MCGRATH RENTCORP
Form DEF 14A
April 23, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

McGrath RentCorp

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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(1) Title of each class of securities to which transaction applies:

N/A

(2) Aggregate number of securities to which transaction applies:

N/A

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount previously paid:

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(2) Form, Schedule or Registration Statement No.:

N/A

(3) Filing Party:

N/A

(4) Date Filed:

N/A

McGRATH RENTCORP

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held June 4, 2008

To the Shareholders of McGRATH RENTCORP:

NOTICE IS HEREBY GIVEN that the 2008 Annual Meeting of Shareholders (the Annual Meeting) of McGrath RentCorp, a California corporation (the Company), will be held at the Company s principal executive offices located at 5700 Las Positas Road, Livermore, California 94551, on Wednesday, June 4, 2008, at 2:00 p.m., local time. Shareholders who are unable to attend may listen to a live webcast of the Annual Meeting on the Company s website at www.mgrc.com under the Investor Relations section. The Annual Meeting will be held for the following purposes:

1. To elect six (6) directors of the Company to serve until the 2009 annual meeting of shareholders or until their successors are elected and qualified;

2. To approve and adopt an amendment to the Company s Bylaws to increase the stated minimum and maximum number of authorized directors from the current range of not less than four (4) nor greater than seven (7), to the proposed range of not less than five (5) nor greater than nine (9) individuals to serve as the Board of Directors of the Company;

3. To ratify the appointment of Grant Thornton LLP as the independent auditors for the Company for the year ending December 31, 2008; and

4. To transact such other business as may properly come before the Annual Meeting and any adjournment or postponement thereof.

The foregoing items of business are more fully described in the proxy statement which is attached and made a part hereof.

The Board of Directors of the Company has fixed the close of business on April 16, 2008 as the record date for determining the shareholders entitled to notice of and to vote at the Annual Meeting and any adjournment or postponement thereof.

All shareholders are cordially invited to attend the meeting in person. Whether or not you expect to attend the Annual Meeting in person, you are urged to mark, sign, date and return the enclosed proxy card as promptly as possible in the postage-prepaid envelope provided to ensure your representation and the presence of a quorum at the Annual Meeting. Should you receive more than one proxy because your shares are registered in different names and addresses, each proxy should be returned to ensure that all of your shares will be voted. If you send in your proxy card and then decide to attend the Annual Meeting to vote your shares in person, you may still do so. Your proxy is revocable in accordance with the procedures set forth in the proxy statement.

By Order of the Board of Directors,

Randle F. Rose

Senior Vice President,

Chief Administrative Officer and Secretary

Livermore, California

April 23, 2008

Important Notice Regarding the Availability of

Proxy Materials for the Shareholder Meeting to be Held on June 4, 2008

The proxy statement and annual report to shareholders are available at www.mgrc.com/proxy

Mailed to Shareholders

on or about April 28, 2008

McGRATH RENTCORP

5700 Las Positas Road

Livermore, California 94551

PROXY STATEMENT

FOR 2008 ANNUAL MEETING OF SHAREHOLDERS

General Information

This proxy statement is furnished to the shareholders of McGrath RentCorp, a California corporation (the Company), in connection with the solicitation by the Board of Directors of the Company of proxies in the accompanying form for use in voting at the Annual Meeting of shareholders of the Company (the Annual Meeting) to be held on Wednesday, June 4, 2008, at 2:00 p.m., local time, at the Company s principal executive offices located at 5700 Las Positas Road, Livermore, California 94551, and any adjournment or postponement thereof. The shares represented by the proxies received, properly marked, dated, executed and not revoked will be voted at the Annual Meeting.

Solicitation, Record Date and Voting Procedures

The solicitation of proxies will be conducted by mail and the Company will bear all related costs. These costs will include the expense of preparing and mailing proxy materials for the Annual Meeting and reimbursements paid to brokerage firms and others for their expenses incurred in forwarding solicitation material regarding the Annual Meeting to beneficial owners of the Company s common stock. The Company may conduct further solicitation personally, telephonically or by facsimile through our officers, directors and regular employees, none of whom will receive additional compensation for assisting with the solicitation.

The Securities and Exchange Commission has adopted new e-proxy rules that allow companies to post their proxy materials on the Internet and provide only a Notice of Internet Availability of Proxy Materials to shareholders. For 2008, we have opted to follow the Security and Exchange Commission s full set delivery option, which means that while we are posting our proxy materials online, we are also mailing a full set of proxy materials to shareholders.

The close of business on April 16, 2008 has been fixed as the record date (the Record Date) for determining the holders of shares of common stock of the Company entitled to notice of and to vote at the Annual Meeting. As of the close of business on the Record Date, the Company had 23,634,514 shares of common stock outstanding and entitled to vote at the Annual Meeting. The presence at the Annual Meeting of a majority of these shares of common stock of the Company, either in person or by proxy, will constitute a quorum for the transaction of business at the Annual Meeting. An automated system administered by the Company s transfer agent will tabulate votes cast by proxy and Randle F. Rose, the Company s Secretary, will act as inspector of elections to tabulate votes cast in person at the Annual Meeting.

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

Under the General Corporation Law of the State of California, an abstaining vote and a broker non-vote are counted as present and are, therefore, included for purposes of determining whether a quorum of shares is present at the Annual Meeting. Abstentions are not included in determining the number of shares voted on the proposals submitted to shareholders. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular matter because the nominee does not have the discretionary voting power with respect to that matter and has not received instructions from the beneficial owner. Broker non-votes, and shares as to which proxy authority has been withheld with respect to any matter, are not deemed to be entitled to vote for purposes of determining whether shareholders approval of that matter has been obtained.

With respect to Proposal 1 of this proxy statement, a plurality of the votes cast is required for the election of directors. This means that the director nominee with the most votes for a particular slot is elected for that slot. You may vote for or withheld with respect to the election of directors. Only votes for or withheld are counted in determining whether a plurality has been cast in favor of a director. Abstentions and broker non-votes will have no effect on such proposal. Our Corporate Governance Guidelines, amended by the Board of Directors on March 9, 2007, set forth our procedures if a director-nominee is elected, but receives a majority of withheld votes. In an uncontested election, any nominee for director who receives a greater number of votes withheld from his or her election than votes for such election is required to tender his or her resignation following certification of the shareholder vote. The Corporate Governance Committee is required to make recommendations to the Board of Directors with respect to any such letter of resignation. The Board of Directors is required to take action with respect to this recommendation and to disclose their decision-making process. With respect to Proposal 2 of this proxy statement, the affirmative vote of a majority of the outstanding shares of common stock entitled to vote is required for the approval and adoption of an amendment to the Company s Bylaws to increase the stated minimum and maximum number of authorized directors from the current range of not less than four (4) nor greater than seven (7), to the proposed range of not less than five (5) nor greater than nine (9) individuals to serve as the Board of Directors of the Company. Abstentions and broker non-votes will have no effect on such proposal. With respect to Proposal 3 of this proxy statement, the affirmative vote of a majority of the shares of common stock represented and voted at the Annual Meeting is required for ratification of the independent auditors. Abstentions and broker non-votes will have no effect on such proposal.

The Proxy

The persons named as proxyholders, Robert P. McGrath, the Company s Chairman of the Board of Directors, and Randle F. Rose, the Company s Secretary, were selected by the Company s Board of Directors.

All shares represented by each properly executed, unrevoked proxy received in time for the Annual Meeting will be voted in the manner specified therein. If no specification is made on the proxy as to any one or more of the proposals, the common stock of the Company represented by the proxy will be voted as to the proposal for which no specification is given as follows:

FOR the election of the director nominees named in this proxy statement; *FOR* the approval and adoption of the amendment to the Company s Bylaws to increase the number of authorized directors; and *FOR* the ratification of the selection of Grant Thornton LLP, as the Company s independent auditors for the 2008 fiscal year and, with respect to any other matters that may come before the Annual Meeting, at the discretion of the proxyholders. The Company does not presently know of any other such business to be conducted at the Annual Meeting.

