SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999 COMMISSION FILE NUMBER 0-13292

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

CALIFORNIA	94-2579843
(State or other jurisdiction of incorporation or organization)	(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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
NONE	NONE

Securities registered pursuant to Section 12(g) of the Act:

Title of Class
COMMON STOCK

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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

State the aggregate market value of voting stock, held by nonaffiliates of the registrant: $142,890,197 as of March 17, 2000.

At March 17, 2000, 12,328,382 shares of Registrant's Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

McGrath RentCorp's definitive Proxy Statement with respect to its Annual Shareholders' Meeting to be held May 31, 2000, which will be filed with the Securities and Exchange commission within 120 days after the end of its fiscal year, is incorporated by reference into Part III, Items 10, 11, 12 and 13.

Exhibit index appears on page 35.

PART I

ITEM 1. BUSINESS.

GENERAL

McGrath RentCorp ("MGRC") is a California corporation organized in 1979. McGrath RentCorp and its majority owned subsidiary, Enviroplex, Inc. ("Enviroplex"), collectively referred to herein as the "Company", manufactures, rents, and sells relocatable modular offices and rents and sells communications, fiber optic and electronic test equipment with related accessories primarily in California and Texas. The Company's corporate offices are located in Livermore, California. In addition to the corporate offices, certain branch functions are conducted from this facility.

Under the trade name "Mobile Modular Management Corporation" ("MMMC"), the Company rents and sells modular equipment and related accessories to fulfill customers' temporary space needs. These units are used as temporary offices adjacent to existing facilities, and are used as sales offices, construction field offices, classrooms and for a variety of other purposes. MMMC purchases the modulars from various manufacturers who build them to MMMC's design specifications. MMMC operates from two branch offices in California and one in Texas. Although MMMC's primary emphasis is on rentals, sales of modulars routinely occur and can fluctuate quarter to quarter and from year to year depending on customer demands and requirements. Rentals and sales to school districts by MMMC represent a significant portion of MMMC's total revenues.

Under the trade name "McGrath-RenTelco", the Company rents and sells electronic equipment from Livermore, California and Richardson, Texas. Engineers, scientists and technicians use these instruments in evaluating the performance of their own electrical and electronic equipment, developing products, controlling manufacturing processes and in field service applications. These instruments are rented primarily to electronics, communications, network systems, industrial, research and aerospace companies. The majority of McGrath-RenTelco's rental inventory consists of instruments manufactured by Hewlett-Packard and Tektronix.

MGRC owns 73.2% of Enviroplex, a California corporation organized in 1991. Enviroplex manufactures portable classrooms built to the requirements of the California Division of the State Architect ("DSA") and sells directly to school districts. Enviroplex conducts its sales and manufacturing operations from its facility located in Stockton, California. Since inception, MGRC has assisted Enviroplex in a variety of corporate functions such as accounting, human resources, facility improvements, and insurance. MGRC has not purchased significant quantities of manufactured product from Enviroplex. Enviroplex sales revenues were $11,150,000, $20,672,000, and $21,287,000 for 1999, 1998, and 1997, respectively.

The rental and sale of modulars to school districts for use as portable classrooms, restroom buildings and administrative offices for kindergarten through grade twelve (K-12) are a significant portion of the Company's revenues. School business comprised approximately 34%, 45%, and 52% of the Company's consolidated rental and sales revenues for 1999, 1998, and 1997 respectively.

Please see Note 8 to the Consolidated Financial Statements on page 29 for more information on the Company's business segments.

The Company has 364 employees, of whom 41 are primarily administrative and executive personnel, and the remaining 323 are engaged in manufacturing or rental operations. None of the employees are represented by unions. The operations of the Company share common facilities, financing, senior management, and operating and accounting systems which results in the efficient use of overhead. Each product line has its own sales and technical personnel.

No single customer has accounted for more than 10% of the Company's total revenues generated in any given year. The Company's business is not seasonal, except for the rental and sale of classrooms, which is heaviest in the several months prior to the opening of school each fall.

The Company operates with a marketing sense throughout. The Company is constantly searching for ways to streamline its service and to raise the quality of each relocatable office, classroom or instrument it rents, sells or manufactures. The Company not only rents, sells and manufactures products, it sells an old-fashioned idea: Paying attention to our customers pays off.

The Company's common stock is traded on the NASDAQ National Market System under the symbol "MGRC".

This Annual Report on Form 10-K 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.

RELOCATABLE MODULAR OFFICES

DESCRIPTION

Modulars are designed for use as temporary office space and may be moved from one location to another. Modulars vary from simple single-unit construction site offices to attractive multi-modular facilities, complete with wood exteriors and mansard roofs. The rental fleet includes a full range of styles and sizes. The Company considers its modulars to be among the most attractive and well designed available. The units are constructed with wood siding, sturdily built and physically capable of a useful life often exceeding 18 years. Units are provided with installed heat, air conditioning, lighting, electricity and floor covering, and may have customized interiors including partitioning, carpeting, cabinetwork and plumbing facilities.

MMMC purchases new modulars from various manufacturers who build to MMMC's design specifications. None of the principal suppliers are affiliated with the Company. During 1999, the Company purchased 51% of its modular product from one manufacturer with multiple operations in several states. The Company believes that the loss of its primary manufacturer of modulars would not have a material adverse effect on its operations, however the Company could experience higher prices and longer lead times for modular product until other manufacturers increased their capacity.

MARKETING

The market for modulars is broad. Businesses which have a need for additional space and have adjacent land or a parking lot are potential customers. The Company's largest single demand is for temporary classrooms. Management believes the demand for classrooms is caused by shifting and fluctuating school populations, the lack of state funds for new construction, the need for temporary classroom space during reconstruction of older schools and, most recently, class size reduction (see "Classroom Rentals and Sales" below). Other applications include sales offices, administrative offices for health care facilities, universities and museums. Large multi-modular complexes are used by manufacturing, entertainment, energy and utility companies, and governmental agencies. The Company's branch offices, as well as the corporate office, are housed in various sizes of modulars.

Since most of MMMC's customer requirements are to fill temporary space needs, the Company's marketing emphasis is on rentals rather than sales. MMMC solicits customers through extensive yellow-page advertising, telemarketing and direct mail. Customers are encouraged to visit an inventory center to view different models on display and to see a branch office, which itself is a working example of a modular application.

Because service is a major competitive factor in the rental of modulars, MMMC offers quick response to requests for information, assistance in the choice of a suitable size and floor plan, rapid delivery and timely maintenance of its units, both prior to delivery of the unit and while it is on rent. MMMC has sales and maintenance staffs trained in the Company's understanding of excellence in service.

RENTALS

Rental periods range from one month to ten years with a typical rental period of one year. Most rental agreements provide no purchase options; and when a rental agreement does provide the customer with a purchase option, it is generally on terms attractive to MMMC.

The customer is responsible for the costs of insuring the unit, transporting the unit to the site, preparation of the site, installation of the unit, dismantle and return of the unit to one of MMMC's three inventory centers and certain costs for customization. MMMC maintains the units in good working order while on rent. Upon return, the units are refurbished for subsequent use. Refurbishment work can include floor tile repairs, roof maintenance, cleaning, painting and other cosmetic repairs.

At December 31, 1999, MMMC had 16,230 new or previously rented modulars in its rental fleet with an aggregate original cost including accessories of $238,449,000 or an average cost per unit of $14,700. Utilization is calculated each month by dividing the cost of rental equipment on rent by the total cost of rental equipment, excluding accessory equipment. At December 31, 1999, fleet utilization was 78.1% and average fleet utilization during 1999 was 78.4%. Excluding new equipment not previously rented, fleet utilization at December 31, 1999 was 80.2% and average fleet utilization during 1999 was 81.6%.

SALES

In addition to operating its rental fleet, MMMC sells modulars to customers who have a permanent use for such units. These sales arise out of its marketing efforts for the rental fleet. Such sales can be of either new units or used units from the rental fleet, which permits an orderly turnover of older units. During 1999, MMMC's largest sale of modulars was for new classrooms to a school district for approximately $1,004,000. This sale represented approximately 6% of MMMC's sales, 3% of the Company's consolidated sales, and less than 1% of the Company's consolidated revenues.

MMMC provides limited 90-day warranties on used modulars and passes through manufacturers' warranties on new units. Warranty costs have not been significant to MMMC's operations to date, and MMMC attributes this to its commitment to high quality standards and regular maintenance programs.

In addition to MMMC's sales, the Company's subsidiary, Enviroplex, manufactures and sells portable classrooms to school districts in California (see "Classroom Sales by Enviroplex" below).

COMPETITION

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

Competition in the rental and sale of relocatable modular offices is intense. Many firms are engaged in the rental of modulars, and some have substantially greater financial resources than MMMC. Significant competitive factors in the rental business include availability, price, services, reliability, appearance and functionality of the product. MMMC markets high-quality, well constructed and attractive modulars. MMMC believes that part of the strategy for modulars should be to create facilities and infrastructure capabilities that its competitors cannot easily duplicate. The Company's facilities and related infrastructure enable it to modify modulars efficiently and cost effectively to meet its customers' needs. Management's goal is to be more responsive at less expense. Management believes this strategy, together with its emphasis on prompt and efficient customer service, gives MMMC a competitive advantage. The Company is determined to offer quick response to requests for information, experienced assistance for the first-time user, rapid delivery and timely maintenance of its units. The efficiency and responsiveness continues to be enhanced by the Company's computer based relational database programs that control its internal operations. MMMC anticipates strong competition in the future and believes the process of improvement is ongoing.

CLASSROOM SALES BY ENVIROPLEX

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

Enviroplex manufactures moment-resistant, rigid steel framed portable classrooms built to the requirements of the DSA and sells directly to school districts. The moment-resistant, rigid steel framed classroom is engineered to have the structural columns support the weight of the building. This offers the customer greater design flexibility as to overall classroom size and the placement of doors and windows. Enviroplex fabricates most of the structural steel component parts using only mill certified sheet steel. Enviroplex's standard designs have been engineered for strength and durability using lighter weight steel. Customers are offered a wide variety of the DSA pre-approved classroom sizes and features with market established pricing which could save them valuable time on their classroom project. Additional customization features include restrooms, computer lab setups, interior offices, cabinetwork and kitchen facilities. During 1999, Enviroplex's largest sale was for $1,596,000 of new classrooms to a school district. This sale represented 14% of Enviroplex's sales, 4% of the Company's consolidated sales and 1% of the Company's consolidated revenues.

Competition in the manufacture of DSA classrooms is broad, intense, and highly competitive. Several manufacturers have greater capacity for production and have been in business longer than Enviroplex. Larger manufacturers with greater capacity have a larger appetite for the standard classroom while Enviroplex caters to schools' requirements for more customized classrooms. The remaining manufacturers are of a similar size or smaller and do not have the production capacity nor the financial resources of Enviroplex.

