eligible employees of Enviroplex with at least three months of service. The Enviroplex 401(k) Plan provides that each participant may annually contribute an elected percentage of his or her salary, not to exceed the statutory limit. Enviroplex at its discretion may make a matching contribution. Enviroplex made contributions of $43,000 and $30,000 in 2009 and 2008, respectively. There was no matching contribution in 2010.

NOTE 7. SHAREHOLDERS EQUITY

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, 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. There were no repurchases of common stock in 2010 and 2009. During 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. 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. As of December 31, 2010, 2,000,000 shares remain authorized for repurchase.

NOTE 8. COMMITMENTS AND CONTINGENCIES

The Company leases certain facilities under various operating leases. Most of the lease agreements provide the Company with the option of renewing its lease at the end of the lease term, at the fair rental value. In most cases, management expects that in the normal course of business, facility leases will be renewed or replaced by other leases. Minimum payments under these leases, exclusive of property taxes and insurance, are as follows:

(in thousands)

Year Ended December 31,	
2011	$ 1,162
2012	717
2013	677
2014	635
2015	635
Thereafter	1,853

$ 5,679

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MCGRATH RENTCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Rent expense was $2.3 million, $1.6 million and $1.0 million in 2010, 2009 and 2008, respectively.

The Company is involved in various lawsuits and routine claims arising out of the normal course of its business. The Company maintains insurance coverage for its operations and employees with appropriate aggregate, per occurrence and deductible limits as the Company reasonably determines necessary or prudent with current operations and historical experience. The major policies include coverage for property, general liability, auto, directors and officers, health, and workers compensation insurances. In the opinion of management, the ultimate amount of liability not covered by insurance, if any, under any pending litigation and claims, individually or in the aggregate, will not have a material adverse effect on the financial position or operating results of the Company.

NOTE 9. ACQUISITION

On December 11, 2008, the Company, through its newly created wholly-owned subsidiary Adler Tank Rentals, LLC, a Delaware limited liability company (the Purchaser), completed the purchase of substantially all of the assets of the liquid and solid containment tanks and boxes rental business of Adler Tank Rentals, LLC, a New Jersey limited liability company (Adler Tanks). Pursuant to the terms and conditions of the Asset Purchase Agreement, the Purchaser acquired Adler Tanks for a total purchase price of $91.1 million, which consisted of $88.1 million in cash, 40,000 shares of the Company s common stock valued at $0.7 million, $1.3 million of certain liabilities relating to Adler Tanks and $1.0 million of transaction costs. The Company financed the acquisition from its $350.0 million credit facility. Adler Tanks results have been included in the Company s Consolidated Statements of Income since December 11, 2008.

The acquisition was accounted for using the acquisition method of accounting. Under the acquisition method of accounting, the total purchase price is allocated to Adler Tanks assets based upon their fair value as of the date of the transaction. Based upon the allocation of the purchase price and management s estimate of fair value based upon an independent valuation, the purchase price allocation was as follows:

(in thousands)	
Rental Equipment	$ 43,706
Intangible Assets:	
Goodwill	25,863
Customer Relationship	8,500
Trade Name	5,700
Accounts Receivable, net	5,705
Property, Plant and Equipment	2,390
Prepaid Expenses and Other Assets	299
Accounts Payable and Accrued Liabilities	(1,070)
Total Purchase Price	$ 91,093

A valuation of the purchased assets was performed to determine the fair value of each identifiable tangible and intangible asset and allocate the purchase price among the acquired assets and assumed liabilities. Standard valuation procedures and techniques were utilized in determining the fair values. Of the $25.9 million fair value allocated to goodwill, $25.2 million is deductible for tax purposes.

NOTE 10. GOODWILL AND INTANGIBLE ASSETS

Purchase prices of acquired businesses have been allocated to the assets and liabilities acquired based on the estimated fair values on the respective acquisition dates. Based on these values, the excess purchase prices over the fair value of the net assets acquired were allocated to goodwill and other intangible assets.

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MCGRATH RENTCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

The Company assesses potential impairment of its goodwill and intangible assets when there is evidence that events or circumstances have occurred that would indicate the recovery of an asset s carrying value is unlikely. The Company also assesses potential impairment of its goodwill and intangible assets on an annual basis regardless if there is evidence of impairment. If indicators of impairment were to be present in intangible assets used in operations and future discounted cash flows were not expected to be sufficient to recover the assets carrying amount, an impairment loss would be charged to expense in the period identified. The amount of an impairment loss would be recognized as the excess of the asset s carrying value over its fair value. Factors the Company considers important, which may cause impairment include, among others, significant changes in the manner of use of the acquired asset, negative industry or economic trends, and significant underperformance relative to historical or projected operating results.