Revocability of Proxy

If the shares of common stock are held in your name, you may revoke your proxy given pursuant to this solicitation at any time before the proxy card is voted by: (i) delivering to the Company (to the attention of Randle F. Rose, the Company s Secretary), at the address of our principal executive offices, a written notice of revocation or a duly executed proxy bearing a later date, or (ii) attending the Annual Meeting and voting in person. If your shares are held in street name, you should follow the directions provided by your broker regarding how to revoke your proxy. Your attendance at the Annual Meeting after having executed and delivered a valid proxy card will not in and of itself constitute a revocation of your proxy. You will be required to give oral notice of your intention to vote in person to the inspector of elections at the Annual Meeting.

Deadline for Receipt of Shareholder Proposals

Requirements for Shareholder Proposals to Be Brought before an Annual Meeting. To be considered for presentation to the annual meeting of the Company s shareholders to be held in 2009, a shareholder proposal must be received by Randle F. Rose, Secretary, McGrath RentCorp, 5700 Las Positas Road, Livermore, California 94551, no later than December 29, 2008.

Requirements for Shareholder Proposals to Be Considered for Inclusion in the Company s Proxy Materials. Shareholder proposals submitted pursuant to Rule 14a-8 under the Exchange Act and intended to be presented at the annual meeting of the Company s shareholders to be held in 2009 must be received by the Company no later than December 29, 2008 in order to be considered for inclusion in the Company s proxy materials for that meeting.

Discretionary Authority. The proxies to be solicited by our Board of Directors for the 2009 annual meeting will confer discretionary authority on the proxyholders to vote on any shareholder proposal presented at such annual meeting if we fail to receive notice of such proposal by March 14, 2009.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

The Company s bylaws authorize the number of directors to be not less than four (4) and not more than seven (7). The number of directors on the Board of Directors is currently fixed at seven (7). Each director serves a one-year term. The Board of Directors is currently composed of the following seven (7) directors whose terms will expire upon the election and qualification of directors at the Annual Meeting of shareholders to be held on June 4, 2008: William J. Dawson, Robert C. Hood, Dennis C. Kakures, Joan M. McGrath, Robert P. McGrath, Dennis P. Stradford and Ronald H. Zech. At each annual meeting of shareholders, directors will be elected for full terms of one year to succeed those directors whose terms are expiring.

One of our directors, Joan M. McGrath, will be retiring at the annual meeting. McGrath RentCorp is grateful to Ms. McGrath for the time and wise counsel she has provided since joining the Board in 1982, and wishes her well in her future endeavors. As a result of Ms. McGrath s retirement, the Board will reduce its size from seven (7) to six (6), immediately after the election of the directors at the Annual Meeting.

At the Annual Meeting, the shareholders will elect six (6) directors. Messrs. Dawson, Hood, Kakures, McGrath, Stradford and Zech have been nominated to serve a one-year term, until the annual meeting of shareholders to be held in 2009, or until their successors are elected or appointed and qualified, or until their earlier resignation or removal. The Board of Directors has no reason to believe that any of Messrs. Dawson, Hood, Kakures, McGrath, Stradford and Zech will be unable or unwilling to serve as a nominee or as a director if elected.

Nominees

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

Name of Nominee	Age	Principal Occupation	Director Since
William J. Dawson	53	Vice President, Finance and Chief Financial Officer of Cerus Corporation	1998
Robert C. Hood	67	Former Executive Vice President and Chief Financial Officer of Excite, Inc.	1999
Dennis C. Kakures	51	Chief Executive Officer and President of the Company	2003
Robert P. McGrath	74	Chairman of the Board of Directors of the Company	1979
Dennis P. Stradford	61	President and Chief Executive Officer of Nomis Solutions, Inc.	2002
Ronald H. Zech	64	Former Chairman of the Board of Directors and Chief Executive Officer of GATX Corporation	1989

William J. Dawson was elected a director of the Company in 1998. Mr. Dawson joined Cerus Corporation, a publicly held biopharmaceutical company, in August 2004 as Vice President, Finance and Chief Financial Officer. From 2002 until August 2004, he was Vice President, Finance & Operations, and Chief Financial Officer of Dynavax Technologies Corporation, a publicly held biopharmaceutical company. From 1998 through 2001, he was Corporate Senior Vice President, Business Development, for McKesson Corporation, where he was responsible for mergers and acquisitions and venture capital investing for the San Francisco-based healthcare services company. He was also acting Chief Financial Officer of iMcKesson, a wholly-owned e-health subsidiary of McKesson. Mr. Dawson also serves on the board of directors of Wellington Trust Company, a subsidiary of Wellington Management Company, LLP, a private institutional fund management company. Mr. Dawson received an A.B. in mechanical engineering from Stanford University and an M.B.A. from Harvard Business School.

Robert C. Hood was elected a director of the Company in 1999. Since 1999, he has been an independent investor. From 1996 to 1999, Mr. Hood was Executive Vice President and Chief Financial and Administrative Officer of Excite, Inc., an Internet portal company. Mr. Hood received a B.A. in Economics from Bates College and an M.B.A. from the Amos Tuck Graduate School of Business at Dartmouth College.

Dennis C. Kakures was elected a director of the Company in 2003 and became the Chief Executive Officer of the Company in 2003. Mr. Kakures has been the President of the Company since 1995. Prior to becoming Chief Executive Officer, he served as Chief Operating Officer from 1989 to 2003 and Executive Vice President from 1993 to 1995. Mr. Kakures received a B.S. in Marketing from California State University at Hayward.

Robert P. McGrath is the founder and Chairman of the Board of Directors of the Company. He has been a director since the Company s formation in 1979 and our Chairman of the Board of Directors since 1988. From March 2003 to July 2004, Mr. McGrath served as Executive Chairman. From 1979 to March 2003, he also served as the Company s Chief Executive Officer. He served as President from 1979 to 1994 and Chief Financial Officer from 1979 to 1993. Mr. McGrath received a B.S. in Electrical Engineering from the University of Notre Dame.

Dennis P. Stradford was elected a director of the Company in 2002. Mr. Stradford also served on the Company s Audit Committee from November 2002 until November 2003. Mr. Stradford joined Nomis Solutions, Inc., a provider of price optimization solutions to the financial services industry, as its President and Chief Executive Officer in January 2004. Mr. Stradford was the Chief Executive Officer of CascadeWorks, Inc., a provider of e-procurement software to Fortune 1000 companies, from 2000 to 2003. From 1998 to 2000, he was Chief Executive Officer of SupplyBase, Inc. a provider of web-based supply-chain management software and services. From 1985 to 1997, Mr. Stradford was with Flextronics International, Ltd., a publicly traded company, and served as its Senior Vice President, Sales and Marketing. He previously held executive and sales positions with Zehntel, Inc. and International Business Machines Corp. Mr. Stradford holds a B.A. from San Jose State University and an M.A., M. Div. from St. Patricks Theolgaite.

Ronald H. Zech was elected a director of the Company in 1989. Mr. Zech retired in 2005 as Chairman of the Board of Directors and Chief Executive Officer of GATX, which provides specialized finance and leasing solutions for customers and partners worldwide. He had 28 total years of service with GATX. Mr. Zech also serves on the board of directors of The PMI Group, Inc., a domestic and international provider of mortgage insurance and financial guarantee products. Mr. Zech received a B.S. in Electrical Engineering from Valparaiso University and an M.B.A. from the University of Wisconsin.

Required Vote

The nominees will be elected by a plurality of the votes cast. Abstentions and broker non-votes are not counted toward the nominees total. However, under our Corporate Governance Guidelines, in an uncontested election, any nominee for director who receives a greater number of votes withheld from his or her election than votes for such election (a Majority Withheld Vote) is required to tender his or her resignation following certification of the shareholder vote.

