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McGRATH RENTCORP

5700 LAS POSITAS ROAD, LIVERMORE, CA 94550  
(Address of principal executive offices)

FORM 10-Q/A  
(Amendment No. 1)

ADDITIONAL INFORMATION

THE FOLLOWING AMENDS McGRATH RENTCORP'S FORM 10-Q FOR THE THREE MONTHS ENDED MARCH 31, 2000 IN ITS ENTIRETY WHICH WAS FILED MAY 12, 2000 AT 1:05 PM EASTERN TIME. DUE TO AN ERROR BY THE FINANCIAL FILING AGENT, THE 10-Q PREVIOUSLY FILED PRESENTED INFORMATION NOT RELATED TO McGRATH RENTCORP.

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

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FORM 10-Q/A  
(Amendment No. 1)

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

FOR THE QUARTER ENDED MARCH 31, 2000

COMMISSION FILE NUMBER 0-13292

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MCGRATH RENTCORP  
(Exact name of registrant as specified in its Charter)

CALIFORNIA  
(State or other jurisdiction  
of incorporation or organization)

94-2579843  
(I.R.S. Employer  
Identification No.)

5700 LAS POSITAS ROAD, LIVERMORE, CA 94550  
(Address of principal executive offices)

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

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

Yes  No

At May 10, 2000, 12,303,882 shares of Registrant's Common Stock were outstanding.

## PART I FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

MCGRATH RENTCORP  
CONSOLIDATED STATEMENTS OF INCOME  
(unaudited)

(in thousands, except per share amounts)	THREE MONTHS ENDED MARCH 31,	
	2000	1999
<b>REVENUES</b>		
Rental	\$ 21,381	\$ 19,059
Rental Related Services	3,322	2,434
	-----	-----
Rental Operations	24,703	21,493
Sales	6,693	6,863
Other	247	218
	-----	-----
Total Revenues	31,643	28,574
	-----	-----
<b>COSTS AND EXPENSES</b>		
Direct Costs of Rental Operations		
Depreciation	5,356	4,666
Rental Related Services	1,732	1,338
Other	3,781	3,133
	-----	-----
Total Direct Costs of Rental Operations	10,869	9,137
Costs of Sales	4,821	4,860
	-----	-----
Total Costs	15,690	13,997
	-----	-----
Gross Margin	15,953	14,577
Selling and Administrative	4,695	4,199
	-----	-----
Income from Operations	11,258	10,378
Interest	1,944	1,516
	-----	-----
Income Before Provision for Income Taxes	9,314	8,862
Provision for Income Taxes	3,632	3,478
	-----	-----
Income Before Minority Interest	5,682	5,384
Minority Interest in Income (Loss) of Subsidiary	(21)	(36)
	-----	-----
Income before Effect of Accounting Change	5,703	5,420
Cumulative Effect of Accounting Change, Net of tax benefit of \$833	--	(1,367)
	-----	-----
Net Income	\$ 5,703	\$ 4,053
	=====	=====
<b>Earnings Per Share:</b>		
<b>Basic</b>		
Income before Effect of Accounting Change	\$ 0.46	\$ 0.39
Cumulative Effect of Accounting Change, net of tax	--	(0.10)
	-----	-----
Net Income	\$ 0.46	\$ 0.29
	=====	=====
<b>Diluted</b>		
Income before Effect of Accounting Change	\$ 0.45	\$ 0.39
Cumulative Effect of Accounting Change, net of tax	--	(0.10)
	-----	-----
Net Income	\$ 0.45	\$ 0.29
	=====	=====
<b>Shares Used in Per Share Calculation:</b>		
Basic	12,500	13,820
Diluted	12,593	13,991

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

MCGRATH RENTCORP  
CONSOLIDATED BALANCE SHEETS  
(unaudited)