The Company follows a two-step impairment test to identify potential impairment and measure the amount of the impairment loss to be recognized. In the first step, the fair value of the reporting unit is compared to its carrying value to determine if the goodwill and intangible assets are impaired. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, then goodwill and intangible assets are not impaired and no further testing is required. If the carrying value of the net assets assigned to the reporting unit were to exceed its fair value, then the second step is performed in order to determine the implied fair value of the reporting unit s goodwill and intangible assets and an impairment loss is recorded for an amount equal to the difference between the implied fair value and the carrying value of the goodwill and intangible assets.

The Company conducted its annual impairment analysis in the fourth quarter of its fiscal year. The impairment analysis did not result in an impairment charge for the fiscal years ended 2010, 2009 or 2008. Determining the fair value of a reporting unit is judgmental and involves the use of significant estimates and assumptions. The Company based its fair value estimates on assumptions that it believes are reasonable but are uncertain and subject to changes in market conditions.

The following table shows the activity and balances related to goodwill from January 1, 2009:

(in thousands)	
Goodwill at January 1, 2009,	$ 27,464
Acquisitions	
Adjustments[1]	197
Goodwill at December 31, 2009	27,661
Acquisitions	
Adjustments[1]	39
Goodwill at December 31, 2010	$ 27,700

1 Represents working capital and acquisition costs adjustments associated with the Adler Tank acquisition.

Intangible assets consist of the following:

(dollar amounts in thousands)	Estimated Useful Life In Years	December 31, 2010	December 31, 2009
Trade name	Indefinite	$ 5,700	$ 5,700
Customer Relationships	11	8,814	8,814
		14,514	14,514
Less Accumulated Amortization		(1,646)	(844)

	$ 12,868	$ 13,670

Intangible assets with finite useful lives are amortized over their respective useful lives. Based on the carrying values at December 31, 2010 and assuming no subsequent impairment of the underlying assets, the annual amortization is expected to be $0.8 million in 2011 through 2015 and thereafter.

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MCGRATH RENTCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTE 11. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2010 and 2009, the Company purchased liquid and solid containment tanks totaling $16.8 million and $14.1 million, respectively from Sabre Manufacturing, LLC, which is controlled by the President of Adler Tanks. In addition, the Company leases two operating facilities and receives certain support services from companies controlled by the President of Adler Tanks. Payments for these leases and services totaled $0.6 million and $0.7 million in 2010 and 2009, respectively. Amounts due to related parties at December 31, 2010 and 2009 were $0.5 million and $1.0 million, respectively.

In December 2010, the Company purchased real property located in Deer Park, Texas used as an operating facility for Adler Tanks from a company controlled by the President of Adler Tanks. The purchase price was $2.7 million which was paid in cash.

NOTE 12. SUBSEQUENT EVENTS

The Company evaluated all events or transactions that occurred after December 31, 2010. During this period, the Company did not have any material subsequent events that require disclosure in these consolidated financial statements.

NOTE 13. SEGMENT REPORTING

FASB guidelines establish 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 these guidelines the Company s four reportable segments are Mobile Modular, TRS-RenTelco, Adler Tanks and Enviroplex. Management focuses on several key measures to evaluate and assess each segment s performance including rental revenue growth, gross margin, and income before provision for income taxes. As separate corporate entities, Adler Tanks and Enviroplex revenues and expenses are separately maintained from Mobile Modular and TRS-RenTelco. Excluding interest expense, allocations of revenue and expense not directly associated with one of these segments are generally allocated to Mobile Modular, TRS-RenTelco and Adler Tanks, based on their pro-rata share of direct revenues. Interest expense is allocated between Mobile Modular, TRS-RenTelco and Adler Tanks based on their pro-rata share of average rental equipment at cost, goodwill, intangible assets, accounts receivable, deferred income and customer security deposits. The Company does not report total assets by business segment. Summarized financial information for the years ended December 31, 2010, 2009 and 2008, for the Company s reportable segments is shown in the following table:

SEGMENT DATA	Mobile Modular	TRS-RenTelco	Adler Tanks	Enviroplex[1]	Consolidated
(dollar amounts in thousands)					
Year Ended December 31, 2010					
Rental Revenues	$ 82,648	$ 82,540	$ 35,427	$	$ 200,615
Rental Related Services Revenues	22,947	2,240	9,515		34,702
Sales and Other Revenues	21,117	22,956	289	11,695	56,057
Total Revenues	126,712	107,736	45,231	11,695	291,374
Depreciation of Rental Equipment	13,734	37,017	5,648		56,399
Gross Profit	56,902	43,449	27,685	2,753	130,789
Interest Expense (Income) Allocation	3,513	1,791	1,080	(198)	6,186
Income before Provision for Income Taxes	25,080	19,263	14,444	263	59,050
Rental Equipment Acquisitions	22,948	42,406	52,353		117,707
Accounts Receivable, net (period end)	39,041	20,620	14,751	2,076	76,488
Rental Equipment, at cost (period end)	514,548	250,125	133,095		897,768
Rental Equipment, net book value (period end)	369,195	98,444	123,941		591,580
Utilization (period end)[2]	67.2%	64.3%	84.9%		
Average Utilization[2]	67.7%	66.0%	76.0%		

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MCGRATH RENTCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

SEGMENT DATA *(Continued)* *(dollar amounts in thousands)*	Mobile Modular	TRS-RenTelco	Adler Tanks	Enviroplex[1]	Consolidated
Year Ended December 31,					
2009					
Rental Revenues	$ 92,331	$ 75,500	$ 18,611	$	$ 186,442
Rental Related Services Revenues	25,174	1,970	6,208		33,352
Sales and Other Revenues	25,782	22,444	204	7,419	55,849
Total Revenues	143,287	99,914	25,023	7,419	275,643
Depreciation of Rental Equipment	13,718	40,175	3,322		57,215
Gross Profit	73,597	32,573	13,910	1,235	121,315
Interest Expense (Income) Allocation	4,199	2,213	893	(200)	7,105
Income before Provision for Income Taxes	42,090	8,482	4,451	(1,049)	53,974
Rental Equipment Acquisitions	13,298	22,842	37,751		73,891
Accounts Receivable, net (period end)	41,165	20,578	7,313	1,541	70,597
Rental Equipment, at cost (period end)	504,018	239,152	80,916		824,086
Rental Equipment, net book value (period end)	367,939	101,902	77,397		547,238
Utilization (period end)[2]	69.0%	63.0%	67.6%		
Average Utilization[2]	73.4%	61.5%	70.3%		
2008					
Rental Revenues	$ 103,236	$ 92,982	$ 1,018	$	$ 197,236
Rental Related Services Revenues	31,484	2,024	572		34,080
Sales and Other Revenues	26,339	26,844	176	19,484	72,843
Total Revenues	161,059	121,850	1,766	19,484	304,159
Depreciation of Rental Equipment	13,311	43,599	205		57,115
Gross Profit	81,512	47,962	926	5,338	135,738
Interest Expense (Income) Allocation	6,694	3,663	56	(436)	9,977
Income before Provision for Income Taxes	45,537	19,062	516	2,587	67,702
Rental Equipment Acquisitions	38,437	56,631	46,432		141,500
Accounts Receivable, net (period end)	51,042	22,916	6,524	5,530	86,011
Rental Equipment, at cost (period end)	503,678	255,778	46,288		805,744
Rental Equipment, net book value (period end)	376,606	129,573	46,059		552,238
Utilization (period end)[2]	81.0%	64.0%	70.3%		
Average Utilization[2]	81.6%	68.1%			

1 Gross Enviroplex sales revenues were $12,321, $8,106 and $21,674 in 2010, 2009 and 2008, respectively, which includes inter-segment sales to Mobile Modular of $626, $687 and $2,190, 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 during 2010, 2009 and 2008. 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.

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MCGRATH RENTCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

NOTE 14. QUARTERLY FINANCIAL INFORMATION (*unaudited*)

Quarterly financial information for each of the two years ended December 31, 2010 is summarized below:

(in thousands, except per share amounts)			2010		
	First	Second	Third	Fourth	Year
Operations Data					
Rental Revenues	$ 45,133	$ 47,851	$ 52,674	$ 54,957	$ 200,615
Total Revenues	61,730	66,523	83,204	79,917	291,374
Gross Profit	27,782	30,528	34,050	38,429	130,789
Income from Operations	12,371	13,579	17,481	21,805	65,236
Income Before Provision for Income Taxes	10,862	12,073	15,849	20,266	59,050
Net Income	6,648	7,388	9,700	12,743	36,479
Earnings Per Share:					
Basic	$ 0.28	$ 0.31	$ 0.41	$ 0.53	$ 1.52
Diluted	$ 0.28	$ 0.31	$ 0.40	$ 0.52	$ 1.50
Dividends Declared Per Share	$ 0.225	$ 0.225	$ 0.225	$ 0.225	$ 0.90
Shares Used in Per Share Calculations:					
Basic	23,826	23,924	23,936	24,085	23,944
Diluted	24,075	24,201	24,173	24,500	24,289
Balance Sheet Data					
Rental Equipment, net	$ 554,681	$ 571,810	$ 587,149	$ 591,580	$ 591,580
Total Assets	754,948	777,860	812,651	813,562	813,562
Notes Payable	242,047	263,500	272,500	265,640	265,640
Shareholders Equity	271,856	275,179	280,952	294,977	294,977

			2009		
	First	Second	Third	Fourth	Year
Operations Data					
Rental Revenues	$ 48,372	$ 45,083	$ 45,898	$ 47,089	$ 186,442
Total Revenues	67,155	66,474	75,500	66,514	275,643
Gross Profit	30,380	28,951	31,634	30,350	121,315
Income from Operations	14,803	13,486	17,334	15,452	61,079
Income Before Provision for Income Taxes	12,920	11,533	15,647	13,870	53,974
Net Income	7,868	7,024	9,529	8,902	33,325
Earnings Per Share:					
Basic	$ 0.33	$ 0.30	$ 0.40	$ 0.37	$ 1.40
Diluted	$ 0.33	$ 0.30	$ 0.40	$ 0.37	$ 1.40
Dividends Declared Per Share	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.88
Shares Used in Per Share Calculations:					
Basic	23,714	23,738	23,752	23,775	23,745
Diluted	23,829	23,804	23,876	23,950	23,869
Balance Sheet Data					
Rental Equipment, net	$ 552,138	$ 549,880	$ 547,362	$ 547,238	$ 547,238
Total Assets	767,274	753,343	757,861	757,936	757,936
Notes Payable	293,666	268,583	261,500	247,334	247,334
Shareholders Equity	253,682	256,831	262,104	267,415	267,415

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures. The Company s Management under the supervision and with the participation of the Company s Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures (as defined in rules promulgated under the Securities Exchange Act of 1934, as amended) for the Company. Based on their evaluation the CEO and CFO have concluded that the Company s disclosure controls and procedures were effective as of December 31, 2010.

Changes in Internal Control over Financial Reporting. During the last quarter of the Company s fiscal year ended December 31, 2010, there were no changes in the Company s internal control that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Limitations on the Effectiveness of Controls. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected. The Company s disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives, and the CEO and CFO have concluded that these controls and procedures are effective at the reasonable assurance level.

Management s Assessment of Internal Control. Management s assessment of the effectiveness of the Company s internal control over financial reporting as of December 31, 2010, is discussed in the Management s Report on Internal Control Over Financial Reporting included on page 57.

The effectiveness of the Company s internal control over financial reporting as of December 31, 2010 has been audited by Grant Thornton LLP, the Company s independent registered public accounting firm, and its report is included in this Annual Report on Form 10-K.

ITEM 9B. OTHER INFORMATION.

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this Item is incorporated by reference to McGrath RentCorp s definitive Proxy Statement with respect to its 2011Annual Meeting of Shareholders to be held on June 8, 2011, which will be filed with the Securities and Exchange Commission no later than April 30, 2011.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item is incorporated by reference to McGrath RentCorp s definitive Proxy Statement with respect to its 2011Annual Meeting of Shareholders to be held on June 8, 2011, which will be filed with the Securities and Exchange Commission no later than April 30, 2011.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by this Item is incorporated by reference to McGrath RentCorp s definitive Proxy Statement with respect to its 2011Annual Meeting of Shareholders to be held on June 8, 2011, which will be filed with the Securities and Exchange Commission no later than April 30, 2011.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.

The information required by this Item is incorporated by reference to McGrath RentCorp s definitive Proxy Statement with respect to its 2011Annual Meeting of Shareholders to be held on June 8, 2011, which will be filed with the Securities and Exchange Commission no later than April 30, 2011.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this Item is incorporated by reference to McGrath RentCorp s definitive Proxy Statement with respect to its 2011Annual Meeting of Shareholders to be held on June 8, 2011, which will be filed with the Securities and Exchange Commission no later than April 30, 2011.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

Index of documents filed as part of this report:

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

2. Financial Statement Schedules. None

3. Exhibits. See Index of Exhibits on page 85 of this report.

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

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 25, 2011

McGrath RentCorp

by: /s/ Dennis C. Kakures
DENNIS C. KAKURES
Chief Executive Officer, President and Director

(Principal Executive Officer)

by: /s/ Keith E. Pratt
KEITH E. PRATT
Senior Vice President and Chief Financial Officer

(Principal Financial Officer)

by: /s/ David M. Whitney
DAVID M. WHITNEY
Vice President and Controller

(Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities and on the dates indicated.