The Governance Committee shall consider the resignation offer and recommend to the Board whether to accept it. The Board will act on the Governance Committee s recommendation within 90 days following certification of the shareholder vote. The Board will promptly disclose their decision whether to accept or reject the director s resignation offer (and the reasons for rejecting the resignation offer, if applicable) in a Form 8-K furnished to the Securities and Exchange Commission.

Any director who tenders his or her resignation pursuant to this provision shall not participate in the Governance Committee recommendation or Board action regarding whether to accept the resignation offer.

If all members of the Governance Committee receive a Majority Withheld Vote at the same election, then the independent directors who did not receive a Majority Withheld Vote shall appoint a committee among themselves to consider the resignation offers and recommend to the Board whether to accept them; provided, however, if the only directors who did not receive a Majority Withheld Vote in the same election constitute three or fewer directors, all directors may participate in the action regarding whether to accept the resignation offers.

Each nominee elected as a director will continue in office until his or her successor has been elected and qualified, or until his or her earlier death, resignation or retirement.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF THE NOMINEES NAMED ABOVE.

EXECUTIVE OFFICERS AND DIRECTORS

The following table sets forth certain information with respect to the executive officers and directors of the Company as of March 31, 2008:

Name	Age	Position Held with the Company
Robert P. McGrath	74	Chairman of the Board of Directors
Dennis C. Kakures	51	Chief Executive Officer, President and Director
Joseph F. Hanna	45	Senior Vice President and Chief Operating Officer
Keith E. Pratt	45	Senior Vice President and Chief Financial Officer
Randle F. Rose	50	Senior Vice President, Chief Administrative Officer and Secretary
David M. Whitney	43	Vice President, Principal Accounting Officer and Corporate Controller
Richard G. Brown	39	Vice President, Mobile Modular
Philip B. Hawkins	32	Vice President, TRS-RenTelco
William J. Dawson(1)(2)	53	Director
Robert C. Hood(1)(2)(3)	67	Director
Joan M. McGrath	71	Director
Dennis P. Stradford(1)(3)	61	Director
Ronald H. Zech(2)(3)	64	Director

(1) Member of the Compensation Committee
(2) Member of the Audit Committee
(3) Member of the Corporate Governance and Nominating Committee

Robert P. McGrath, Dennis C. Kakures, William J. Dawson, Robert C. Hood, Dennis P. Stradford and Ronald H. Zech are nominees to the Board of Directors and their descriptions appear under *Proposal No. 1: Election of Directions Nominees.*

Joseph F. Hanna was appointed Chief Operating Officer in June 2007. He was appointed Senior Vice President of Operations in January 2005, and served as Vice President of Operations since joining the Company in 2003. Mr. Hanna has extensive sales and operations experience, including 12 years at SMC Corporation of America (a subsidiary of SMC Corporation, Tokyo, Japan) where he served most recently as Director, Sales and Operations, Western United States. His prior experience also includes serving as an officer in the United States Army. Mr. Hanna received a B.S. in Electrical Engineering from the United States Military Academy, West Point, New York.

Keith E. Pratt was appointed Senior Vice President in June 2007. He joined the Company in January 2006 as Vice President and was appointed Chief Financial Officer in March 2006. Most recently, he was with Advanced Fibre Communications (AFC), a public telecommunications equipment company in Petaluma, California, where he served as Senior Vice President and Chief Financial Officer. Mr. Pratt served as Chief Financial Officer from 1999 until AFC was acquired by Tellabs at the end of 2004. He also served as Director of Corporate Development at AFC from 1997 to 1999 prior to becoming Chief Financial Officer. Prior to Mr. Pratt joining AFC, he served as Director, Strategy & Business Development Group at Pacific Telesis from 1995 to 1997. Mr. Pratt has an undergraduate degree from Cambridge University in Production Engineering and an M.B.A. from Stanford University.

Randle F. Rose was appointed Senior Vice President and Chief Administrative Officer in June 2007. He joined the Company in 1997 as its Vice President of Administration and was elected Secretary of the Company in 1999. Mr. Rose received a B.S. in Business Finance from San Jose State University.

David M. Whitney joined the Company as its Corporate Controller in 2000 and was elected Vice President and Principal Accounting Officer in March 2006. Previously he was Manager of Regional Accounting for The Permanente Medical Group in Oakland, California. Mr. Whitney holds a B.S. in Accounting from California State University at Hayward, and is a Certified Public Accountant.

Richard G. Brown was appointed Vice President of the Company and Division Manager of Mobile Modular in January 2005. He previously served as Division Manager of the Company s modular division from July 2002 to January 2005. He joined the Company in 1992 and has served in both sales and branch management positions for the Company s modular division. He received a B.A. in Speech Communication from California State University, Northridge in 1992 and an M.B.A. from Azusa Pacific University in 1998.

Philip B. Hawkins was appointed Vice President of the Company and Division Manager of TRS-RenTelco in June 2007. He previously served as Manager, Financial Planning and Analysis from June 2004 to June 2007. Mr. Hawkins was a Senior Business Analyst for Technology Rentals and Services (TRS), an electronics equipment rental division of CIT Technologies Corporation from December 2003 until TRS was acquired by the Company in June 2004. He previously served as Director of Portfolio Management and held other leadership roles with Dell Financial Services from April 1999 to December 2003. Mr. Hawkins received B.S. degrees in Accounting, Finance and Computer Information Systems from Arizona State University.

Joan M. McGrath was elected a director of the Company in 1982. Ms. McGrath retired as an employee of the Company on July 1, 2004. Prior to her retirement, Ms. McGrath provided leadership and general management training to Company employees. She served as a Vice President of the Company from 1982 through 1994, and her responsibilities included training sales, supervisory and management personnel and general management. Ms. McGrath received a B.A. in English Literature from Marymount College and an M.A. in Theology from University of San Francisco, and completed doctoral studies in philosophy at Fordham University. Ms. McGrath is a current director of the Company, but has decided to retire after her term expires.

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

Director Independence

Our Board of Directors has determined that four non-employee directors on the Board of Directors, consisting of Messrs. Dawson, Hood, Stradford and Zech, are independent as defined in the listing standards of the NASDAQ Stock Market and regulations of the Securities & Exchange Commission (SEC regulations) and any other laws applicable to the Company. Mr. and Ms. McGrath, while no longer employees of the Company, are not considered independent because Mr. McGrath is the former Chief Executive Officer and Founder of the Company and Ms. McGrath is the wife of Mr. McGrath. Mr. Kakures, as an executive officer of the Company, is not considered independent. In making these determinations, our Board of Directors considered transactions and relationships between each director and his or her immediate family and the Company and our subsidiaries, including those reported in the section below captioned Certain Relationships and Related Transactions. The purpose of this review was to determine whether any such relationships or transactions were material and, therefore, inconsistent with a determination that the director is independent. As a result of this review, our Board of Directors affirmatively determined, based on its understanding of such transactions and relationships, that four of our non-employee directors are independent of the Company and, therefore, a majority of the members of our Board of Directors is independent, under the applicable listing standards of the NASDAQ Stock Market.

Meetings and Committees of the Board of Directors

During 2007, the Board of Directors met eleven times. No director attended fewer than 75% of the aggregate of either (i) the total number of meetings of the Board of Directors held during the period for which he or she was a director, or (ii) the total number of committee meetings of the Board of Directors held in 2007 on which he or she served. All seven directors attended the 2007 Annual Meeting. All directors are expected to attend our Annual Meeting of Shareholders. The standing committees of the Board of Directors currently include the Compensation Committee, the Audit Committee and the Corporate Governance and Nominating Committee.

Our Board of Directors has determined that all current members of the Compensation Committee are independent as defined in the listing standards of the NASDAQ Stock Market and SEC regulations and any other laws applicable to the Company.