(in thousands)	MARCH 31, ----- 2000	DECEMBER 31, ----- 1999
<b>ASSETS</b>		
Cash	\$ 757	\$ 490
Accounts Receivable, less allowance for doubtful accounts of \$650 in 2000 and 1999	22,946	25,095
Rental Equipment, at cost:		
Relocatable Modular Offices	241,950	238,449
Electronic Test Instruments	78,449	72,832
	-----	-----
	320,399	311,281
Less Accumulated Depreciation	(97,704)	(94,103)
	-----	-----
Rental Equipment, net	222,695	217,178
	-----	-----
Land, at cost	19,303	19,303
Buildings, Land Improvements, Equipment and Furniture, at cost, less accumulated depreciation of \$5,562 in 2000 and \$5,116 in 1999	31,627	31,668
Prepaid Expenses and Other Assets	4,495	3,988
	-----	-----
Total Assets	\$ 301,823	\$ 297,722
	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities:</b>		
Notes Payable	\$ 114,000	\$ 110,300
Accounts Payable and Accrued Liabilities	25,920	24,811
Deferred Income	8,501	9,511
Minority Interest in Subsidiary	2,814	2,836
Deferred Income Taxes	55,564	54,861
	-----	-----
Total Liabilities	206,799	202,319
	-----	-----
<b>Shareholders' Equity:</b>		
Common Stock, no par value -		
Authorized -- 40,000 shares		
Outstanding -- 12,304 shares in 2000 and 12,546 shares in 1999	8,588	8,755
Retained Earnings	86,436	86,648
	-----	-----
Total Shareholders' Equity	95,024	95,403
	-----	-----
Total Liabilities and Shareholders' Equity	\$ 301,823	\$ 297,722
	=====	=====

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

MCGRATH RENTCORP  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(unaudited)

(in thousands)	THREE MONTHS ENDED MARCH 31,	
	2000	1999
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 5,703	\$ 4,053
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	5,802	5,059
Cumulative Effect of Accounting Change, net of tax	--	1,367
Gain on Sale of Rental Equipment	(1,426)	(1,313)
Change In:		
Accounts Receivable	2,150	6,094
Prepaid Expenses and Other Assets	(507)	1,009
Accounts Payable and Accrued Liabilities	871	(3,056)
Deferred Income	(1,010)	(2,901)
Deferred Income Taxes	703	3,479
Net Cash Provided by Operating Activities	12,286	13,791
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of Rental Equipment	(13,315)	(5,901)
Purchase of Land, Buildings, Land Improvements, Equipment and Furniture	(405)	(724)
Proceeds from Sale of Rental Equipment	3,866	3,567
Net Cash Used in Investing Activities	(9,854)	(3,058)
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Net Borrowings Under Notes Payable	3,700	4,450
Proceeds from the Exercise of Stock Options	19	--
Repurchase of Common Stock	(4,379)	(9,894)
Payment of Dividends	(1,505)	(1,397)
Net Cash Used in Financing Activities	(2,165)	(6,841)
Net Increase in Cash	267	3,892
Cash Balance, Beginning of Period	490	857
Cash Balance, End of Period	\$ 757	\$ 4,749
Interest Paid During the Period	\$ 2,400	\$ 2,075
Income Taxes Paid During the Period	\$ 2,929	\$ (2)
Dividends Declared but not yet Paid	\$ 1,723	\$ 1,616

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

MCGRATH RENTCORP  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2000

NOTE 1. CONSOLIDATED FINANCIAL INFORMATION

The consolidated financial information for the three months ended March 31, 2000 has not been audited, but in the opinion of management, all adjustments (consisting of only normal recurring accruals, consolidation and eliminating entries) necessary for the fair presentation of the consolidated results of operations, financial position, and cash flows of McGrath RentCorp (the "Company") have been made. The consolidated results of the three months ended March 31, 2000 should not be considered as necessarily indicative of the consolidated results for the entire year. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's latest Form 10-K.

NOTE 2. BUSINESS SEGMENTS

The Company defines its business segments based on the nature of operations for the purpose of reporting under Statement of Financial Accounting Standard No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131). The Company's three reportable segments are Mobile Modular Management Corporation (Modulars), McGrath-RenTelco (Electronics), and Enviroplex. The operations of these three segments are described in the notes to the consolidated financial statements included in the Company's latest Form 10-K. As a separate corporate entity, Enviroplex revenues and expenses are separately maintained from Modulars and Electronics. Excluding interest expense, allocations of revenues and expenses not directly associated with Modulars or Electronics are generally allocated to these segments based on their pro-rata share of direct revenues. Interest expense is allocated between Modulars and Electronics based on their pro-rata share of average rental equipment, accounts receivable and customer security deposits. The Company does not report total assets by business segment. Summarized financial information for the three months ended March 31, 2000 and 1999 for the Company's reportable segments is shown in the following table:

(in thousands)	MODULARS(1)	ELECTRONICS(2)	ENVIROPLEX	CONSOLIDATED
THREE MONTHS ENDED MARCH 31, 2000				
Rental Operation Revenues	\$ 16,805	\$ 7,898	\$ --	\$ 24,703
Sales and Other Revenues	3,089	2,405	1,446	6,940
Total Revenues	19,894	10,303	1,446	31,643
Depreciation on Rental Equipment	2,838	2,518	--	5,356
Interest Expense	1,501	526	(83)	1,944
Income before Income Taxes	5,563	3,913	(162)	9,314
Rental Equipment Acquisitions	5,415	7,900	--	13,315
Accounts Receivable, net (period end)	10,246	9,102	3,598	22,946
Rental Equipment, at cost (period end)	241,950	78,449	--	320,399
1999				
Rental Operation Revenues	\$ 14,925	\$ 6,568	\$ --	\$ 21,493
Sales and Other Revenues	2,688	2,395	1,998	7,081
Total Revenues	17,613	8,963	1,998	28,574
Depreciation on Rental Equipment	2,498	2,168	--	4,666
Interest Expense	1,161	399	(44)	1,516
Income before Income Taxes	5,868	3,210	(216)	8,862
Rental Equipment Acquisitions	3,465	2,436	--	5,901
Accounts Receivable, net (period end)	6,554	7,379	1,784	15,717
Rental Equipment, at cost (period end)	218,335	66,686	--	285,021

1 Operates under the trade name Mobile Modular Management Corporation

2 Operates under the trade name McGrath-RenTelco

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

This Quarterly Report on Form 10-Q contains statements, which constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places. Such statements can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "estimates", "will", "should", "plans" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may vary materially from those in the forward-looking statements as a result of various factors. These factors include the effectiveness of management's strategies and decisions, general economic and business conditions, new or modified statutory or regulatory requirements and changing prices and market conditions. This report identifies other factors that could cause such differences. No assurance can be given that these are all of the factors that could cause actual results to vary materially from the forward-looking statements.

## THREE MONTHS ENDED MARCH 31, 2000 AND 1999

The Company's core rental businesses both continue to grow steadily. Rental revenues for the three months ended March 31, 2000 increased \$2,322,000 (12%) over the comparative period in 1999. Mobile Modular Management Corporation ("MMMC") contributed \$1,038,000 and McGrath-RenTelco contributed \$1,284,000 of the three-month increase. MMMC's rental revenues increased as a result of having an average of \$18,424,000 more equipment on rent compared to a year earlier even though the average monthly yield for all modular equipment has declined from 1.94% in 1999 to 1.90% in 2000. Modular average utilization for the three months ended March 31, 2000, excluding new equipment inventory, was 80.4% compared to 82.2% for the same period in 1999. McGrath-RenTelco's rental revenue increase can be attributed to strong communication equipment rental activity, which resulted in an average of \$7,958,000 more equipment on rent compared to a year earlier. Additionally, the average monthly yield for all electronics equipment increased from 3.22% in 1999 to 3.40% in 2000. Electronics average utilization for the three months ended March 31, 2000 was 56.3% compared to 51.3% for the same period in 1999.

Rental related services revenues for the three months ended March 31, 2000 increased \$888,000 (36%) over the comparative period in 1999. One large project with extensive modification and site related work accounted for 46% of the increase. Gross margin on rental related services for the three-month period increased from 45% in 1999 to 48% in 2000.

Sales for the three months ended March 31, 2000 declined \$170,000 (2%) as compared to the same period in 1999. Consolidated gross margin on sales declined slightly for the three-month period from 29% in 1999 to 28% in 2000. Sales continue to occur routinely as a normal part of the Company's rental business; however, these sales can fluctuate from quarter to quarter and year to year depending on customer demands and requirements.

Enviroplex's backlog of orders as of March 31, 2000 and 1999 was \$15,397,000 and \$4,043,000, respectively. Backlog is not significant in MMMC's modular business or in McGrath-RenTelco's electronics business.

Depreciation on rental equipment for the three months ended March 31, 2000 increased \$690,000 (15%) over the comparative period in 1999 due to higher amounts of rental equipment. For the three months ended March 31, 2000, average modular rental equipment, at cost, increased \$22,741,000 (10%) and average electronics rental equipment, at cost, increased \$8,224,000 (12%) over the 1999 comparative period. Other direct costs of operations for the three months ended March 31, 2000 increased \$648,000 (21%) over the same period in 1999 primarily due to increased maintenance and repair expenses related to the modular fleet.

Selling and administrative expenses for the three months ended March 31, 2000 increased \$496,000 (12%) over the comparative period in 1999 primarily due to higher personnel and benefit costs, including performance and incentive bonuses.