Enviroplex manufactures solid, attractive classrooms. Through value engineering, Enviroplex has simplified its manufacturing process by changing materials, determining which components are made in-house versus purchased, reducing the number of components and increasing the production efficiency at an overall lower cost without sacrificing quality. Enviroplex's strategy is to improve the quality and flexibility of its product. Enviroplex understands that its customers want more than a quality classroom, competitively priced and delivered on time, and believes its niche is providing customers with choices in design flexibility and customization. Management believes this strategy gives Enviroplex a competitive edge.

Enviroplex provides a one-year warranty on equipment manufactured. Warranty costs have not been significant to Enviroplex's operations to date which can be attributed to Enviroplex's dedication to manufacturing and delivering a quality, problem-free product.

Enviroplex purchases raw materials from a variety of suppliers. Each component part has multiple suppliers. Enviroplex believes the loss of any one of these suppliers would not have a material adverse affect on its operations.

CLASSROOM RENTALS AND SALES

The rental and sales of modulars to public school districts for use as portable classrooms, restroom buildings and administrative offices for kindergarten through grade twelve (K-12) are a significant portion of the Company's revenues. The following table shows the approximate percentages schools are of the Company's modular rental and sales revenues, and of its consolidated rental and sales revenues for the past five years:

SCHOOLS AS A PERCENTAGE OF RENTAL AND SALES REVENUES

Percentage of:	1999	1998	1997	1996	1995
Modular Rental Revenues	48%	44%	45%	40%	34%
Modular Sales Revenues	52%	78%	74%	54%	38%
Consolidated Rental and Sales Revenues	34%	45%	52%	37%	27%

The increased sales shown for 1998, 1997 and 1996 can be attributed to the Class Size Reduction Program instituted by the state of California. School districts were given great incentive to reduce class size in the lower grades from a typical 30 students to no greater than 20 students. This highly popular program created a great demand for both purchasing and renting classroom buildings.

In California (where most of the Company's rentals to public school districts have occurred), school districts are permitted to purchase only portable classrooms built to the requirements of the DSA. However, school districts may rent classrooms that meet either the Department of Housing ("DOH") or the DSA requirements. Prior to 1988 the majority of the classrooms in the Company's rental fleet were built to the DOH requirements, and since 1988 almost all new classrooms have been built to the DSA requirements. In 1988, California adopted a law which limited the term for which school districts may rent portable classrooms built to DOH standards to three years (under a waiver process), and which also required the school board to indemnify the State against any claims arising out of the use of such classrooms. In 1993, a new law went into effect that allowed school districts which already had DOH classrooms to continue to rent them for an additional three years (i.e. up to six years in total). New orders for DOH classrooms placed after 1992 were restricted to the three year limitation as before. In 1996, legislation was adopted that eliminated the issuance of new waivers after September 30, 1997. Prior to September 30, 1997, additional legislation was passed to extend all existing waivers until September 30, 2000. At December 31, 1999, the net book value of DOH classrooms represented approximately 2% of the total assets of the Company and management believes that actions it has taken will mitigate the impact of the expiration. Currently, regulations are in place that allow the ongoing use of the DOH classrooms to meet the shorter term space needs of school districts for periods up to 24 months, provided they receive a "Temporary Certification" from the DSA. As a consequence, the tendency is for school districts to rent the DOH classrooms for shorter periods and to rent the DSA classrooms for longer periods.

The Company's DOH classrooms are also suitable for rent to non-school customers for commercial uses; however, the 24' x 40' standard classrooms are not as popular for commercial use. The following table shows the comparison of, and shift from, 24' x 40' standard DOH classrooms to DSA classrooms marketed to school districts as of December 31, 1999, 1998, 1997, 1996 and 1995. Please note how the inventory has shifted to the DSA classrooms.

CLASSROOM COMPARISON

(dollar amounts in thousands)	DECEMBER 31,				
	1999	1998	1997	1996	1995
24' X 40' STANDARD DOH CLASSROOMS					
Rental Equipment, at cost, on rent	$10,483	$12,704	$13,960	$13,738	$10,449
Rental Equipment, at cost, off rent	4,320	2,249	765	1,834	5,015
Total Rental Equipment, at cost	$14,803	$14,953	$14,725	$15,572	$15,464
Total Rental Equipment, net book value	$ 6,783	$ 7,368	$ 7,849	$ 8,952	$ 9,324
Utilization (year-end)(1)	70.8%	85.0%	94.8%	88.2%	67.6%
DSA CLASSROOMS					
Rental Equipment, at cost, on rent	$72,248	$55,697	$44,452	$26,488	$17,454
Rental Equipment, at cost, off rent	5,488	2,724	1,308	611	3,653
Total Rental Equipment, at cost	$77,736	$58,421	$45,760	$27,099	$21,107
Total Rental Equipment, net book value	$66,833	$50,630	$39,535	$22,399	$17,115
Utilization (year-end)(1)	92.9%	95.3%	97.1%	97.7%	82.7%

(1) Utilization is calculated as of December 31, by dividing the original cost of equipment on rent by the original cost of all equipment in the rental equipment category, excluding new classrooms not previously rented and accessory equipment.

ELECTRONIC TEST AND MEASUREMENT INSTRUMENTS

DESCRIPTION

The Company's rental inventory includes electronic instruments such as oscilloscopes, spectrum analyzers, logic analyzers, signal generators, frequency counters, protocol analyzers, cable locators, fiber optic and sonet equipment. The Company also rents electronic instruments from other rental companies and re-rents the instruments to customers.

At December 31, 1999, the Company had an aggregate cost of electronics rental inventory and accessories of $72,832,000. Utilization is calculated each month by dividing the cost of the rental equipment on rent by the total cost of the rental equipment, excluding accessory equipment. At December 31, 1999 utilization was 54.4%, and the average utilization during 1999 was 53.8%. The Company rents electronic equipment for a typical rental period of one to six months at monthly rental rates ranging from approximately 3.0% to 10.0% of the current manufacturers' list price. The Company depreciates its equipment over 5 to 8 years.

The Company endeavors to keep its equipment fresh and attempts to sell equipment so that the majority of the inventory is less than five years old. The Company generally sells used equipment after approximately four years of service to permit an orderly turnover and replenishment of the electronics inventory. In 1999, approximately 26% of the electronics revenues were derived from sales. The largest electronics sale during 1999 represented 1% of electronics sales and less than 1% of the Company's consolidated revenues.

MARKET

The business of renting electronic test and measurement instruments is an industry which today has equipment on rent or available for rent in the United States with an aggregate original cost in excess of a half billion dollars. While there is a broad customer base for the rental of such instruments, most rentals are to electronics, communications, network systems, industrial, research and aerospace companies. The Company markets its electronic equipment throughout the United States.

The Company believes that customers rent electronic test and measurement instruments for many reasons. Customers frequently need equipment for short-term projects, for backup to avoid costly downtime and to evaluate new products. Delivery times for the purchase of such equipment can be lengthy; thus, renting allows the customer to obtain the equipment expeditiously. The Company also believes that a substantial portion of electronic test and measurement instruments is used for research and development projects where the relative certainty of rental costs can facilitate cost control and be useful in bidding for government contracts. Finally, as is true with the rental of any equipment, renting rather than purchasing may better satisfy the customer's budgetary constraints.

The industry consists of three major companies. One of these companies is much larger than the Company, has substantially greater financial resources and is well established in the industry with a large inventory of equipment, several branch offices and experienced personnel.

PRODUCT HIGHLIGHTS

The following table shows the revenue components, percentage of total revenues, rental equipment (at cost), rental equipment (net book value), number of relocatable modular offices, year-end and average utilization, average rental equipment (at cost), annual yield on average rental equipment (at cost) and gross margin on sales by product line for the past five years.

PRODUCT HIGHLIGHTS

(dollar amounts in thousands)	YEAR ENDED DECEMBER 31,				
	1999	1998	1997	1996	1995
RELOCATABLE MODULAR OFFICES					
(operates under MMMC and Enviroplex)					
Revenues					
Rental	$ 51,622	$ 47,957	$ 41,514	$ 31,931	$ 31,577
Rental Related Services	12,542	11,007	9,898	8,399	7,527
Total Modular Rental Operations	64,164	58,964	51,412	40,330	39,104
Sales -- MMMC	16,100	23,171	33,522	14,359	6,572
Sales -- Enviroplex	11,150	20,672	21,287	10,206	4,775
Total Modular Sales	27,250	43,843	54,809	24,565	11,347
Other	500	448	656	885	1,415
Total Modular Revenues	$ 91,914	$103,255	$106,877	$ 65,780	$ 51,866
Percentage of Total Revenues	70.7%	76.2%	79.2%	73.9%	72.8%
Rental Equipment, at cost (year-end)	$238,449	$216,444	$196,133	$158,377	$150,389
Rental Equipment, net book value (year-end)	$171,166	$156,790	$142,816	$110,014	$106,266
Number of Units (year-end)	16,230	15,139	14,240	11,582	10,868
Utilization (year-end)(1)	78.1%	78.3%	78.7%	78.6%	71.0%
Average Utilization(1)	78.4%	77.6%	79.7%	72.1%	73.9%
Average Rental Equipment, at cost	$227,235	$204,914	$172,680	$151,818	$149,371
Annual Yield on Average Rental Equipment, at cost	22.7%	23.4%	24.0%	21.0%	21.1%
Gross Margin on Sales	29.5%	30.8%	31.2%	30.7%	29.3%
ELECTRONIC TEST AND MEASUREMENT INSTRUMENTS					
(operates under McGrath-RenTelco)					
Revenues					
Rental	$ 27,132	$ 24,010	$ 20,174	$ 17,055	$ 14,486
Rental Related Services	501	521	380	319	268
Total Electronics Rental Operations	27,633	24,531	20,554	17,374	14,754
Sales	9,789	7,201	7,212	5,610	4,492
Other	626	441	333	241	161
Total Electronics Revenues	$ 38,048	$ 32,173	$ 28,099	$ 23,225	$ 19,407
Percentage of Total Revenues	29.3%	23.8%	20.8%	26.1%	27.2%
Rental Equipment, at cost (year-end)	$ 72,832	$ 66,573	$ 50,351	$ 43,335	$ 35,168
Rental Equipment, net book value (year-end)	$ 46,012	$ 43,238	$ 31,270	$ 27,279	$ 21,342
Utilization (year-end)(1)	54.4%	51.5%	52.6%	51.8%	53.8%
Average Utilization(1)	53.8%	54.6%	54.9%	54.9%	55.2%
Average Rental Equipment, at cost	$ 68,420	$ 56,859	$ 46,483	$ 39,335	$ 32,255
Annual Yield on Average Rental Equipment, at cost	39.7%	42.2%	43.4%	43.4%	44.9%
Gross Margin on Sales	29.7%	32.9%	33.2%	37.3%	39.6%
TOTAL REVENUES	$129,962	$135,428	$134,976	$ 89,005	$ 71,273

(1) Utilization is calculated each month by dividing the cost of rental equipment on rent by the total cost of rental equipment, excluding accessory equipment. The average utilization for the year is calculated using the average of the monthly equipment figures.

ITEM 2. PROPERTIES.