Compensation Committee

The Compensation Committee held nine meetings in 2007. The Compensation Committee currently consists of Messrs. Dawson, Hood and Stradford; Mr. Dawson served as its chairman. Our Board of Directors has determined that all current members of the Compensation Committee are independent as defined in the listing standards of the NASDAQ Stock Market and SEC regulations and any other laws applicable to the Company. In addition, our Board of Directors has determined that all current members of the Compensation Committee shall qualify as non-employee directors within the meaning of Securities & Exchange Commission (SEC) Rule 16b-3 as promulgated under the Securities Exchange Act of 1934, as amended, and as outside directors within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended.

The Board of Directors adopted and approved a charter for the Compensation Committee, which was most recently amended and restated on February 2, 2007. A copy of this charter is posted on our website at *www.mgrc.com*. The functions of the Compensation Committee, which are discussed in detail in its charter, are to (a) evaluate officer and director compensation policies, goals, plans and programs; (b) determine the cash and non-cash compensation of the executive officers of the Company; (c) review and administer the Company s equity-based and other incentive compensation plans for employees; (d) evaluate the performance of the Company s chief executive officer; and (e) produce any reports required by the applicable rules and regulations of the SEC.

Compensation decisions for the executive officers of the Company are made by the Compensation Committee. The Compensation Committee directs the Chief Executive Officer to develop the incentive compensation guidelines for the other executive officers and to determine the incentive compensation bonuses for each of the other executive officers. Compensation decisions for directors are made by the Board of Directors after recommendations by the Compensation Committee.

Audit Committee

The Audit Committee held six meetings in 2007. The Audit Committee currently consists of Messrs. Dawson, Hood and Zech; Mr. Hood serves as its chairman. After considering transactions and relationships between each member of the Audit Committee or his immediate family and the Company and our subsidiaries and reviewing the qualifications of the members of the Audit Committee, our Board of Directors has determined that all current members of the Audit Committee are independent, as defined in the listing standards of the NASDAQ Stock Market and SEC regulations and any other laws applicable to the Company. The Board of Directors has also determined that all current members of the Audit Committee are financially literate and have the requisite financial sophistication as required by the listing standards of the NASDAQ Stock Market. Furthermore, our Board of Directors has determined that Messrs. Dawson, Hood and Zech each qualify as an Audit Committee financial expert, as defined by the applicable rules of the Securities Exchange Act of 1934, as amended (the Exchange Act), pursuant to the fact that, among other things, Mr. Hood is the former Executive Vice President and Chief Financial Officer of Excite, Inc., Mr. Dawson is the Vice President and Chief Financial Officer of Cerus Corporation and Mr. Zech is the former Chief Executive Officer of GATX Corporation, and in those respective capacities each had acquired the relevant experience and expertise and has the attributes set forth in the applicable rules as being required for an Audit Committee financial expert.

The Board of Directors adopted and approved a charter for the Audit Committee, which was most recently amended and restated on December 6, 2007. A copy of this charter is posted on our website at *www.mgrc.com.* The functions of the Audit Committee, which are discussed in detail in its charter, are to (a) oversee the engagement, replacement, compensation, qualification, independence and performance of the independent auditors; (b) oversee the conduct of the Company s accounting and financial reporting processes and the integrity of the Company s audited financial statements and other financial reports; (c) oversee the performance of the Company s internal accounting and financial controls function; and (d) oversee the Company s compliance with its policies and other legal requirements as such compliance relates to the integrity of the Company s financial reporting. The Audit Committee has also established procedures for (a) the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters, and (b) the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing materials. The Audit Committee also oversees the preparation of a report for inclusion in our annual proxy statements and is charged with the duties and responsibilities listed in its charter. The Audit Committee s report is included in this Proxy Statement on page 37. The Audit Committee is a separately designated standing audit committee as defined in Section 3(a)(58)(A) of the Securities Exchange Act of 1934.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee held two meetings in 2007. The Corporate Governance and Nominating Committee consists of Messrs. Stradford, Hood and Zech; Mr. Zech serves as its chairman. Our Board of Directors has determined that all current members of the Corporate Governance and Nominating Committee are independent, as defined in the listing standards of the NASDAQ Stock Market and SEC regulations and any other laws applicable to the Company.

The Board of Directors adopted and approved a charter for the Corporate Governance and Nominating Committee, which was most recently amended and restated on February 2, 2007. A copy of this charter is posted on our website at *www.mgrc.com*. The functions of the Corporate Governance and Nominating Committee, which are discussed in detail in its charter, are to assist the Board in all matters relating to (a) the establishment, implementation and monitoring of policies and processes regarding the recruitment and nomination of candidates to the Board and committees of the Board; (b) the review and making of recommendations to the Board regarding the composition and structure of the Board and committees of the Board; (c) the development, evaluation and monitoring of the Company s corporate governance processes and principles; (d) the development, implementation and monitoring compliance of the Company s Code of Business Conduct and Ethics and making recommendations to the Board of revisions to this Code of Business Conduct and Ethics from time to time as appropriate; and (e) the administration of the Board s annual self-evaluation process and the sharing of the results thereof with the Board for discussion and deliberation.

Qualifications of Directors

The Corporate Governance and Nominating Committee will consider for nomination all bona fide candidates proposed by management or shareholders and will nominate directors that it believes will serve the best interests of the Company and its shareholders. Candidates must have the education, business or organizational experience and skills that will enable them to excel in carrying out their responsibilities on the Board of Directors. Candidates must possess and have demonstrated in professional endeavor the highest personal and professional ethics, integrity and values, and be committed to representing the long-term best interests of shareholders. Further, candidates must have an inquisitive and objective perspective, practical wisdom and mature judgment, and be willing and able to challenge management in a constructive manner. Candidates will also be judged on their ability to work in a collegial manner with a sense of common purpose, energy, industry knowledge, business sense and trust with other board members and management, as one group acting in unison to solve difficult problems as they may arise. The candidate s specific knowledge of the Company, its markets, and its strategy will also be considered. The Board of Directors recommendations for inclusion in the slate of directors at an annual or special meeting of shareholders, or for appointment by the Board of Directors to fill a vacancy, are based on its determination, after reviewing recommendations from the Corporate Governance and Nominating Committee, as to the suitability of each individual.

Director Nomination Process

Continuing Directors

The Corporate Governance and Nominating Committee will apply its director candidate selection criteria described above, including a director s past contributions to the Board, prior to recommending a director for re-election to another term. Directors should not expect to be re-nominated annually as a matter of course. Once the Corporate Governance and Nominating Committee evaluations are completed, and considering all other potential director candidates, it recommends the best slate of candidates for approval by the full Board of Directors.

New Directors

Generally, once a need to add a new member to the Board of Directors is identified, the Corporate Governance and Nominating Committee will initiate a search by working with staff support, seeking input from members of the Board of Directors and senior management and hiring a consultant or search firm, if necessary. After a slate of possible candidates is identified, members of the Corporate Governance and Nominating Committee, other members of the Board of Directors and senior management have the opportunity to interview the prospective candidates(s). The remaining members of the Board of Directors who do not interview the prospective candidate(s) are kept informed. The Corporate Governance and Nominating Committee ultimately determines and recommends the best candidate(s) after completing its selection process for approval by the full Board of Directors.

A description of the procedure to be followed by security holders in submitting director recommendations is set forth in *Shareholder Proposals* below. The director candidate selection criteria will be equally applied to both continuing directors and shareholder submitted director candidates.

Director Compensation

The Compensation Committee reviews director compensation every two years. In December 2006, the Compensation Committee engaged Compensia, an independent compensation consulting firm, to conduct a review of its 2007 total compensation program for its non-employee directors. Compensia provided a report with relevant market data and alternatives to consider when making compensation decisions for the non-employee directors. The report compared each element of total compensation against a peer group of publicly-traded companies against which we compete in recruiting qualified managers and directors, and for shareholder investment. These companies consist of a combination of primarily technology companies of comparable size based in the San Francisco Bay Area, and national rental, leasing and equipment finance companies. The Compensation Committee generally sets the total compensation for non-employee directors at the median (the 50^{th} percentile) of compensation paid to similarly situated peer group non-employee directors. The 2007 compensation described below was approved by the Board of Directors based on Compensia s report and recommendations of the Compensation Committee.