Interest expense for the three months ended March 31, 2000 increased \$428,000 (28%) over the 1999 comparative period as a result of a higher average borrowing level and a higher average interest rate in 2000. The average debt increase resulted from rental equipment purchases, repurchases of the Company's common stock and dividend payments made during the last twelve months.

Income before provision for taxes for the three months ended March 31, 2000 increased \$452,000 (5%) to \$9,314,000 while net income increased \$1,650,000 (41%) to \$5,703,000 or \$0.45 per diluted share over the comparative period in 1999. The higher percentage increase in net income is due to the impact of a one-time charge of \$1,367,000 recognized in the first quarter of 1999 representing the cumulative effect of an accounting change, net of tax. Excluding the impact of this one-time charge, net income for the three months ended March 31, 1999 was \$5,420,000 or \$0.39 per diluted share resulting in comparative earnings increasing 5% and comparative earnings per share increasing 15% in 2000.

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

The Company's operations produced a positive cash flow for the three months ended March 31, 2000 of \$12,286,000 as compared to \$13,791,000 for the year earlier period. During 2000, the primary uses of cash have been to purchase additional rental inventory to satisfy customer requirements, to repurchase shares of the Company's common stock on the open market, and to pay dividends to the Company's shareholders.

The Company had a total liabilities to equity ratio of 2.18 to 1 and 2.12 to 1 as of March 31, 2000 and December 31, 1999, respectively. The debt (notes payable) to equity ratios were 1.20 to 1 and 1.16 to 1 as of March 31, 2000 and December 31, 1999, respectively. Both ratios have increased since December 31, 1999 partially as a result of the Company's stock repurchase program.

The Company has made purchases of shares of its common stock from time to time in the over-the-counter market (NASDAQ) and/or through privately negotiated, large block transactions under an authorization of the Board of Directors. Shares repurchased by the Company are cancelled and returned to the status of authorized but unissued stock. During the three months ended March 31, 2000, the Company repurchased 265,360 shares of its outstanding common stock for an aggregate purchase price of \$4,379,000 (or an average price of \$16.50 per share). As of May 4, 2000, 975,500 shares remain authorized for repurchase.

The Company believes that its needs for working capital and capital expenditures through 2000 and beyond will be adequately met by cash flow and bank borrowings.

#### MARKET RISK

This section contains statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. See the statement at the beginning of this Item for cautionary information with respect to such forward-looking statements.

The Company currently has no material derivative financial instruments that expose the Company to significant market risk. The Company is exposed to cash flow and fair value risk due to changes in interest rates with respect to its notes payable. As of March 31, 2000, the Company believes that the carrying amounts of its financial instruments (cash and notes payable) approximate fair value.

## YEAR 2000

This section contains statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. See the statement at the beginning of this Item for cautionary information with respect to such forward-looking statements.

The Company experienced no disruption in operations due to transition to the Year 2000. A number of major system projects were initiated in 1997, 1998 and 1999 to upgrade core computer hardware, networking and software systems. These projects replaced existing systems as opposed to simply fixing Year 2000 problems; they are now complete and operational. There are no known trends or deferred capital spending related to Year 2000 issues that are likely to affect the Company's results of operations.

## PART II OTHER INFORMATION

## ITEM 3. OTHER INFORMATION

On March 17, 2000, the Company declared a quarterly dividend on its Common Stock; the dividend was \$0.14 per share. Subject to its continued profitability and favorable cash flow, the Company intends to continue the payment of quarterly dividends.

## ITEM 4. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits. No exhibits included.

(b) Reports on Form 8-K.

No reports on Form 8-K have been filed during the quarter for which this report is filed.

## 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: May 10, 2000

MCGRATH RENTCORP

By: /s/ Thomas J. Sauer

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 Thomas J. Sauer  
 Vice President and Chief  
 Financial Officer (Chief  
 Accounting Officer)

## EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION -----
27.1	Financial Data Schedule.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM McGRATH RENTCORP FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

3-MOS	DEC-31-2000	JAN-01-2000	MAR-31-2000
			757
		0	
	23,596	(650)	
	0	0	
			376,891
	(103,266)		
	273,625		
	0		0
	0		
		0	
		8,588	
		86,436	
301,823			0
			31,643
	31,643		
			15,690
	15,690		
	4,695		
	0		
1,944			
	9,314		
		3,632	
	0		
		0	
		0	
			0
	5,703		
	0.46		
	0.45		

Includes rental equipment, Land, Buildings, Land Improvements, Furniture and Equipment.

Accumulated depreciation related to PP&E footnote above.

Net income includes reduction of minority interest in income of subsidiary.