The Company currently conducts its operations from five locations. Inventory centers, at which relocatable modular offices are displayed, refurbished and stored are located in Livermore, California (San Francisco Bay Area), Mira Loma, California (Los Angeles Area) and Pasadena, Texas (Houston Area). These three branches conduct rental and sales operations from multi-modular offices, serving as working models of the Company's product. Electronic test and measurement instrument rental and sales operations are conducted from the Livermore facility and from a facility in Richardson, Texas (Dallas Area). The Company's majority owned subsidiary, Enviroplex, manufactures portable classrooms from its facility in Stockton, California (San Francisco Bay Area).

During 1999, the Company purchased 2.6 acres of land in Plano, Texas for the development of a 40,000 square foot office and warehouse facility. The primary purpose for constructing the new facility is to relocate the currently rented Richardson, Texas electronics operation. The Company intends to rent out approximately half the facility. Construction of the facility started in January 2000 and will be completed by July 2000 at an estimated cost of $2,000,000.

The following table sets forth for each property the total acres, square footage of office space, square footage of warehouse space and total square footage at December 31, 1999. Except as noted, all properties are owned by the Company.

FACILITIES

		Square Footage		
	Total Acres	Office	Warehouse	Total
CORPORATE OFFICES				
Livermore, California(1)	--	9,840	--	9,840
RELOCATABLE MODULAR OFFICES				
Livermore, California(1, 2)	139.7	7,680	53,440	61,120
Mira Loma, California	78.5	7,920	45,440	53,360
Pasadena, Texas	50.0	3,868	24,000	27,868
ELECTRONIC TEST AND MEASUREMENT INSTRUMENTS				
Livermore, California(1)	--	8,400	7,920	16,320
Richardson, Texas(3)	--	2,640	3,971	6,611
Plano, Texas(4)	2.6	--	--	--
ENVIROPLEX, INC.				
Stockton, California	13.9	3,365	102,050	105,415
OTHER				
Corona, California(5)	10.4	--	--	--
Arlington, Texas(6)	1.8	1,680	2,387	4,067
	296.9	45,393	239,208	284,601

(1) The modular office complex in Livermore, California is 33,840 square feet and includes the Corporate offices and both modulars and electronics branch operations.

(2) Of the 139.7 acres owned, 2.2 acres with an 8,000 square foot warehouse facility is rented out to a third party through March, 2008, and 35.8 acres are undeveloped.

(3) Leased office and warehouse space through April 2000, subsequently rented on a month to month basis.

(4) 40,000 square foot office and warehouse facility under construction with expected completion in July 2000

(5) Facility is for sale or lease.

(6) Facility rented out to a third party on a month to month basis.

ITEM 3. LEGAL PROCEEDINGS.

Not applicable.

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

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's common stock is traded in the NASDAQ National Market System under the symbol "MGRC".

The market price (as quoted by NASDAQ) and cash dividends declared, per share of the Company's common stock, by calendar quarter for the past two years were as follows:

STOCK ACTIVITY

	1999				1998			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
High	$19.00	$20.38	$20.50	$22.50	$24.75	$24.50	$23.56	$24.50
Low	$15.88	$17.63	$17.13	$16.75	$13.88	$16.88	$19.00	$19.25
Close	$17.50	$18.00	$20.00	$18.25	$22.00	$17.00	$21.13	$19.88
Dividends Declared	$ 0.12	$ 0.12	$ 0.12	$ 0.12	$ 0.10	$ 0.10	$ 0.10	$ 0.10

As of March 17, 2000, the Company's common stock was held by approximately 108 shareholders of record, which does not include shareholders whose shares are held in street or nominee name. The Company believes that when holders in street or nominee name are added, the number of holders of the Company's common stock exceeds 500.

The Company has declared a quarterly dividend on its common stock every quarter since 1990. Subject to its continued profitability and favorable cash flow, the Company intends to continue the payment of quarterly dividends.

In March 2000, the Company issued an aggregate of 20,920 shares of its common stock to Dennis C. Kakures and Thomas J. Sauer, both officers of the Company, pursuant to the Company's Long-Term Stock Bonus Plan (as described in the Company's Proxy Statement). Under the same Plan, the Company had issued to the same two officers an aggregate of 33,486 shares of common stock in March 1999 and 36,840 shares of common stock in April 1998. These issuances were exempt from the registration requirements of the Securities Act of 1933 by virtue of section 4(2) thereof and Regulation 230.506.

ITEM 6. SELECTED FINANCIAL DATA.

The following table summarizes the Company's selected financial data for the five years ended December 31, 1999 and should be read in conjunction with the more detailed Consolidated Financial Statements and related notes reported in Item 8.

SELECTED CONSOLIDATED FINANCIAL DATA

(dollar and share amounts in thousands, except per share data)	Year Ended December 31,				
	1999	1998	1997	1996	1995
Operations Data					
Revenues					
Rental	$ 78,754	$ 71,967	$ 61,688	$ 48,986	$ 46,063
Rental Related Services	13,043	11,528	10,278	8,718	7,795
Rental Operations	91,797	83,495	71,966	57,704	53,858
Sales	37,039	51,044	62,021	30,175	15,839
Other	1,126	889	989	1,126	1,576
Total Revenues	129,962	135,428	134,976	89,005	71,273
Costs and Expenses					
Direct Costs of Rental Operations					
Depreciation	19,780	16,862	14,358	12,456	11,539
Rental Related Services	7,153	6,531	6,287	5,515	5,024
Other	14,284	13,390	10,375	8,703	7,370
Total Direct Costs of Rental Operations	41,217	36,783	31,020	26,674	23,933
Cost of Sales	26,078	35,189	42,550	20,532	10,735
Total Costs	67,295	71,972	73,570	47,206	34,668
Gross Margin	62,667	63,456	61,406	41,799	36,605
Selling and Administrative	17,103	16,220	15,957	13,147	10,459
Income from Operations	45,564	47,236	45,449	28,652	26,146
Interest	6,606	6,326	4,070	2,887	2,831
Income before Provision for Income Taxes	38,958	40,910	41,379	25,765	23,315
Provision for Income Taxes	14,874	16,010	16,323	9,885	9,375
Income before Minority Interest	24,084	24,900	25,056	15,880	13,940
Minority Interest in Income of Subsidiary	251	1,005	1,011	358	97
Income before Effect of Accounting Change	23,833	23,895	24,045	15,522	13,843
Cumulative Effect of Accounting Change, net of tax(1)	(1,367)	--	--	--	--
Net Income	$ 22,466	$ 23,895	$ 24,045	$ 15,522	$ 13,843
Earnings Per Share:					
Basic					
Income before Cumulative Effect of Accounting Change	$ 1.80	$ 1.69	$ 1.60	$ 1.03	$ 0.87
Cumulative Effect of Accounting Change, net of tax(1)	(0.10)	--	--	-	--
Net Income	$ 1.70	$ 1.69	$ 1.60	$ 1.03	$ 0.87
Diluted					
Income before Cumulative Effect of Accounting Change	$ 1.78	$ 1.67	$ 1.58	$ 1.01	$ 0.86
Cumulative Effect of Accounting Change, net of tax(1)	(0.10)	--	--	-	--
Net Income	$ 1.68	$ 1.67	$ 1.58	$ 1.01	$ 0.86
Shares Used in Per Share Calculation:					
Basic	13,235	14,163	14,982	15,102	15,949
Diluted	13,383	14,349	15,181	15,306	16,168
Cash Dividends Declared Per Common Share	$ 0.48	$ 0.40	$ 0.32	$ 0.28	$ 0.24
Pro Forma Amounts Assuming Change had been in effect during 1998, 1997, 1996 and 1995					
Net Income	$ 23,833	$ 23,697	$ 23,816	$ 15,400	$ 13,863
Earnings Per Share - Basic	$ 1.80	$ 1.67	$ 1.59	$ 1.02	$ 0.87
Earnings Per Share - Diluted	$ 1.78	$ 1.65	$ 1.57	$ 1.01	$ 0.86

SELECTED CONSOLIDATED FINANCIAL DATA (continued)

(dollar and share amounts in thousands, except per share data)	Year Ended December 31,				
	1999	1998	1997	1996	1995
Balance Sheet Data (at period end)					
Rental Equipment, net	$217,178	$200,028	$174,086	$137,292	$127,608
Total Assets	$297,722	$278,676	$252,392	$200,035	$175,130
Notes Payable	$110,300	$ 97,000	$ 82,000	$ 53,850	$ 37,080
Shareholders' Equity	$ 95,403	$105,394	$ 98,646	$ 88,808	$ 85,893
Shares Issued and Outstanding	12,546	13,970	14,522	14,820	15,540
Book Value Per Share	$ 7.60	$ 7.54	$ 6.79	$ 5.99	$ 5.53
Debt (Notes Payable) to Equity	1.16	0.92	0.83	0.61	0.43
Return on Average Equity	22.7%	24.0%	24.5%	18.0%	16.4%

(1) See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Fiscal Years 1999 and 1998" below for a discussion of the change in accounting method for rental revenue recognition in response to SAB No. 101.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

RESULT OF OPERATIONS

GENERAL

Revenues are derived primarily from the rental of relocatable modular offices and electronic test and measurement instruments. The Company has expanded the rental inventory of relocatable modular offices and electronic instruments. This expansion has been funded through internal cash flow, private placement of long-term debt and conventional bank financing.

The major portion of the Company's revenue is derived from rental operations comprising approximately 71% of consolidated revenues in 1999 and 62% of consolidated revenues for the three years ended December 31, 1999. Over the past three years modulars comprised 71% of the cumulative rental operations, and electronics comprised 29% of the cumulative rental operations.

The Company sells both modular and electronic equipment that is new, previously available for rent, or manufactured by its majority owned subsidiary, Enviroplex. In the case of some modular equipment, the Company acts as a dealer of relocatable modular offices and is licensed as a dealer by governmental agencies in California and Texas. Revenues from sales of both modular and electronic equipment have comprised approximately 28% of the Company's consolidated revenues in 1999 and 37% of the Company's consolidated revenues over the last three years. During these three years, modular sales represented 84% and electronic sales represented 16%.

The rental and sale of modulars to public school districts is a significant part of the Company's business. School business comprised 34%, 45%, and 52% of the Company's consolidated rental and sales revenues for 1999, 1998, 1997. The increases in the Company's sales and rental revenues in 1997 can be attributed primarily to the Class Size Reduction Program implemented by the state of California in 1996. Sales revenues declined significantly in 1999 and 1998 as school districts' demand for classrooms declined as school districts finished implementing the Class Size Reduction Program. (See "Business - Relocatable Modular Offices - Classroom Rentals and Sales" above.)