For the year ended December 31, 2007, each director who was not also an officer or employee of the Company, other than the Chairman of the Board of Directors, was compensated for his or her services as a director with a retainer of $34,000 per year. The Chairman of the Board of Directors received a retainer of $60,000 per year. In addition to the annual retainers, the Chairs of the Audit Committee, Compensation Committee, and Corporate Governance and Nominating Committee received an additional annual retainer of $18,000, $9,000 and $5,000 respectively. Each other member of the Audit Committee, Compensation Committee, and Corporate Governance and Nominating Committee who is not an employee of the Company received an annual retainer of $8,000, $4,000 and $2,000 respectively. Messrs. Dawson, Hood, McGrath, Stradford and Zech received $51,000, $58,000, $60,000, $40,000 and $47,000 respectively, and Ms. McGrath received $34,000 for their services as a director of the Company during 2007. All directors, including those who are officers or employees of the Company, were reimbursed for expenses incurred in connection with attending Board of Directors or Committee meetings.

For fiscal year 2008, each director who is not also an officer or employee of the Company, other than the Chairman of the Board of Directors, will receive a retainer of $34,000 per year. The Chairman of the Board of Directors will receive a retainer of $60,000 per year. In addition to the annual retainers, the Chairs of the Audit Committee, Compensation Committee, and Corporate Governance and Nominating Committee will receive an additional annual retainer of $18,000, $9,000 and $5,000 respectively. Each other member of the Audit Committee, Compensation Committee, and Corporate Governance and Nominating Committee who is not an employee of the Company will receive an annual retainer of $8,000, $4,000 and $2,000 respectively.

In addition to cash compensation, each of the non-employee directors of the Company has historically received an annual stock option grant near the end of each year at its last regularly scheduled board meeting. On February 2, 2007, the Board adopted a stock option granting methodology whereby there will be one annual stock option grant date which will be the date when the blackout window opens after the year-end earnings are released. All designated directors, officers and employees will receive an option grant on this date with an exercise price equal to the NASDAQ close price on that day. Consistent with the option granting policy, on February 25, 2008, each non-employee director received a non-qualified stock option grant under the Company s 2007 Stock Incentive Plan. Each of Messrs. Dawson, Hood, Stradford and Zech and Ms. McGrath received non-qualified stock options for the purchase of 22,000 shares of the Company s common stock at an exercise price of $20.71 per share. Mr. McGrath received non-qualified stock options under the Company s 2007 Stock Incentive Plan for the purchase of 44,000 shares of the Company s common stock at an exercise price of $20.71 per share.

Our practice has been to grant annual stock options to non-employee directors with a one-year vesting period. When granting stock options, we first establish a dollar value of the total equity compensation to be awarded for each non-employee director position based on Compensia s report and the Compensation Committee s recommendation. On the date of the grant, we divide that total stock option fair value dollar amount by the per share fair value, calculated using the Black Scholes Option pricing model, and generally round up to the nearest 1,000 shares to determine the number of options to award. Although we use what we consider to be a reasoned approach in determining the number of options to award our non-employee directors using a formula that is based on a widely accepted option-pricing model, the ultimate value of the options issued only becomes clear when they are exercised. The stock options may not realize any value, or they may be worth much more than the fair value initially estimated. As a result, we do not consider realizable gains from prior stock option grants or existing levels of share ownership when setting new grant amounts.

The table below summarizes the compensation paid by the Company to its directors for the fiscal year ended December 31, 2007, and estimates the compensation expected to be paid by the Company to its directors for the fiscal year ended December 31, 2008.

2007 and 2008 DIRECTOR COMPENSATION TABLE

Name	Year	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)(1)(2)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)(3)	Total ($)
Robert P. McGrath	2008	$ 60,000		$ 204,160			$ 22,732	$ 286,892
	2007	$ 60,000		$ 203,227			$ 18,260	$ 281,487
Dennis C. Kakures								(4)
William J. Dawson	2008	$ 51,000		$ 102,080				$ 153,080
	2007	$ 51,000		$ 101,614				$ 152,614
Robert C. Hood	2008	$ 58,000		$ 102,080				$ 160,080
	2007	$ 58,000		$ 101,614				$ 159,614
Joan M. McGrath	2008	$ 34,000		$ 102,080			$ 4,951	$ 141,031
	2007	$ 34,000		$ 101,614			$ 4,436	$ 140,050
Dennis P. Stradford	2008	$ 40,000		$ 102,080				$ 142,080
	2007	$ 40,000		$ 101,614				$ 141,614
Ronald H. Zech	2008	$ 47,000		$ 102,080				$ 149,080
	2007	$ 47,000		$ 101,614				$ 148,614

(1) On February 25, 2008, each non-employee director received non-qualified stock options; all such amounts listed represent the Black Scholes value of each grant. Such stock option grants were approved by the Board of Directors after the NASDAQ market closed on February 25, 2008. The exercise price was based on the NASDAQ close price of $20.71. Such option grants are all seven year options that vest 100% at the end of one year.

(2) On February 26, 2007, each non-employee director received non-qualified stock options; all such amounts listed represent the Black Scholes value of each grant. Such stock option grants were approved by the Board of Directors after the NASDAQ market closed on February 26, 2007. The exercise price was based on the NASDAQ close price of $31.14. Such option grants are all seven year options that vest 100% at the end of one year.

(3) In 2004, in recognition for founding the Company, the Board resolved to provide paid health insurance to Mr. and Ms. McGrath for the remainder of their lives. The 2007 annual cost was $4,951 each for Mr. and Ms. McGrath. In addition, the Company has annually paid for season tickets to the San Francisco Ballet (2007 cost was $17,781) which Mr. and Ms. McGrath often attend with various Company directors, employees and associates.

(4) Mr. Kakures compensation is described in the Executive Compensation section of this proxy statement.

Director Stock Ownership

The Board believes that, in order to align the interests of directors and shareholders, directors should have a significant financial stake in the Company. Each director has a target ownership level of 5,000 shares of common stock to be achieved by each director within five years of joining the Board or as soon thereafter as practicable. In evaluating whether the common stock value ownership guideline has been met, all common shares owned and 50% of the value (market price less strike price) of all vested unexercised stock options will be considered. As of March 31, 2008 all directors were in compliance with the stock ownership requirements.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

Compensation Discussion and Analysis

Compensation Philosophy and Objectives

The Company s executive compensation program is designed to align our executive officers interests with those of our shareholders. Its purpose is to attract and retain exceptional talent, reward past performance, and establish and reward measurable objectives for future performance. We believe the most effective compensation program is one that is designed to reward the achievement of specific annual, long-term and strategic goals of the Company. Our primary objective is to align the executive s interests with the interests of the shareholders by rewarding achievements of established goals that contribute to increased long-term shareholder value. In structuring our executive compensation program, we set the compensation of our executive officers to be competitive relative to the compensation paid to similarly situated executives for our peer group companies. In addition, part of our executive officer s compensation is directly tied to identifiable objective goals by which performance can be measured.

Executive Compensation Program Design

The Compensation Committee (for purposes of this analysis, the Committee) of the Board has the responsibility for establishing, implementing and continually monitoring the compensation of its executive officers. The Committee designed the executive compensation program to ensure that the total compensation paid to the executive officers is fair, reasonable, competitive, and is aligned with the goals and objectives of the Company. For the fiscal year ended December 31, 2007, the principal components of compensation for named executive officers were:

1. Annual base salary;

2. Non-equity performance-based incentive compensation; and

3. Long-term equity incentive compensation

The Committee determined these three elements, with a significant percentage of total compensation allocated to at-risk performance-based incentives, best aligns the interests of our executive officers with our shareholders. The non-equity performance-based incentive compensation rewards achievement of short to medium term incentive goals and the long-term equity incentive compensation rewards achievement of long term growth in shareholder value and sustained financial health of the Company. There is no pre-established policy or target for the allocation between either cash and non-cash or short-term and long-term incentive compensation. Rather, the Committee reviews relevant market compensation data from its compensation consultant and other sources, and uses its judgment to determine the appropriate level and mix of incentive compensation on an annual basis.