Name	*Title*	*Date*
/s/ William J. Dawson	Director	February 25, 2011
WILLIAM J. DAWSON		
/s/ Robert C. Hood	Director	February 25, 2011
ROBERT C. HOOD		
/s/ Dennis C. Kakures	Chief Executive Officer, President and Director	February 25, 2011
DENNIS C. KAKURES		
/s/ Robert P. McGrath	Chairman Emeritus	February 25, 2011
ROBERT P. McGRATH		
/s/ M. Richard Smith	Director	February 25, 2011
M. RICHARD SMITH		
/s/ Dennis P. Stradford	Director	February 25, 2011

DENNIS P. STRADFORD

/s/ Ronald H. Zech	Chairman of the Board	February 25, 2011

RONALD H. ZECH

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Number	*Description*	*Method of Filing*
3.1	Articles of Incorporation of McGrath RentCorp.	Filed as exhibit 19.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 1988 (filed August 14, 1988), and incorporated herein by reference.
3.1.1	Amendment to Articles of Incorporation of McGrath RentCorp.	Filed as exhibit 3.1 to the Company s Registration Statement on Form S-1 (filed March 28, 1991 Registration No. 33-39633), and incorporated herein by reference.
3.1.2	Amendment to Articles of Incorporation of McGrath RentCorp.	Filed as exhibit 3.1.2 to the Company s Annual Report on Form 10-K for the year ended December 31, 1997 (filed March 31, 1998), and incorporated herein by reference.
3.2	Amended and Restated By-Laws of McGrath RentCorp, as amended and restated on July 26, 2010.	Filed as exhibit 3.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2010(filed November 1, 2010), and incorporated herein by reference.
4.1	Note Purchase and Private Shelf Agreement between the Company and Prudential Investment Management, Inc., as placement agent, dated June 2, 2004.	Filed as exhibit 10.12 to the Company s Current Report on Form 8-K (filed June 10, 2004), and incorporated herein by reference.
4.1.1	Amendment to Note Purchase and Private Shelf Agreement between the Company and Prudential Investment Management, Inc., as placement agent, effective as of July 11, 2005.	Filed as exhibit 10.19 to the Company s Current Report on Form 8-K (filed July 15, 2005), and incorporated herein by reference.
4.1.2	Amendment to Note Purchase and Private Shelf Agreement between the Company and Prudential Investment Management, Inc., as placement agent, effective as of October 20, 2008.	Filed as exhibit 4.1.2 to the Company s Annual Report on Form 10-K for the year ended December 31, 2009 (filed February 26, 2010), and incorporated herein by reference.
4.1.3	Multiparty Guaranty between Enviroplex, Inc., Mobile Modular Management Corporation, Prudential Investment Management, Inc., and such other parties that become Guarantors thereunder, dated June 2, 2004.	Filed as exhibit 10.13 to the Company s Current Report on Form 8-K (filed June 10, 2004), and incorporated herein by reference.
4.1.4	Release from Obligations (TRS-RenTelco Inc.) related to the Note Purchase and Private Shelf Agreement dated June 2, 2004 by and among the Company, certain parties thereto, and Prudential Investment Management, Inc.	Filed as exhibit 10.15 to the Company s Quarterly Report on Form 10-Q (filed August 3, 2006) and incorporated herein by reference.
4.1.5	Indemnity, Contribution and Subordination Agreement between Enviroplex, Inc., Mobile Modular Management Corporation, the Company and such other parties that become Guarantors thereunder, dated June 2, 2004.	Filed as exhibit 10.14 to the Company s Current Report on Form 8-K (filed June 10, 2004), and incorporated herein by reference.
4.1.6	Amendment to Note Purchase and Private Shelf Agreement between the Company and Prudential Investment Management, Inc., as placement agent effective August 4, 2009.	Filed as exhibit 4.1 to the Company s Quarterly Report on form 10-Q (filed August 6, 2009), and incorporated herein by reference.
4.2	Credit Agreement dated as of May 14, 2008 among the Company, Bank of America, N.A. as Administrative Agent, Swing line Lender and L/C Issuer, and the Other Lenders Party thereto.	Filed as exhibit 10.1 to the Company s Current Report on Form 8-K (filed May 15, 2008), and incorporated herein by reference.
4.2.1	Guaranty dated as of May 14, 2008 among each Subsidiary of the Company in favor of Bank of America, N.A., in its capacity as the administrative agent for the Lenders	Filed as exhibit 10.2 to the Company s Current Report on Form 8-K (filed May 15, 2008), and incorporated herein by reference.
4.3	$5,000,000 Committed Credit Facility Letter Agreement between the Company and Union Bank of California, N.A., dated as of June 26, 2008.	Filed as exhibit 10.1 to the Company s Current Report on Form 8-K (filed June 27, 2008) and incorporated herein by reference.
4.3.1	$5,000,000 Credit Line Note, dated June 26, 2008.	Filed as exhibit 10.2 to the Company s Current Report on Form 8-K (filed June 27, 2008), and incorporated herein by reference.
10.1	McGrath RentCorp 1998 Stock Option Plan as amended and restated on November 22, 2002.	Filed as exhibit 10.2 to the Company s Annual Report on Form 10-K for the year ended December 31, 2002 (filed March 20, 2003), and incorporated herein by reference.