The following table sets forth for the periods indicated the results of operations as a percentage of revenues and the percentage of changes in such items as compared to the indicated prior period:

	Percent of Revenues				Percent Change	
	Three Years 1999-1997	Year Ended December 31, 1999	1998	1997	1999 over 1998	1998 over 1997
Revenues						
Rental	53%	61%	53%	46%	9%	17%
Rental Related Services	9	10	9	8	13	12
Rental Operations	62	71	62	54	10	16
Sales	37	28	38	46	(27)	(18)
Other	1	1	nm	nm	nm	nm
Total Revenues	100%	100%	100%	100%	(4)%	nm
Costs and Expenses						
Direct Costs of Rental Operations						
Depreciation	13	15	12	11	17	17
Rental Related Services	5	6	5	5	10	4
Other	9	11	10	7	7	29
Total Direct Costs of Rental Operations	27	32	27	23	12	19
Cost of Sales	26	20	26	32	(26)	(17)
Total Costs	53	52	53	55	(6)	(2)
Gross Margin	47	48	47	45	(1)	3
Selling and Administrative	12	13	12	11	5	2
Income from Operations	35	35	35	34	(4)	4
Interest	5	5	5	3	4	55
Income before Provision for Income Taxes	30	30	30	31	(5)	(1)
Provision for Income Taxes	12	11	12	12	(7)	(2)
Income before Minority Interest	18	19	18	19	(3)	(1)
Minority Interest in Income of Subsidiary	nm	1	nm	1	nm	nm
Income before Effect of Accounting Change	18	18	18	18	nm	nm
Cumulative Effect of Accounting Change, net of tax	nm	1	nm	nm	nm	nm
Net Income	18%	17%	18%	18%	(6%)	nm

nm = not meaningful

FISCAL YEARS 1999 AND 1998

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

As anticipated, during 1999 increased revenues from rental operations have significantly offset the decline in sales revenues. However, net income for 1999 was reduced by the impact of both a noncash pre-tax compensation charge of $885,000, as well as a one-time, noncash, after-tax charge of $1,367,000 reflecting the cumulative effect through December 31, 1998 of the Company's change in accounting method for rental revenues as of January 1, 1999. After considering the impact of these two charges, net income for 1999 was $22,466,000, or $1.68 per diluted share compared to last year's reported net income of $23,895,000, or $1.67 per diluted share. Excluding the impact of these two charges, net income in 1999 would have been $24,361,000, or $1.82 per diluted share. Assuming the newly adopted accounting method had been in effect in 1998, net income for 1998 would have been $23,697,000, or $1.65 per diluted share, and comparative earnings per diluted share would have increased 10% in 1999 as a result of higher earnings and fewer outstanding shares.

Rental revenue is recognized under the "operating method" of accounting for the majority of leases. Effective January 1, 1999, rental revenue is recognized ratably over the month on a daily basis. Rental billings for periods extending beyond the month end are recorded as deferred income. In prior years, only rental billings extending beyond a one-month period were recorded as deferred income. The new method of recognizing revenue was adopted in response to the Security and Exchange Commission's Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition." The effect is reported as a change in accounting method in accordance with Accounting Principles Board Opinion ("APB") No. 20, "Accounting Changes." The cumulative effect of changing to a new method of accounting effective January 1, 1999 was to decrease net income by $1,367,000 (net of taxes of $883,000) or $0.10 per diluted share. The pro forma amounts shown on the consolidated statements of income have been adjusted as if the new method of revenue recognition had been in effect for all periods presented.

Rental revenues increased $6,787,000 (9%) over 1998, with MMMC contributing $3,665,000 and McGrath-RenTelco contributing $3,122,000 of the increase. As of December 31, 1999, rental equipment on rent increased for MMMC by $16,586,000 and for McGrath-RenTelco by $5,331,000 compared to a year earlier. Even though average utilization for modulars increased from 77.6% in 1998 to 78.4% in 1999, the annual yield declined for modulars from 23.4% to 22.7% as a result of lower rental rates due to competition. Average utilization for electronics declined slightly from 54.6% in 1998 to 53.8% in 1999 with electronics annual yield declining from 42.2% in 1998 to 39.7% in 1999 resulting primarily from competitive pricing pressures.

Rental related services revenues in 1999 increased $1,515,000 (13%), over 1998 as a result of a higher volume of modular equipment movements and site requirements in 1999. Gross margins on these services increased from 43.4% in 1998 to 45.2% in 1999.

Sales in 1999 declined $14,005,000 (27%) primarily due to a reduction in sales of manufactured classrooms by Enviroplex to school districts from the high levels in 1998 caused by California's Class Size Reduction Program. Further, increased business levels for Enviroplex anticipated from the $9.2 billion California bond measure, which passed in November 1998, did not materialize in 1999. The single largest sale in 1999 was by Enviroplex for $1,596,000 of new classrooms to a school district. 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, requirements and funding. Consolidated gross margin on sales declined slightly from 31.1% in 1998 to 29.6% in 1999 due to the lower margin classroom projects sold during 1999.

Enviroplex's backlog of orders as of December 31, 1999 and 1998 was $12,626,000 and $1,468,000, respectively. (Backlog is not significant in MMMC's modular business or in McGrath-RenTelco's electronic business.)

Depreciation on rental equipment in 1999 increased $2,918,000 (17%) over 1998 due to additional rental equipment purchased during 1999. The average modular rental equipment, at cost, increased $22,321,000 (11%) and average electronics rental equipment, at cost, increased $11,561,000 (20%) over 1998. Other direct costs of rental operations increased $894,000 (7%) over 1998 primarily due to increased maintenance and repair expenses of the modular fleet. Additionally, during 1998 as in the prior year, a significant number of school customers opted to include upfront charges in the rental rate resulting in higher amortization expense of these related upfront costs over the lease term in subsequent periods.

Selling and administrative expenses in 1999 increased $883,000 (5%) over 1998. During 1999, the Company repurchased 80,000 shares of stock at $18.00 per share from an employee who had acquired the stock at $6.94 per share through the exercise of a stock option, resulting in the recognition of a noncash compensation expense of $885,000.

Interest expense in 1999 increased $280,000 (4%) over 1998 as a result of higher average borrowing levels in 1999 offset by a lower weighted average interest rate. The debt increase funded part of the significant rental equipment purchases made during 1999.

Income before provision for taxes in 1999 decreased $1,952,000 (5%) from 1998 while net income before effect of the accounting change only decreased $62,000 (less than 1%) from 1998. The lower percentage decrease for net income before effect of the accounting change is due to the decrease in the minority interest in income of Enviroplex combined with a lower effective tax rate in 1999 of 38.1% compared to 39.1% in 1998 as more business is derived outside of California.

FISCAL YEARS 1998 AND 1997

California's Class Size Reduction Program (a law enacted in July 1996) provided for facility and operational funding for the reduction of classroom size to 20 pupils for kindergarten through third grade. Due to the anticipated increase in demand for the DSA classrooms at the time, MMMC increased its supply of the DSA classrooms resulting in significantly higher levels of sales and rentals to school districts in 1997 and 1998. In late 1997 and continuing into 1998, as the industry's capacity to produce classrooms increased and the school districts' demand for new classrooms decreased, school districts were more often able to purchase new classrooms directly from manufacturers rather than from MMMC. MMMC's sales of new classrooms declined from $18,795,000 in 1997 to $10,187,000 in 1998. Included in the 1998 MMMC classroom sales is one project that accounted for 60% of the sales volume.

Rental revenues increased $10,279,000 (17%) over 1997, with MMMC contributing $6,443,000 and McGrath-RenTelco contributing $3,836,000 of the increase. The significant rental revenue increase by MMMC resulted from the large quantities of equipment shipped to schools in the latter part of 1997. The McGrath-RenTelco rental revenue increase resulted from additional market penetration including telemarketing and regional sales efforts on the East Coast. As of December 31, 1998, rental equipment on rent increased for MMMC by $17,760,000 and for McGrath-RenTelco by $7,759,000 compared to a year earlier.

Rental related services revenues in 1998 increased $1,250,000 (12%), over 1997. Gross margins on these services increased from 38.8% in 1997 to 43.4% in 1998.

Sales in 1998 declined $10,977,000 (18%) due to fewer new classroom sales to school districts by MMMC. Enviroplex and McGrath-RenTelco sales volumes each declined slightly from 1997 and added to MMMC's expected decline in new classroom sales. The single largest sale was for $6,110,000 by MMMC to a school district during the third quarter of 1998 consisting of new classrooms of which 69% of the total contract was for demolition of existing buildings, site improvements and installation of the new classrooms. This sale was unique as to the volume of new classrooms sold in conjunction with the amount of site work performed and is not likely to be repeated in the future.

Depreciation on rental equipment in 1998 increased $2,504,000 (17%) over 1997 due to additional rental equipment purchased during 1998. Average rental equipment, at cost, during 1998 increased 19%. Other direct costs of rental operations increased $3,015,000 (29%) over 1997 primarily due to increased maintenance and repair expenses of the modular fleet. Additionally, during 1997, a significant number of school customers opted to include upfront charges in the rental rate resulting in higher amortization expense of these related upfront costs over the lease term in the subsequent periods.

Selling and administrative expenses in 1998 increased $263,000 (2%) over 1997. During 1998, the primary factors contributing to increased selling and administrative expenses were higher expenses for facility and equipment depreciation ($585,000) and personnel and benefit costs ($539,000) offset by fewer bad debt write-offs ($220,000), fewer legal and consulting expenses ($214,000), and eliminated facility rental, cleanup and moving expenses ($253,000).

Interest expense in 1998 increased $2,256,000 (55%) over 1997 as a result of higher average borrowing levels in 1998. The debt increase funded in part the rental equipment purchases made during 1998.

Income before provision for taxes in 1998 decreased $469,000 (1%) from 1997 while net income decreased $150,000 from 1997. Basic earnings per share increased 6% from $1.60 in 1997 to $1.69 in 1998 due to fewer shares outstanding.

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 "General" above for cautionary information with respect to such forward-looking statements.

In 1999, as in prior years, the Company's primary use of cash has been investing in its growth by purchasing additional rental inventory of relocatable modular offices and electronic test and measurement instruments to satisfy customer requirements. During 1999, the Company purchased $47,310,000 of equipment to add to its inventory available for rent to customers. During the last three years, this growth in the rental inventory has been financed by cash flow from operations, private placement of long-term debt and bank borrowings.

The Company's operations produced a positive cash flow of $53,235,000 during 1999 as compared to $41,967,000 and $41,405,000 during 1998 and 1997 respectively.

In July, 1998, the Company completed a private placement of $40,000,000 of 6.44% Senior Notes due in 2005. Interest on the notes is due semi-annually in arrears and the principal is due in five equal installments commencing on July 15, 2001 (and thus, the outstanding balance at December 31, 1999, was $40,000,000).

Bank borrowings have long been a source of funds for the Company's purchase of rental equipment. As the Company's assets have grown, it has been able to negotiate increases in the borrowing limit under its general bank lines of credit, which limit is currently $100,000,000. The Company increased its borrowings under this line by $13,300,000 during the year, and at December 31, 1999, the outstanding borrowings under this line were $70,300,000. In addition to the $100,000,000 line of credit, the Company has a $5,000,000 committed line of credit facility related to its cash management services. The Company had a total liabilities to equity ratio of 2.12 to 1 and 1.64 to 1 as of December 31, 1999 and 1998, respectively; and the debt (notes payable) to equity ratio was 1.16 to 1 and 0.92 to 1 at December 31, 1999 and 1998, respectively. Although no assurance can be given, the Company believes it will continue to be able to negotiate higher limits on its general bank lines of credit adequate to meet capital requirements not otherwise met by operational cash flows and long term debt.