Compensation Consultant and Peer Group Selection

To ensure that our executive compensation is competitive, the Committee engaged Compensia, an independent compensation consulting firm, to provide updated information to assist in determining the 2007 total compensation program for its executive officers. Compensia previously provided a report with relevant market data and alternatives to consider when making compensation decisions for the executive officers. The report compared each element of total compensation against a peer group of publicly-traded companies (collectively, the Compensation Peer Group). The Compensation Peer Group is periodically reviewed and updated by the Committee. We believe that the Compensation Peer Group consists of companies against which we compete in recruiting qualified managers and directors, and for shareholder investment. These companies consist of a combination of primarily technology companies of comparable size based in the San Francisco Bay Area, business services companies, and national rental, leasing and equipment finance companies.

The companies comprising the Compensation Peer Group are:

Aaron Rents Inc.	Aircastle LTD	Ask Jeeves, Inc.
Charles River Associates, Inc.	CNET Networks, Inc.	Cronos Group
Digital Insight Corp.	Dionex Corp.	Dynamics Research Corp.
Electro Rent Corp	ePlus, Inc.	Exponent, Inc.
Financial Federal Corp	First Advantage Corp.	GATX Corp
ICT Group, Inc.	Internet Security Systems, Inc.	Interpool, Inc.
iPass, Inc.	LECG Corp.	Marlin Business Services Corp
Micrel, Inc.	Microfinancial, Inc.	Mobile Mini Inc.
Modtech Holdings Inc.	PMC Sierra, Inc.	Rewards Network, Inc.
Sapient Corp.	TAL International Group, Inc.	WebEx Communications, Inc.
Williams Scotsman International, Inc.	Willis Lease Finance Corp	

Since the Company is headquartered in the San Francisco Bay Area, the Bay Area companies were averaged with the business services companies and the national industry comparables to better approximate the competitive recruiting and retention environment influencing compensation levels for each named executive officer. The Committee generally sets the total compensation for executive officers at or slightly above the median (the 50^{th} percentile) of compensation paid to similarly situated executives of the companies in the Compensation Peer Group. If a named executive officer was located in an area outside of the San Francisco Bay Area, a geographic adjustment was made. Variations to this objective may occur as dictated by the experience level of the individual, market factors, and other considerations the Committee may deem appropriate.

Process of Setting and Approving Executive Compensation; Role of Chief Executive Officer

The Committee approves annual compensation levels and equity awards to all executive officers. The process is described below:

a. Annually, the Committee reviews an independent compensation consultant s report to evaluate for each executive officer (1) a target total compensation amount, (2) the appropriate allocation of base salary, non-equity performance based compensation and long-term equity incentive compensation, and (3) if there should be any change to the forms of compensation to better align our executive officers interests with those of our shareholders.

b. For the chief executive officer, the allocation of base salary, non-equity performance based compensation and long term equity incentive compensation and the applicable performance target levels are determined by the Committee, in consultation with the Chairman of the Board and separately with all of the independent directors. The chief executive officer has no role in setting his compensation.

c. For the other executive officers, the chief executive officer will determine the allocation between base salaries, non-equity performance based compensation and long term equity incentive compensation and determine the performance target levels for the other executive officers. The resulting recommendations are presented to the Committee for the Committee s consideration and approval.

d. Shortly after the end of the year, the chief executive officer reviews the performance of each executive officer (other than the chief executive officer whose performance is reviewed and earned compensation approved by the Committee, after consultation with the Chairman, and then separately with all independent directors). The conclusions reached and recommendations based on these reviews are presented by the chief executive officer to the Committee for consideration. The Committee then approves all earned compensation for the executive officers. The Committee can exercise its discretion in modifying any recommended adjustments or awards.

2007 Executive Compensation Elements

Annual Base Salary

The Company provides executive officers and other employees with a base salary to compensate them for services rendered in the fiscal year. Base salary ranges for named executive officers are determined for each executive based on his or her position and responsibility by using market data. Base salary ranges are designed so that salary opportunities for a given position will approximate the median (the 50^{th} percentile) of the range of market salary of each comparable position in our peer group.

During its review of base salaries for executives, the Committee primarily considers:

1. Market data provided by our outside consultants;

2. Internal review of the executive s compensation, both individually and relative to other officers; and,

3. Individual performance of the executive.

Salary levels are typically considered as part of the Company s performance review process on an annual basis as well as upon promotion or other change in job responsibility. Merit increases to salaries of executive officers are based on the chief executive officer and Committee s assessment of the individual s performance in their annual performance review.

Non-Equity Performance-Based Incentive Compensation

In fiscal year 2007, each executive officer had non-equity performance-based incentive awards as described below:

Non-Equity Performance-Based Incentive Plan Components:

The Non-Equity Performance-Based Incentive Plan (the Bonus Plan) is comprised of two components. The first component compensates the executive for his or her efforts leading to the Company s success at meeting its annual profitability goals. The second component measures the executive officer s success at accomplishing his or her personal annual priorities. These two components are used to assure an emphasis on annual profitability and to define each executive officer s specific role with measurable goals to achieve annual and long term increases in shareholder value.

Component 1 Profitability:

Each executive officer will receive a cash bonus based upon the Company s success at meeting certain annual profitability goals. The profitability goal of the Company for this purpose for all of its executive officers is the Company s pre-tax income, except that the profitability goal for any Vice President & Division Manager will be measured 80% on their respective divisional gross margin less direct SG&A profitability and 20% on the Company s pre-tax income. The Company believes these are the most appropriate metrics to support the long-term financial health of the Company. We use a collaborative process between our chief executive officer, chief financial officer and various other executive officers to determine the annual profitability goal for each of the executive officers of the Company recommended to the Committee. The Committee then reviews each executive officer s compensation history and performance before determining final grant levels for such profitability goals.

The annual profitability goal will be established based upon a realistic stretch philosophy. The Company s management will determine the potential annual financial performance of the Company based upon its outlook for the opportunity levels in the markets in which it operates, strategic and tactical initiatives, other key factors

and special circumstances applying a realistic stretch view to what potentially can be accomplished. It is expected that although it will take a significant amount of effort on the part of each individual, 100% of the target annual profitability level will be achieved for the year. It is assumed any amount in excess of the target annual profitability goal will be difficult to achieve unless extraordinary efforts are made.

Each executive officer has a designated percentage of W-2 base salary for the calendar year that can be earned for achieving 100% of their respective annual profitability goal. For levels achieved between 80% and 99% of the profitability goal, a rapidly reducing scale will be utilized to determine bonus percentage amounts of W-2 base salary. No amount is paid for levels below 80% of the profitability goal. For each 1% increase achieved above 100% of the profitability goal, an additional 2% of W-2 base salary will be awarded, up to a maximum of each executive officer s profitability percentage.

In the event of a named executive officer s termination with the Company, voluntarily or involuntarily, with or without cause, which occurs prior to the end of the fiscal year, his or her cash bonus shall be prorated accordingly and distributed to such named executive officer upon termination.