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Number	*Description*	*Method of Filing*
10.1.1	Exemplar Incentive Stock Option for Employees Under the 1998 Stock Option Plan.	Filed as exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (filed November 12, 1998), and incorporated herein by reference.
10.1.2	Exemplar Non-Qualified Stock Option for Directors under the 1998 Stock Option Plan.	Filed as exhibit 10.3 to the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (filed November 12, 1998), and incorporated herein by reference.
10.2	Exemplar Form of the Directors, Officers and Other Agents Indemnification Agreements.	Filed as exhibit 10.3 to the Company s Annual Report on Form 10-K for the year ended December 31, 2001 (filed March 18, 2002), and incorporated herein by reference.
10.3	McGrath RentCorp Employee Stock Ownership Plan, as amended and restated on December 31, 2008.	Filed as exhibit 10.3 to the Company s Annual Report on Form 10-K for the year ended December 31, 2009 (filed February 26, 2010), and incorporated herein by reference.
10.3.1	McGrath RentCorp Employee Stock Ownership Trust Agreement, as amended and restated on December 31, 2008.	Filed as exhibit 10.3.1 to the Company s Annual Report on Form 10-K for the year ended December 31, 2009 (filed February 26, 2010), and incorporated herein by reference.
10.4	McGrath RentCorp 2007 Stock Incentive Plan.	Filed as exhibit 10.12 to the Company s Quarterly Report on from 10-Q for the quarter ended June 30, 2007 (filed August 2, 2007), and incorporated herein by reference.
10.4.1	Form of 2007 Stock Incentive Plan Stock Option Award and Agreement.	Filed as exhibit 10.12.1 to the Company s Quarterly Report on from 10-Q for the quarter ended June 30, 2007 (filed August 2, 2007), and incorporated herein by reference.
10.4.2	Form of 2007 Stock Incentive Plan Non-Qualified Stock Option Award and Agreement.	Filed as exhibit 10.12.2 to the Company s Quarterly Report on from 10-Q for the quarter ended June 30, 2007 (filed August 2, 2007), and incorporated herein by reference.
10.4.3	Form of 2007 Stock Incentive Plan Stock Appreciation Right Award and Agreement.	Filed as exhibit 10.4.3 to the Company s Quarterly Report on form 10-Q for the quarter ended March 31, 2010 (filed May 6, 2010), and incorporated herein by reference.
10.4.4	Form of 2007 Stock Incentive Plan Restricted Stock Unit Award and Agreement.	Filed as exhibit 10.4.4 to the Company s Quarterly Report on form 10-Q for the quarter ended March 31, 2010 (filed May 6, 2010), and incorporated herein by reference.
10.5	Asset Purchase Agreement, dated as of November 26, 2008, by and between Abrams Rentals LLC, Adler Tank Rentals, LLC each of Steve Adler and Howard Werner, and the Company.	Filed as exhibit 2.1 to the Company s Current Report on Form 8-K (filed December 12, 2008), and incorporated herein by reference.
21.1	List of Subsidiaries.	Filed herewith.
23	Written Consent of Grant Thornton LLP.	Filed herewith.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.