In addition to increasing its rental inventory assets, the Company also used $2,253,000 to add to its other fixed assets, and has used significant cash to provide returns to its shareholders, both in the form of cash dividends and by stock repurchases. 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 canceled and returned to the status of authorized but unissued stock. As of March 17, 2000, 1,000,000 shares remain authorized for repurchase. The following table summarizes the dividends paid and the repurchases of the Company's common stock during the past three years.

DIVIDEND AND REPURCHASE SUMMARY

(dollar and share amounts in thousands, except per share data)	Year Ended December 31,			Three Year
	1999	1998	1997	Totals
Cash Dividends Paid	$ 6,134	$ 5,386	$ 4,641	$16,161
Shares Repurchased	1,550	620	502	2,672
Average Price Per Share	$ 18.21	$ 19.77	$ 20.99	$ 19.09
Aggregate Purchase Price	$28,212	$12,247	$10,545	$51,004
Total Cash Returned to Shareholders	$34,346	$17,633	$15,186	$67,165

Please see the Company's Consolidated Statements of Cash Flows on page 21 for a more detailed presentation of the sources and uses of the Company's cash.

The Company does not have any material commitments or obligations requiring the expenditure of cash in the future inconsistent with its expenditures in the periods reported herein. The Company believes that its needs for working capital and capital expenditures through 2000 and beyond will be adequately met by operational cash flow, bank borrowings and long-term debt. The Company believes that it has the ability to reduce materially the amount of cash it uses to purchase rental equipment, pay dividends and repurchase its common stock in the future if a need to conserve cash should arise unexpectedly.

MARKET RISK

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

The Company currently has no material derivative financial instruments which 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. The table below presents principal cash flows and related weighted average interest rates of the Company's notes payable at December 31, 1999 by expected maturity dates. Weighted average variable rates are based on implied forward rates in the yield curve at the reporting date.

(dollar amounts in thousands)	Year Ended December 31,							
	2000	2001	2002	2003	2004	2005 and Thereafter	Total	Fair Value
Fixed Rate	$ --	$ 8,000	$ 8,000	$8,000	$8,000	$8,000	$40,000	$40,000
Average Interest Rate	6.44%	6.44%	6.44%	6.44%	6.44%	6.44%	6.44%	
Variable Rate	$ --	$17,575	$52,725	$ --	$ --	$ --	$70,300	$70,300
Average Interest Rate	7.11%	7.11%	7.11%		--	--	7.11%	--

YEAR 2000

The Company experienced no disruption in operations due to the 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. Capitalized expenditures for this process totaled $1,850,000 for the period January 1, 1997 to December 31, 1999 for external labor, hardware and software costs. This amount includes the cost of new software applications installed as a result of strategic replacement projects. Prior to December 31, 1998, the Company did not separately track the internal costs incurred related to Year 2000 issues or the system conversions described above. Such internal costs are principally the related payroll costs for its information systems personnel and are not necessarily considered incremental costs to the Company. Effective January 1, 1999, the Company began to track and capitalize these internal costs in accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." During 1999, the Company capitalized internal personnel costs of $300,000 for software development. There has been no material change in total cost estimates related to Year 2000 remediation efforts. 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.

IMPACT OF INFLATION

Although the Company cannot precisely determine the effect of inflation, from time to time it has experienced increases in costs of rental equipment, manufacturing costs, operating expenses and interest. Because most of its rentals are relatively short term, the Company has generally been able to pass on such increased costs through increases in rental rates and selling prices.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Report of Independent Public Accountants

To the Shareholders and Board of Directors of McGrath RentCorp:

We have audited the accompanying consolidated balance sheets of McGrath RentCorp (a California corporation) and subsidiary as of December 31, 1999 and 1998, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of McGrath RentCorp as of December 31, 1999 and 1998, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.

As explained in Note 2 to the consolidated financial statements, the Company changed its method of accounting for rental revenue whereby all rental revenues are recognized ratably over the month on a daily basis.

San Francisco, California
February 11, 2000 ARTHUR ANDERSEN LLP

MCGRATH RENTCORP
CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)	Year Ended December 31, 1999	1998	1997
REVENUES			
Rental	$ 78,754	$ 71,967	$ 61,688
Rental Related Services	13,043	11,528	10,278
Rental Operations	91,797	83,495	71,966
Sales	37,039	51,044	62,021
Other	1,126	889	989
Total Revenues	129,962	135,428	134,976
COSTS AND EXPENSES			
Direct Costs of Rental Operations			
Depreciation	19,780	16,862	14,358
Rental Related Services	7,153	6,531	6,287
Other	14,284	13,390	10,375
Total Direct Costs of Rental Operations	41,217	36,783	31,020
Cost of Sales	26,078	35,189	42,550
Total Costs	67,295	71,972	73,570
Gross Margin	62,667	63,456	61,406
Selling and Administrative	17,103	16,220	15,957
Income from Operations	45,564	47,236	45,449
Interest	6,606	6,326	4,070
Income before Provision for Income Taxes	38,958	40,910	41,379
Provision for Income Taxes	14,874	16,010	16,323
Income before Minority Interest	24,084	24,900	25,056
Minority Interest in Income of Subsidiary	251	1,005	1,011
Income before Effect of Accounting Change	23,833	23,895	24,045
Cumulative Effect of Accounting Change, net of tax benefit of $883	(1,367)	--	--
Net Income	$ 22,466	$ 23,895	$ 24,045
Earnings Per Share:			
Basic			
Income before cumulative effect of accounting change	$ 1.80	$ 1.69	$ 1.60
Cumulative effect of accounting change, net of tax	(0.10)	--	--
Net Income	$ 1.70	$ 1.69	$ 1.60
Diluted			
Income before cumulative effect of accounting change	$ 1.78	$ 1.67	$ 1.58
Cumulative effect of accounting change, net of tax	(0.10)	--	--
Net Income	$ 1.68	$ 1.67	$ 1.58
Shares Used in Per Share Calculation:			
Basic	13,235	14,163	14,982
Diluted	13,383	14,349	15,181
Pro Forma Amounts Assuming Accounting Change had been in effect during 1998 and 1997			
Net Income	$ 23,833	$ 23,697	$ 23,816
Earnings Per Share - Basic	$ 1.80	$ 1.67	$ 1.59
Earnings Per Share - Diluted	$ 1.78	$ 1.65	$ 1.57

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

MCGRATH RENTCORP
CONSOLIDATED BALANCE SHEETS

(in thousands)	December 31, 1999	December 31, 1998
ASSETS		
Cash	$ 490	$ 857
Accounts Receivable, less allowance for doubtful accounts of $650 in 1999 and 1998	25,095	21,811
Rental Equipment, at cost:		
Relocatable Modular Offices	238,449	216,414
Electronic Test Instruments	72,832	66,573
	311,281	282,987
Less Accumulated Depreciation	(94,103)	(82,959)
Rental Equipment, net	217,178	200,028
Land, at cost	19,303	18,953
Buildings, Land Improvements, Equipment and Furniture, at cost, less accumulated depreciation of $5,116 in 1999 and $3,858 in 1998	31,668	31,460
Prepaid Expenses and Other Assets	3,988	5,567
Total Assets	$ 297,722	$ 278,676
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Notes Payable	$ 110,300	$ 97,000
Accounts Payable and Accrued Liabilities	24,811	22,964
Deferred Income	9,511	5,574
Minority Interest in Subsidiary	2,836	2,584
Deferred Income Taxes	54,861	45,160
Total Liabilities	202,319	173,282
Shareholders' Equity:		
Common Stock, no par value -- Authorized -- 40,000 shares Issued and Outstanding -- 12,546 shares in 1999 and 13,970 shares in 1998	8,755	8,138
Retained Earnings	86,648	97,256
Total Shareholders' Equity	95,403	105,394
Total Liabilities and Shareholders' Equity	$ 297,722	$ 278,676

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

MCGRATH RENTCORP
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands, except per share amounts)	Common Stock Shares	Common Stock Amount	Retained Earnings	Total Shareholders' Equity
BALANCE AT DECEMBER 31, 1996	14,820	$ 7,161	$ 81,647	$ 88,808
Net Income	--	--	24,045	24,045
Repurchase of Common Stock	(502)	(507)	(10,038)	(10,545)
Noncash Compensation	28	497	--	497
Exercise of Stock Options	176	606	--	606
Dividends Declared of $0.32 Per Share	--	--	(4,765)	(4,765)
BALANCE AT DECEMBER 31, 1997	14,522	7,757	90,889	98,646
Net Income	--	--	23,895	23,895
Repurchase of Common Stock	(620)	(340)	(11,907)	(12,247)
Noncash Compensation	37	485	--	485
Exercise of Stock Options	31	236	--	236
Dividends Declared of $0.40 Per Share	--	--	(5,621)	(5,621)
BALANCE AT DECEMBER 31, 1998	13,970	8,138	97,256	105,394
Net Income	--	--	22,466	22,466
Repurchase of Common Stock	(1,550)	(1,381)	(26,831)	(28,212)
Noncash Compensation	35	1,343	--	1,343
Exercise of Stock Options	91	655	--	655
Dividends Declared of $0.48 Per Share	--	--	(6,243)	(6,243)
BALANCE AT DECEMBER 31, 1999	12,546	$ 8,755	$ 86,648	$ 95,403

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

MCGRATH RENTCORP
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Year Ended December 31, 1999	1998	1997
Cash Flow from Operating Activities:			
Net Income	$ 22,466	$ 23,895	$ 24,045
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	21,474	18,309	15,274
Cumulative Effect of Accounting Change, net of tax	1,367	--	--
Noncash Compensation	1,343	485	497
Gain on Sale of Rental Equipment	(5,971)	(5,404)	(6,622)
Change In:			
Accounts Receivable	(3,284)	(17)	(1,874)
Prepaid Expenses and Other Assets	1,579	991	(4,161)
Accounts Payable and Accrued Liabilities	1,990	(3,850)	13,166
Deferred Income	1,687	(1,354)	1,702
Deferred Income Taxes	10,584	8,912	(622)
Net Cash Provided by Operating Activities	53,235	41,967	41,405
Cash Flow from Investing Activities:			
Purchase of Rental Equipment	(47,310)	(51,159)	(62,277)
Purchase of Land, Buildings, Land Improvements, Equipment and Furniture	(2,253)	(4,041)	(10,594)
Proceeds from Sale of Land, Buildings and Land Improvements	--	2,190	--
Proceeds from Sale of Rental Equipment	16,352	13,759	17,748
Net Cash Used in Investing Activities	(33,211)	(39,251)	(55,123)
Cash Flow from Financing Activities:			
Net Borrowings (Repayments) under Bank Lines of Credit	13,300	(25,000)	28,150
Borrowings under Private Placement	--	40,000	--
Net Proceeds from the Exercise of Stock Options	655	236	606
Repurchase of Common Stock	(28,212)	(12,247)	(10,545)
Payment of Dividends	(6,134)	(5,386)	(4,641)
Net Cash Provided by (Used in) Financing Activities	(20,391)	(2,397)	13,570
Net Increase (Decrease) in Cash	(367)	319	(148)
Cash Balance, Beginning of Period	857	538	686
Cash Balance, End of Period	$ 490	$ 857	$ 538
Interest Paid During the Period	$ 6,473	$ 5,407	$ 4,010
Income Taxes Paid During the Period	$ 4,290	$ 7,098	$ 16,945
Dividends Declared but not yet Paid	$ 1,506	$ 1,397	$ 1,162

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

MCGRATH RENTCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND BUSINESS

McGrath RentCorp is a California corporation organized in 1979. McGrath RentCorp and its majority owned subsidiary, Enviroplex, Inc. ("Enviroplex"), collectively referred to herein as the "Company", manufactures, rents and sells relocatable modular offices and rents and sells communications, fiber optic and electronic test equipment with related accessories primarily in California and Texas. The Company's corporate offices are located in Livermore, California. In addition to the corporate offices, certain branch functions are conducted from this facility.