Component 2 Personal Annual Priorities:

The second component for the Bonus Plan measures each executive officer s success at accomplishing his or her personal annual priorities. These personal annual priorities are measured on a quarterly basis and paid annually, using a collaborative process between the chief executive officer or senior vice president, operations and each executive officer. Final determination of the personal annual priorities for each executive officer will rest with the chief executive officer (other than the chief executive officer priorities which are determined by the Committee, after consultation with the Chairman, and then separately with all independent directors). The personal annual priorities for each named executive officer generally are comprised of a maximum of four items deemed to be the most critical priorities that require action to be taken for the current evaluation period. Each priority will be weighted according to 1) the critical nature of the priority relative to other priorities for all executive officers, and 2) the amount of time and effort involved in accomplishing the priority relative to other priorities.

Listed below under the Bonus Plan Percentages section is a schedule identifying each officer and the percentage amounts of W-2 base salary for the calendar year 2007 that can be earned under this component for achieving a 100% rating for all priorities. In the event of truly outstanding achievement under an individual personal annual priority, an officer may receive up to a maximum score of 125%. Although infrequent, it is possible for an officer to achieve 125% in each of their personal annual priorities. Each personal annual priority goal represents a challenge and complete success is not always solely in the control of the officer. There are factors that may affect the outcome, including changes in market conditions and unanticipated variables. In fact, no executive officer has achieved 100% on all of their personal annual priority goals in any of the past three years. Typically, each personal annual priority is measured and the overall weighted average of achievement for all personal annual priorities is multiplied by the total percentage available to each officer. Annually, the Committee uses its discretion to allocate specific percentages of profitability and personal annual priorities for each officer.

Bonus Plan Percentages:

Percentages of calendar year 2007 W-2 base salary amounts for both the profitability goal and the personal annual priorities components per officer position are listed below:

Name	Profitability (at 100% of Goal)	Personal Annual Priorities (at 100% of Achievement)
Dennis C. Kakures	40%	30%
Keith E. Pratt	35%	25%
Joseph F. Hanna	30%	25%
Philip B. Hawkins	25%	25%
Randle F. Rose	10%	40%

2008 Changes to Components for Non-Equity Performance-Based Incentive Plan

For fiscal year 2008, based upon input from the Board and Compensia, the Committee modified our Bonus Plan to adjust for promotions and to implement a new profitability component measurement. The 2008 Bonus Plan percentages are as follows:

Name	Profitability (at 100% of Goal)	Personal Annual Priorities (at 100% of Achievement)
Dennis C. Kakures	40%	30%
Keith E. Pratt	35%	25%
Joseph F. Hanna	35%	30%
Philip B. Hawkins	25%	25%
Randle F. Rose	10%	40%

The new profitability component added for 2008 is rental return on rental equipment (RRRE) and is defined as gross margin on rents less direct SG&A divided by the monthly average original acquisition cost of equipment, including held-for-resale equipment and accessories. For fiscal year 2008, the profitability measurements for the Company s corporate officers will be based on pre-tax income (PTI) at 80% and RRRE at 20%. The profitability measurements for the Company s vice president & division manager positions will be divisional gross margin less direct SG&A (DGM) at 60%, divisional RRRE at 20% and PTI at 20%.

For each 1% achieved above 100% of the profitability goals for PTI and DGM, an additional 2% of W-2 base salary will be awarded. For each 1% achieved above 100% of the profitability goal for RRRE, up to a maximum increase of 15% above the 100% target level, an additional 2% of W-2 base salary will be awarded, times the profitability goal percentage bonus amount. The maximum overage percentage of W-2 base salary that can be earned cumulatively, for all profitability goals is the individual officer s maximum profitability percentage at 100% of goal, as listed above. The other profitability Bonus Plan criteria previously described for fiscal year 2007 remain the same, including a general description of the process and compensation philosophy.

Long-Term Incentive Compensation

We believe that the use of stock options is the best performance-based equity vehicle because of our focus on long-term sustained growth in earnings per share, accomplished through net income growth, efficient use of capital and optimizing strategic growth opportunities. Our intent is that the executive officers be rewarded when our shareholders realize long-term growth in the price appreciation of our stock. Unless our financial performance over a long-term period drives an increase in our stock price, the options granted provide little or no value to our executive officers.

Our practice has been to grant annual stock options to executive officers with a five-year vesting period (20% per year). When granting stock options, we first establish a dollar value of the total equity compensation to be awarded for each executive officer position based on Compensia s report. On the date of the grant, we divide that total stock option fair value dollar amount by the per share fair value, calculated using the Black Scholes Option pricing model, and generally round up to the nearest 1,000 shares to determine the number of options to award. Although we use what we consider to be a reasoned approach in determining the number of options to award our executive officers using a formula that is based on a widely accepted option-pricing model, the ultimate value of the options issued only becomes clear when they are exercised. The stock options may not realize any value, or they may be worth much more than the fair value initially estimated. As a result, we do not consider realizable gains from prior stock option grants or existing levels of share ownership when setting new grant amounts.

We have historically granted stock options with the belief that stock options better align the executive officer s interest with shareholders long term interests. The 2007 Stock Incentive Plan allows for a variety of equity grants and the Company may determine other methods that more closely align our executive officer s interest with our shareholders interests.

Stock Option Granting Policies

On February 2, 2007, the Board adopted a stock option granting methodology for all designated directors, officers and key employees whereby there will be one annual stock option grant date. This date will be the date when the blackout window opens after the year-end earnings are released. All designated directors, officers and employees will receive an option grant on this date with an exercise price equal to the NASDAQ close price on that day. The Board will convene a meeting on this date after the NASDAQ market closes to determine the number of shares to be granted. If the Board grants to the CEO an additional bucket of options to be granted at his discretion to new hires and promotion candidates, the grant date and exercise price will be based on the last trading day of each month of the employment event. This bucket will not be available to executive officers, as all grants to executive officers must be made by the Committee.

Executive Officer Stock Ownership Guidelines

The Board believes that, in order to better align the interests of management and shareholders, officers should have a significant financial (equity) stake in the Company. Each executive officer has a target level of Company stock value to achieve within seven (7) years of the later of his or her date of hire or January 1, 2007. The target level of McGrath RentCorp common stock value to be achieved will be a multiple of each officer s base salary. The multiples of officer base salary will be four (4) times for the chief executive officer and two (2) times for all other executive officer positions. In evaluating whether the common stock value ownership guideline has been met, all common shares owned, ESOP shares and 50% of the value (market price less strike price) of all vested unexercised stock options will be considered. The Board will evaluate whether exceptions should be made for any officer on whom this requirement would impose a financial hardship.

Risk-Hedging Policies

Pursuant to the Company s Insider Trading Policy, executives of the Company are prohibited from engaging in certain transactions with respect to the Company s Common Stock, such as puts, calls and other exchange traded derivatives without prior consent of the Company s compliance officer. These transactions reduce or cancel the risk of an investment in the Common Stock, particularly in the short-term. Therefore, they may create the appearance that the executives are trading on inside information. Additionally, certain forms of hedging or monetization transactions allow a shareholder to lock in much of the value of his or her stock holdings, often in exchange for all or part of the potential for upside appreciation in the stock. These transactions allow the holder to continue to own the covered securities, but without full risks and rewards of ownership. Therefore, executives are also prohibited from hedging transactions without prior consent of the Company s compliance officer. No executive has been approved for any transaction described in this paragraph.

Perquisites and Other Personal Benefits

Executive officers are entitled to and eligible only for the same fringe benefits for which all of our employees are eligible. We do not have programs in place to provide personal perquisites for any employee. Our healthcare and other insurance programs, including the program s participation costs, are the same for all eligible employees, except that any executive officer employed with the Company for at least 20 years may remain on the Company s health insurance policy provided such officer pays 100% of the premiums after retiring from the Company. Our annual discretionary contribution to the Company s Employee Stock Ownership Plan, expressed as a percentage of eligible wages are also the same for all eligible employees, including each named executive officer, subject to all applicable IRS contribution limits and formulas for plans of these types.

Tax and Accounting Implications

Deductibility of Executive Compensation

Section 162(m) of the Internal Revenue Code limits the corporate deduction for compensation paid to executive officers to $1 million unless such compensation qualifies as performance-based compensation. Among other things, Section 162(m) requires approval of the performance-based compensation by our shareholders. Our current 2007 Stock Incentive Plan is 162(m) compliant.