Under the trade name "Mobile Modular Management Corporation", the Company rents and sells modular equipment and related accessories from two branch offices located in California and one located in Texas. The Company purchases the modulars from various manufacturers who build them to the Company's design specifications. Although Mobile Modular Management Corporation's primary emphasis is on rentals, sales of modulars occur routinely and can fluctuate quarter to quarter and from year to year depending on customer demands and requirements.

Under the trade name "McGrath-RenTelco", the Company rents and sells electronic instruments from Livermore, California and Richardson, Texas. Engineers, scientists, technicians and field-service personnel use these instruments in evaluating the performance of their own electrical and electronic equipment, developing products, controlling manufacturing processes and in-field service applications. These instruments are rented primarily to electronics, communications, network systems, industrial, research and aerospace companies. The majority of McGrath-RenTelco's rental inventory consists of instruments manufactured by Hewlett-Packard and Tektronix.

McGrath RentCorp owns 73.2% of Enviroplex, a California corporation organized in 1991. Enviroplex manufactures portable classrooms built to the requirements of the California Division of the State Architect ("DSA") and sells primarily to school districts. Enviroplex conducts its sales and manufacturing operations from one facility located in Stockton, California.

The rental and sale of modulars to public school districts for use as portable classrooms, restroom buildings and administrative offices for kindergarten through grade twelve (K-12) are a significant portion of the Company's revenues. School business comprised approximately 34%, 45% and 52% of the Company's consolidated rental and sales revenues for 1999, 1998 and 1997, respectively.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of McGrath RentCorp and Enviroplex. All significant intercompany accounts and transactions are eliminated.

REVENUES

Rental revenue is recognized under the "operating method" of accounting for the majority of leases. Effective January 1, 1999, rental revenue is recognized ratably over the month on a daily basis. Rental billings for periods extending beyond the month end are recorded as deferred income. In prior years, only rental billings extending beyond a one-month period were recorded as deferred income. The new method of recognizing revenue was adopted in response to the Security and Exchange Commission's Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition." The effect is reported as a change in accounting method in accordance with Accounting Principles Board Opinion ("APB") No. 20, "Accounting Changes." The cumulative effect of changing to a new method of accounting effective January 1, 1999 was to decrease net income by $1,367,000 (net of taxes of $883,000) or $0.10 per diluted share. The pro forma amounts shown on the consolidated statements of income have been adjusted as if the new method of revenue recognition had been in effect for all periods presented.

Rental related services revenue is primarily associated with relocatable modular office leases and consists of billings to customers for delivery, installation, modifications, skirting, additional site related work, and return delivery and dismantle. Revenue related to these services is recognized in the period the services are performed and accepted.

MCGRATH RENTCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Sales revenue is recognized upon delivery of the equipment to the customer. Certain leases meeting the requirements of Statement of Financial Accounting Standards ("SFAS") No. 13, "Accounting for Leases," are accounted for as sales type leases. For these leases, sales revenue and the related accounts receivable are recognized upon execution of the lease and unearned interest is recognized over the lease term on a basis which results in a constant rate of return on the unrecovered lease investment (see Note 4).

DEPRECIATION AND MAINTENANCE

Rental equipment, buildings, land improvements, equipment and furniture are depreciated on a straight-line basis for financial reporting purposes and on an accelerated basis for income tax purposes. The costs of major refurbishment of relocatable modular offices are capitalized to the extent the refurbishment significantly improves the quality and adds value or life to the equipment. Land improvements consist of development costs incurred to build storage and maintenance facilities at each of the relocatable modular branch offices. The following estimated useful lives and residual values are used for financial reporting purposes:

Rental equipment:

Relocatable modular offices	7 to 18 years, 0% to 18% residual value
Electronic test instruments	5 to 8 years, no residual value
Buildings, land improvements, equipment and furniture	5 to 50 years, no residual value

Maintenance and repairs are expensed as incurred.

OTHER DIRECT COSTS OF RENTAL OPERATION

Other direct costs of rental operations primarily relate to costs associated with relocatable modular offices and include equipment supplies and repairs, direct labor, amortization of lease costs included in the rental rate, property and liability insurance, property taxes, and business and license fees.

WARRANTY SERVICE COSTS

Sales of new relocatable modular offices, electronic test equipment and related accessories not manufactured by the Company are typically covered by warranties provided by the manufacturer of the products sold. The Company provides limited 90-day warranties for certain sales of used rental equipment and a one-year warranty on equipment manufactured by Enviroplex. Although the Company's policy is to provide reserves for warranties when required for specific circumstances, the Company has not found it necessary to establish such reserves to date.

INCOME TAXES

Provision has been made for deferred income taxes based upon the amount of taxes payable in future years, after considering changes in tax rates and other statutory provisions that will be in effect in those years (see Note 6).

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company believes that the carrying amounts of its financial instruments (cash and notes payable) approximate fair value.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in determining reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during each period presented. Actual results could differ from those estimates.

MCGRATH RENTCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

EARNINGS PER SHARE

Basic earnings per share ("EPS") is computed as net income divided by the weighted average number of shares of common stock outstanding for the reported period, excluding the dilutive effects of stock options and other potentially dilutive securities. Diluted EPS is computed as net income divided by the weighted average number of shares outstanding of common stock and common stock equivalents for the reported period. Common stock equivalents result from dilutive stock options computed using the treasury stock method with the average share price for the reported period. The weighted average number of dilutive options outstanding at December 31, 1999, 1998 and 1997 were 147,789, 186,624 and 199,215, respectively.

COMPREHENSIVE INCOME

SFAS No. 130, "Reporting Comprehensive Income," establishes standards to measure all changes in equity that result from transactions and other economic events other than transactions with shareholders. Comprehensive income is the total of net income and all other non-shareholder changes in equity. Other than net income, the Company has no comprehensive income.

RECLASSIFICATIONS

Certain prior period amounts have been reclassified to conform to current year presentation.

NOTE 3. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of trade accounts receivable. The Company sells primarily on 30-day terms, individually performs credit evaluation procedures on its customers on each transaction and will require security deposits or personal guarantees from its customers when a significant credit risk is identified. Historically, the Company has not incurred significant credit related losses, however, an allowance for potential credit losses is maintained. Typically, most customers are established companies or are publicly funded entities located in California or Texas. Although no one customer accounts for more than 10% of the Company's consolidated revenues, credit risk exists in trade accounts receivable primarily due to the significant amount of business transacted with California public school districts (K-12) which represents a significant portion of the Company's revenues (see Note 1). The lack of fiscal funding or a significant reduction of funding from the State of California to the public schools could have a material adverse effect on the Company.

NOTE 4. SALES TYPE LEASE RECEIVABLES

The Company has entered into several sales type leases. The minimum lease payments receivable and the net investment included in accounts receivable for such leases are as follows:

(in thousands)	December 31,	
	1999	1998
Gross minimum lease payments receivable	$ 6,992	$ 5,935
Less - unearned interest	(1,253)	(1,246)
Net investment in sales type lease receivables	$ 5,739	$ 4,689

MCGRATH RENTCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

As of December 31, 1999, the future minimum lease payments to be received in 2000 and thereafter are as follows:

(in thousands) Year Ended December 31,	
2000	$ 4,460
2001	1,471
2002	642
2003	265
2004	101
2005 and thereafter	53
Total minimum future lease payments	$ 6,992

NOTE 5. NOTES PAYABLE

On July 31, 1998, the Company completed a private placement of $40,000,000 of 6.44% Senior Notes due in 2005. Interest on the notes is due semi-annually in arrears and the principal is due in 5 equal installments commencing on July 15, 2001. The outstanding balance at December 31, 1999 was $40,000,000. Among other restrictions, the agreement requires (i) the Company to maintain a minimum net worth of $80,000,000 plus 25% of all net income generated subsequent to June 30, 1998, less an aggregate amount not to exceed $15,000,000 paid by the Company to repurchase its common stock after June 30, 1998, (restricted equity at December 31, 1999 is $73,855,000), (ii) a fixed coverage charge of not less than 2.0 to 1.0, (iii) a rolling fixed charges coverage ratio of not less than 1.5 to 1.0, and (iv) senior debt not to exceed 275% of consolidated net worth and consolidated total debt not to exceed 300% of consolidated net worth.

The Company maintains an unsecured line of credit agreement, as amended, (the "Agreement") with its banks which expires on June 30, 2001 and permits it to borrow up to $100,000,000 of which $70,300,000 was outstanding as of December 31, 1999. The Agreement requires the Company to pay interest at prime or, at the Company's election, at other rate options available under the Agreement. In addition, the Company pays a commitment fee on the daily average unused portion of the available line. Among other restrictions, the Agreement requires (i) the Company to maintain shareholders' equity of not less than $75,000,000 plus 50% of all net income generated subsequent to September 30, 1999 plus 90% of any new stock issuance proceeds (restricted equity at December 31, 1999 is $77,990,000), (ii) a debt-to-equity ratio (excluding deferred income taxes) of not more than 3 to 1, (iii) interest coverage (income from operations compared to interest expense) of not less than 2 to 1 and (iv) debt service coverage (earnings before interest, taxes, depreciation and amortization compared to the following year's pro forma debt service) of not less than 1.15 to 1.0. If the Company does not amend or renegotiate the present Agreement for an additional time period prior to its expiration date, the principal amount outstanding at that time will be converted to a two-year term loan with principal due and payable in eight (8) consecutive quarterly installments.

In addition to the $100,000,000 unsecured line of credit, the Company has a $5,000,000 committed line of credit facility (at prime rate) related to its cash management services of which none was outstanding as of December 31, 1999. This committed line related to its cash management services will expire on June 30, 2000.