Accounting for Stock-Based Compensation

We accrue our named executive officers salaries and incentive awards as an expense when earned by the officer. For our stock options, Statement of Financial Accounting Standards (SFAS) No. 123R, *Share-Based Payment*, requires us to recognize compensation expense within our income statement for all share-based payment arrangements, which includes employee stock option plans. The expense is based on the grant-date fair value of the options granted, and is recognized ratably over the requisite service period. We adopted SFAS No. 123R under the modified prospective method. Under the modified prospective method, SFAS No. 123R applies to new awards and to awards modified, repurchased, or cancelled after January 1, 2006, as well as to the unvested portion of awards outstanding as of January 1, 2006. Our stock options are accounted for as equity awards.

Compensation Committee Report

The Compensation Committee of the Company has reviewed the Compensation Discussion and Analysis Required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Submitted by the Compensation Committee:

William J. Dawson

Robert C. Hood

Dennis P. Stradford

Summary Compensation Table

The following table provides summary information concerning the compensation earned by our chief executive officer, our chief financial officer and each of our three most highly compensated executive officers whose total salary, bonus and other compensation exceeded $100,000 during the fiscal years ended December 31, 2006 and December 31, 2007. The executive officers listed below are referred to as the Named Executive Officers.

2006 and 2007 Summary Compensation Table

(a) Name and Principal Position	(b) Year	(c) Salary ($)	(d) Bonus ($)	(e) Stock Awards ($)	(f) Option Awards ($)(1)(2)	(g) Non-Equity Incentive Plan Compensation ($)(3)	(h) Nonqualified Deferred Compensation Earnings ($)	(i) All Other Compensation ($)(4)	(j) Total ($)
Dennis C. Kakures	2007	$ 450,000			$ 546,737	$ 226,310		$ 10,860	$ 1,233,907
President and Chief Executive Officer	2006	$ 400,000			$ 408,265	$ 268,529		$ 10,878	$ 1,087,672
Keith E. Pratt	2007	$ 300,000			$ 218,911	$ 153,536		$ 7,240	$ 679,687
Senior Vice President and Chief Financial Officer	2006	$ 275,872			$ 135,651	$ 164,904			$ 576,427
Joseph F. Hanna	2007	$ 270,000			$ 203,545	$ 121,794		$ 10,860	$ 606,199
Senior Vice President and Chief Operating Officer	2006	$ 242,000			$ 145,263	$ 138,625		$ 10,878	$ 579,253
Philip B. Hawkins (5)	2007	$ 165,906			$ 60,855	$ 49,479		$ 178,644	$ 454,883
Vice President and Division Manager, TRS RenTelco									
Randle F. Rose	2007	$ 210,000			$ 111,350	$ 81,912		$ 10,860	$ 414,122
Senior Vice President, Chief Administrative Officer and Secretary	2006	$ 190,000			$ 78,046	$ 92,666		$ 10,878	$ 371,590

(1) The amounts in column (f) reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2007, in accordance with FAS 123(R) (disregarding estimates of forfeitures related to service-based vesting conditions) of awards pursuant to the 2007 Stock Incentive Plan and the 1998 Stock Option Plan and includes amounts from awards granted in 2007**.** Assumptions used in the calculation of this amount are included in footnote 2 to the Company s audited financial statements for the fiscal year ended December 31, 2007 included in the Company s Annual Report of Form 10-K filed with the Securities and Exchange Commission on February 25, 2008.

(2) The amounts in column (f) for 2006 reflect a reduction of option expense to correct an error in the 2007 Proxy Statement table.

(3) The amounts in column (g) reflect amounts paid to the named executive officers pursuant to the Bonus Plan which is discussed in further detail on page 16 under the heading Non-Equity Performance-Based Incentive Plan .

(4) The amounts in column (i) reflect the 2007 cash contribution allocated to each executive officer pursuant to the provisions of the Employee Stock Ownership Plan which is discussed in further detail on page 24 under the heading *Employee Stock Ownership Plan* . Mr. Hawkins received $10,860 as an ESOP 2007 cash contribution and $167,784 for moving expenses associated with his promotion to Vice President of TRS RenTelco and subsequent relocation to Dallas, Texas.

(5) Mr. Hawkins was elected an officer in June 2007.

2007 GRANTS OF PLAN-BASED AWARDS

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1) Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)(2)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards
Dennis C. Kakures	01/10/07	$ 9,000	$ 315,000	$ 528,750							
	02/26/07								115,000	$ 31.14	$ 957,491
Keith E. Pratt	01/10/07	$ 5,250	$ 180,000	$ 303,750							
	02/26/07								50,000	$ 31.14	$ 416,300
Joseph F. Hanna	01/10/07	$ 4,050	$ 148,500	$ 246,375							
	02/26/07								35,000	$ 31.14	$ 291,410
Philip B. Hawkins	01/10/07	$ 1,094	$ 59,428	$ 90,691							
	02/26/07								13,000	$ 31.14	$ 108,238
Randle F. Rose	01/10/07	$ 1,050	$ 105,000	$ 147,000							
	02/26/07								20,000	$ 31.14	$ 166,520

(1) The amounts listed in these columns reflect the threshold, target, and maximum amounts payable to the named executive officers pursuant to the Bonus Plan which is discussed in further detail on page 16 under the heading Non-Equity Performance-Based Incentive Plan . The threshold assumptions assume achieving 80% of the profitability target and no achievement of the personal annual priorities.

(2) All option grants listed in this table are 7 year options that vest 20% at the end of year one, and 5% per quarter thereafter.

2007 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	Option Awards(1)					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Dennis C. Kakures	28,300	0		$ 11.26	11/21/2012				
	15,000	5,000		$ 11.74	03/20/2013				
	10,000	25,000		$ 15.01	03/10/2014				
	60,500	49,500		$ 22.18	01/14/2015				
	31,500	58,500		$ 29.56	01/20/2016				
	0	115,000		$ 31.14	02/26/2014				
Keith E. Pratt	28,000	52,000		$ 29.56	01/20/2016				
	0	50,000		$ 31.14	02/26/2014				
Joseph F. Hanna	14,625	24,375		$ 11.80	01/15/2013				
	16,500	1,500		$ 11.74	03/20/2013				
	24,000	10,000		$ 15.29	03/08/2014				
	22,000	18,000		$ 22.18	01/14/2015				
	12,250	22,750		$ 29.56	01/20/2016				
	0	35,000		$ 31.14	02/26/2014				
Philip B. Hawkins	1,000	8,000		$ 19.47	10/25/2014				
	4,550	8,450		$ 29.56	01/20/2016				
	0	13,000		$ 31.14	02/26/2014				
Randle F. Rose	5,000	1,000		$ 11.74	03/20/2013				
	5,000	5,000		$ 15.29	03/08/2014				
	5,000	11,250		$ 22.18	01/14/2015				
	7,000	13,000		$ 29.56	01/20/2016				
	0	20,000		$ 31.14	02/26/2014				

(1) All option grants are 10 year options, except for the option grants with expiration date of February 26, 2014, which are 7 year options; all options vest 20% at the end of year one, and 5% per quarter thereafter.

2007 OPTION EXERCISES AND STOCK VESTED

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Dennis C. Kakures	30,000	$ 561,603		
Keith E. Pratt				
Joseph F. Hanna				
Philip B. Hawkins	3,000	$ 39,480		
Randle F. Rose				

Securities Authorized for Issuance under Equity Compensation Plans

Our shareholders have approved the 2007 Stock Incentive Plan, the 1998 Stock Option Plan, and the 1990 Long-Term Stock Bonus Plan. The following table provides information regarding our equity compensation plans as of December 31, 2007:

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	2,173,346	$ 24.30	2,173,000
Equity compensation plans not approved by security holders			