MCGRATH RENTCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

(dollar amounts in thousands)	Year Ended December 31, 1999	1998
Maximum amount outstanding	$ 70,300	$ 103,500
Average amount outstanding	$ 62,646	$ 79,326
Weighted average interest rate	6.08%	6.41%
Effective interest rate at end of period	7.11%	6.37%
Prime interest rate at end of period	8.50%	7.75%

NOTE 6. INCOME TAXES

The provision (benefit) for income taxes is comprised of the following:

(in thousands)	Current	Deferred	Total
Year Ended December 31, 1999			
Federal	$ 3,067	$ 8,972	$ 12,039
State	1,223	729	1,952
	$ 4,290	$ 9,701	$ 13,991
1998			
Federal	$ 5,526	$ 7,736	$ 13,262
State	1,572	1,176	2,748
	$ 7,098	$ 8,912	$ 16,010
1997			
Federal	$ 14,075	$ (809)	$ 13,266
State	2,870	187	3,057
	$ 16,945	$ (622)	$ 16,323

In 1999, the total provision for income taxes includes a provision on income before taxes of $14,874,000 and a tax benefit of $883,000 included with the cumulative effect of accounting change on the consolidated statements of income.

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

	Year Ended December 31, 1999	1998	1997
Federal statutory rate	35.00%	35.00%	35.00%
State taxes, net of federal benefit	3.46	4.37	4.80
Other	(0.35)	(0.24)	(0.35)
	38.11%	39.13%	39.45%

MCGRATH RENTCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following table shows the tax effect of the Company's cumulative temporary differences included in net deferred income taxes on the Company's consolidated balance sheets:

(in thousands)	Year Ended December 31, 1999	1998
Excess of tax over book depreciation	$ 58,112	$ 51,417
State income taxes	(3,333)	(3,245)
Accrued liabilities not currently deductible	(73)	(146)
Revenue deferred for financial reporting purposes	(2,753)	(1,598)
Other, net	2,908	(1,268)
	$ 54,861	$ 45,160

NOTE 7. COMMON STOCK AND STOCK OPTIONS

The Company adopted a 1998 Stock Option Plan (the "1998 Plan"), effective March 9, 1998, under which 2,000,000 shares are reserved for the grant of options to purchase common stock to directors, officers, key employees and advisors of the Company. The plan provides for the award of options at a price not less than the fair market value of the stock as determined by the Board of Directors on the date the options are granted. Under the 1998 Plan, 345,500 options have been granted with exercise prices ranging from $18.25 to $20.81. The options vest over 5 years and expire 10 years after grant. To date, no options have been issued to any of the Company's advisors. As of December 31, 1999, 1,654,500 options remain available to issue under the 1998 plan.

The Company adopted a 1987 Incentive Stock Option Plan (the "1987 Plan"), effective December 14, 1987, under which options to purchase common stock may be granted to officers and key employees of the Company. The plan provides for the award of options at a price not less than the fair market value of the stock as determined by the Board of Directors on the date the options are granted. Under the 1987 Plan, options have been granted with an exercise price of $3.06, $6.94 and $10.75 per share. The options vest over 9.3 years and expire 10 years after grant. The 1987 Plan expired in December 1997 and no further options can be issued under this plan.

Option activity and options exercisable including weighted average exercise price for the three years ended December 31, 1999 are as follows:

	Year Ended December 31, 1999		1998		1997	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding at January 1,	541,122	13.83	364,672	8.57	540,452	6.90
Options granted during the year	103,500	18.25	242,000	20.81	--	--
Options exercised during the year	(91,250)	7.18	(31,282)	7.55	(175,780)	3.44
Options terminated during the year	(36,850)	18.74	(34,268)	12.93	--	--
Options outstanding at December 31,	516,522	15.53	541,122	13.85	364,672	8.57
Options exercisable at December 31,	172,407	13.22	171,877	8.55	153,362	7.45

MCGRATH RENTCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following table indicates the options outstanding and options exercisable by exercise price with the weighted average remaining contractual life for the options outstanding and the weighted average exercise price at December 31, 1999:

	Options Outstanding			Options Exercisable	
Exercise Price	Number Outstanding at 12/31/99	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable at 12/31/99	Weighted Average Exercise Price
6.94	82,172	1.75	6.94	63,107	6.94
10.75	131,350	6.50	10.75	42,600	10.75
18.25	103,500	9.92	18.25	--	18.25
20.25	15,500	8.50	20.25	12,000	20.25
20.81	174,000	8.25	20.81	52,200	20.81
21.69	10,000	8.67	21.69	2,500	21.69
6.94 - 21.69	516,522	7.12	15.53	172,407	13.22

SFAS 123 "Accounting for Stock-Based Compensation" became effective for the Company in 1996. As allowed by SFAS 123, the Company has elected to continue to follow APB 25 "Accounting for Stock Issued to Employees" in accounting for its stock option plans. Under APB 25, the Company does not recognize compensation expense on the issuance of stock options because the option terms are fixed and the exercise price equals the market price of the underlying stock on the grant date. However, APB 25 requires recognition of noncash compensation when the Company repurchases stock acquired by an employee through the exercise of an incentive stock option. During 1999, the Company repurchased 80,000 shares of stock at $18.00 per share from an employee who had acquired the stock at $6.94 per share through the exercise of a stock option, resulting in the recognition of noncash compensation expense of $885,000. The noncash compensation of $885,000 is included in the Company's consolidated statements of income in selling and administrative expense.

In accordance with SFAS 123, the fair value of each option grant is estimated at the date of grant using the Black-Scholes option-pricing model. The assumptions used in the 1999 and 1998 grants are as follows:

	Year Ended December 31,	
	1999	1998
Risk-free interest rates	6.3%	6.5%
Expected dividend yields	2.7%	2.0%
Expected volatility	27.8%	27.1%
Expected option life (in years)	7.5	7.5

The fair value of the options granted subsequent to 1995 are $2,422,000, $2,249,000 and $532,000 at December 31, 1999, 1998 and 1997, respectively.

MCGRATH RENTCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following pro forma net income and earnings per share data are computed as if compensation cost for the Stock Option Plan had been determined consistent with SFAS 123:

(in thousands, except per share amounts)	Year Ended December 31,		
	1999	1998	1997
Net Income	$ 22,466	$ 23,895	$ 24,045
Pro Forma net income	22,043	23,583	24,005
EPS			
Basic	1.70	1.69	1.60
Diluted	1.68	1.67	1.58
Pro Forma EPS			
Basic	1.67	1.67	1.60
Diluted	1.65	1.64	1.58

In 1985, the Company established an Employee Stock Ownership Plan, as amended. Under the terms of the plan, the Company makes annual contributions in the form of cash or common stock of the Company to a trust for the benefit of eligible employees. The amount of the contribution is determined annually by the Board of Directors. A cash contribution of $750,000 was approved in each year for 1999, 1998 and 1997.

In 1991, the Board of Directors adopted a Long-Term Stock Bonus Plan (the "LTB Plan") under which 400,000 shares of common stock are reserved for grant to officers and key employees. The stock bonuses granted under the LTB Plan are evidenced by written Stock Bonus Agreements covering specified performance periods. The LTB Plan provides for the grant of stock bonuses upon achievement of certain financial goals during a specified period. Stock bonuses earned under the LTB Plan vest over 5 years from the grant date contingent on the employee's continued employment with the Company. As of December 31, 1999, 198,559 shares of common stock have been granted, of which 137,211 shares are vested. Future grants of 35,364 shares of common stock are authorized by the Board of Directors to be issued under the LTB Plan in the event the Company reaches the highest level of achievement. The LTB Plan expired in December 1999 and no further grants of common stock can occur under the LTB Plan. Compensation expense for 1999, 1998 and 1997 under these plans was $458,000, $485,000 and $497,000 respectively, and is based on a combination of the anticipated shares to be granted, the amount of vested shares previously issued and fluctuations in market price of the Company's common stock. As of December 31, 1999, 1998, and 1997, the unvested shares were 61,348, 64,457 and 57,709, respectively, with the related weighted average grant-date fair value of these unvested shares of $20.23, $20.42 and $18.10 per share, respectively.

The Board of Directors has authorized the repurchase of shares of the Company's outstanding common stock. These purchases are to be made in the over-the-counter market and/or through large block transactions at such repurchase price as the officers shall deem appropriate and desirable on behalf of the Company. All shares repurchased by the Company are to be canceled and returned to the status of authorized but unissued shares of common stock. In 1997, the Company repurchased 502,408 shares of common stock for an aggregate repurchase price of $10,545,000 or an average price of $20.99 per share. In 1998, the Company repurchased 619,550 shares of common stock for an aggregate repurchase price of $12,247,000 or an average price of $19.77 per share. In 1999, the Company repurchased 1,549,526 shares of common stock for an aggregate repurchase price of $28,212,000 or an average price of $18.21 per share. As of December 31, 1999, 685,940 shares remain authorized for repurchase.

NOTE 8. BUSINESS SEGMENTS

As of January 1, 1998, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." The Company defined its business segments based on the nature of operations for the purpose of reporting under SFAS 131. The Company's three reportable segments are Mobile Modular Management

MCGRATH RENTCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Corporation (Modulars), McGrath-RenTelco (Electronics), and Enviroplex. The operations of each of these segments is described in Note 1, Organization and Business, and the accounting policies of the segments are described in Note 2, Significant Accounting Policies. 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 years ended December 31, 1999, 1998, and 1997 for the Company's reportable segments is shown in the following table:

(in thousands)	Modulars	Electronics	Enviroplex	Consolidated
YEAR ENDED DECEMBER 31, 1999				
Rental Operations Revenues	$ 64,164	$27,633	$ --	$ 91,797
Sales and Other Revenues	16,600	10,415	11,150	38,165
Total Revenues	80,764	38,048	11,150	129,962
Depreciation on Rental Equipment	10,811	8,969	--	19,780
Interest Expense (Income)	5,097	1,724	(215)	6,606
Income before Provision for Income Taxes	23,838	13,641	1,479	38,958
Rental Equipment Acquisitions	30,443	16,867	--	47,310
Accounts Receivable, net (year-end)	11,334	9,691	4,070	25,095
Rental Equipment, at cost (year-end)	238,449	72,832	--	311,281
1998				
Rental Operations Revenues	$ 58,964	$24,531	$ --	$ 83,495
Sales and Other Revenues	23,619	7,642	20,672	51,933
Total Revenues	82,583	32,173	20,672	135,428
Depreciation on Rental Equipment	9,398	7,464	--	16,862
Interest Expense	4,802	1,505	19	6,326
Income before Provision for Income Taxes	23,133	11,875	5,902	40,910
Rental Equipment Acquisitions	28,970	22,189	--	51,159
Accounts Receivable, net (year-end)	10,765	6,900	4,146	21,811
Rental Equipment, at cost (year-end)	216,414	66,573	--	282,987
1997				
Rental Operations Revenues	$ 51,412	$20,554	$ --	$ 71,966
Sales and Other Revenues	34,178	7,545	21,287	63,010
Total Revenues	85,590	28,099	21,287	134,976
Depreciation on Rental Equipment	8,154	6,204	--	14,358
Interest Expense	3,148	880	42	4,070
Income before Provision for Income Taxes	24,708	10,723	5,948	41,379
Rental Equipment Acquisitions	49,303	12,974	--	62,277
Accounts Receivable, net (year-end)	10,449	6,567	4,778	21,794
Rental Equipment, at cost (year-end)	196,133	50,351	--	246,484

MCGRATH RENTCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 9. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Quarterly financial information for each of the two years ended December 31, 1999 is summarized below:

(in thousands, except per share amounts)	1999				
	First	Second	Third	Fourth	Year
OPERATIONS DATA					
Rental revenues	$ 19,059	$ 19,019	$ 20,117	$ 20,559	$ 78,754
Total revenues	28,574	31,559	36,657	33,172	129,962
Gross margin	14,577	15,263	16,694	16,133	62,667
Income from operations	10,378	11,274	12,670	11,242	45,564
Income before income taxes	8,862	9,693	10,949	9,454	38,958
Income before effect of accounting change	5,420	5,798	6,636	5,979	23,833
Cumulative effect of accounting change, net of tax	(1,367)	--	--	--	(1,367)
Net income	4,053	5,798	6,636	5,979	22,466
Earnings per share:					
Basic					
Income before cumulative effect of accounting change	$ 0.39	$ 0.43	$ 0.51	$ 0.47	$ 1.80
Cumulative effect of accounting change, net of tax	(0.10)	--	--	--	(0.10)
Net Income	$ 0.29	$ 0.43	$ 0.51	$ 0.47	$ 1.70
Diluted					
Income before cumulative effect of accounting change	$ 0.39	$ 0.43	$ 0.50	$ 0.47	$ 1.78
Cumulative effect of accounting change, net of tax	(0.10)	--	--	--	(0.10)
Net Income	$ 0.29	$ 0.43	$ 0.50	$ 0.47	$ 1.68
Dividends declared per share	$ 0.12	$ 0.12	$ 0.12	$ 0.12	$ 0.48
Shares used in per share calculation:					
Basic	13,820	13,403	13,067	12,649	13,235
Diluted	13,991	13,568	13,220	12,751	13,383
BALANCE SHEET DATA					
Rental equipment net	$ 199,008	$205,797	$213,089	$217,178	$ 217,178
Total assets	274,776	286,700	292,889	297,722	297,722
Notes payable	101,450	102,900	108,700	110,300	110,300
Shareholders' equity	97,937	99,476	92,274	95,403	95,403

MCGRATH RENTCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 9. QUARTERLY FINANCIAL INFORMATION (UNAUDITED) (continued)

(in thousands, except per share amounts)	1998				
	First	Second	Third	Fourth	Year
OPERATIONS DATA					
Rental Revenues	$ 16,981	$ 17,340	$ 18,385	$ 19,261	$ 71,967
Total revenues	27,350	33,475	44,478	30,125	135,428
Gross margin	13,565	15,863	18,680	15,348	63,456
Income from operations	9,860	12,024	14,120	11,232	47,236
Income before income taxes	8,409	10,441	12,434	9,626	40,910
Net income	4,968	5,974	7,088	5,865	23,895
Earnings per share:					
Basic	$ 0.34	$ 0.42	$ 0.50	$ 0.42	$ 1.69
Diluted	$ 0.34	$ 0.42	$ 0.50	$ 0.41	$ 1.67
Dividends declared per share	$ 0.10	$ 0.10	$ 0.10	$ 0.10	$ 0.40
Shares used in per share calculation:					
Basic	14,436	14,122	14,062	13,996	14,163
Diluted	14,635	14,213	14,231	14,173	14,349
Pro forma amounts assuming accounting change had been in effect during 1998:					
Net income	$ 4,941	$ 5,923	$ 6,988	$ 5,845	$ 23,697
Earnings per share:					
Basic	$ 0.34	$ 0.42	$ 0.50	$ 0.42	$ 1.67
Diluted	$ 0.34	$ 0.42	$ 0.49	$ 0.41	$ 1.65
BALANCE SHEET DATA					
Rental equipment, net	$178,003	$186,883	$190,461	$200,028	$200,028
Total assets	256,968	266,575	274,932	278,676	278,676
Notes payable	97,747	103,500	100,000	97,000	97,000
Shareholders' equity	93,587	97,168	101,049	105,394	105,394

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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is incorporated by reference to McGrath RentCorp's definitive Proxy Statement with respect to its Annual Shareholders' Meeting to be held May 31, 2000, which will be filed with the Securities and Exchange Commission by not later than May 1, 2000.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to McGrath RentCorp's definitive Proxy Statement with respect to its Annual Shareholders' Meeting to be held May 31, 2000, which will be filed with the Securities and Exchange Commission by not later than May 1, 2000.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated by reference to McGrath RentCorp's definitive Proxy Statement with respect to its Annual Shareholders' Meeting to be held May 31, 2000, which will be filed with the Securities and Exchange Commission by not later than May 1, 2000.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference to McGrath RentCorp's definitive Proxy Statement with respect to its Annual Shareholders' Meeting to be held May 31, 2000, which will be filed with the Securities and Exchange Commission by not later than May 1, 2000.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Index of documents filed as part of this report:

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

2. Financial Statement Schedules. None

3. Exhibits. See Index of Exhibits on page 35 of this report.

(b) Reports on Form 8-K. None.

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

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: March 17, 2000 MCGRATH RENTCORP

by: /s/ Robert P. McGrath

Robert P. McGrath
Chairman of the Board
and Chief Executive Officer

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES AS INDICATED.

NAME	TITLE	DATE
/s/ William J. Dawson William J. Dawson	Director	March 17, 2000
/s/ Robert C. Hood Robert C. Hood	Director	March 17, 2000
/s/ Joan M. McGrath Joan M. McGrath	Director	March 17, 2000
/s/ Robert P. McGrath Robert P. McGrath	Chairman of the Board and Chief Executive Officer	March 17, 2000
/s/ Thomas J. Sauer Thomas J. Sauer	Vice President and Chief Financial Officer (Chief Accounting Officer)	March 17, 2000
/s/ Delight Saxton Delight Saxton	Senior Vice President and Director	March 17, 2000
/s/ Ronald H. Zech Ronald H. Zech	Director	March 17, 2000

MCGRATH RENTCORP
INDEX TO EXHIBITS

NUMBER	DESCRIPTION	METHOD OF FILING
3.1	Articles of Incorporation of McGrath RentCorp	Filed as exhibit 19.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1988 (filed August 14, 1988), and incorporated herein by reference.
3.1.1	Amendment to Articles of Incorporation of McGrath RentCorp	Filed as exhibit 3.1 to the Company's Registration Statement on Form S-1 (filed March 28, 1991 Registration No. 33-39633), and incorporated herein by reference.
3.1.2	Amendment to Articles of Incorporation of McGrath RentCorp	Filed as exhibit 3.1.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 (filed March 31, 1998), incorporated herein by reference.
3.2	Amended and Restated By-Laws of McGrath RentCorp	Filed as exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1990 (filed March 28, 1991), incorporated herein by reference.
3.2.1	Amendment of By-Laws of McGrath RentCorp	Filed as exhibit 3.2.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 (filed March 31, 1998), incorporated herein by reference.
3.2.2	Amendment of By-Laws of McGrath RentCorp	Filed as exhibit 3.2.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998 (filed March 31, 1999, amended June 25, 1999), incorporated herein by reference.
3.2.3	Amendment of By-Laws of McGrath RentCorp	Filed as exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999 (filed May 14, 1999, amended June 25, 1999) and incorporated herein by reference.
3.2.4	Amendment of By-Laws of McGrath RentCorp	Filed herewith.
4.1	Amended and Restated Credit Agreement	Filed as exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997 (filed August 1, 1997), and incorporated herein by reference.
4.1.1	First Amendment to the Restated Credit Agreement	Filed as exhibit 4.1.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 (filed March 31, 1998), incorporated herein by reference.
4.1.2	Second Amendment to the Restated Credit Agreement	Filed as exhibit 4.1.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 (filed March 31, 1998), incorporated herein by reference.
4.1.3	Third Amendment to the Restated Credit Agreement	Filed as exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998 (filed May 13, 1998), incorporated herein by reference.
4.1.4	Facility Reduction Letter for Restated Credit Agreement	Filed as exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (filed November 12, 1998), incorporated herein by reference.
4.1.5	Fourth Amendment to the Restated Credit Agreement	Filed as exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999 (filed May 14, 1999, amended June 25, 1999) and incorporated herein by reference.
4.1.6	Amended and Restated Credit Agreement June, 1999	Filed as exhibit 4.1 to the company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999 (filed August 11, 1999) and incorporated herein by reference.
4.1.7	First Amendment to the Restated Credit Agreement June, 1999	Filed herewith.
4.2	Note Purchase Agreement	Filed as exhibit 4.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (filed November 12, 1998), and incorporated herein by reference.
4.2.1	Schedule of Notes with Sample Note	Filed as exhibit 4.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 (filed August 11, 1998), and incorporated herein by reference.
10.1	The McGrath RentCorp 1987 Incentive Stock Option Plan	Filed as exhibit 19.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1988 (filed August 14, 1988), and incorporated herein by reference.
10.1.1	Exemplar of the Form of the Incentive Stock Option Agreement	Filed as exhibit 19.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1988 (filed August 14, 1988), and incorporated herein by reference.
10.2	The 1998 Stock Option Plan	Filed as exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (filed November 12, 1998), and incorporated herein by reference.

10.2.1	Exemplar of Incentive Stock Option for Employees Under the 1998 Stock Option Plan	Filed as exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (filed November 12, 1998), and incorporated herein by reference.
10.2.2	Exemplar of Non-Qualified Stock Option for Directors under the 1998 Stock Option Plan	Filed as exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (filed November 12, 1998), and incorporated herein by reference.
10.2.3	Schedule of Options Granted to Members of the Board of Directors	Filed as exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (filed November 12, 1998), and incorporated herein by reference.
10.2.4	Schedule of Options Granted to Members of the Board Of Directors	Filed herewith.
10.3	Exemplar of the Form of the Directors, Officers Other Agents Indemnification Agreements	Filed as exhibit 19.5 to the Company's Quarterly Report on Form 10-Q for the quarter and ended June 30, 1988 (filed August 14, 1988), and incorporated herein by reference.
10.3.1	Exemplar Form of Indemnification Agreement	Filed as exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (filed November 12, 1998), and incorporated herein by reference.
10.4	Long-Term Stock Bonus Plan together with Exemplar Long-Term Stock Bonus Agreement	Filed as exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 1990 (filed March 28, 1991), and incorporated herein by reference.
23	Written Consent of Arthur Andersen, LLP	Filed herewith.
27	Financial Data Schedule	Filed electronically.

The exhibits listed above may be obtained from McGrath RentCorp, 5700 Las Positas Road, Livermore, California 94550-7800 upon written request. Each request should specify the name and address of the requesting person and the title of the exhibit or exhibits desired. A reasonable fee for copying any exhibit requested plus postage will be charged by McGrath RentCorp prior to furnishing such exhibit(s).

See http://www.sec.gov/edaux/formlynx.htm for the Company's most recent filings.

EXHIBIT 3.2.4

MCGRATH RENTCORP

ACTION BY THE BOARD OF DIRECTORS
BY UNANIMOUS WRITTEN CONSENT

December 22, 1999

Amendment of By-Laws

RESOLVED: Section 3.2 of the By-Laws of this corporation is hereby amended to read in its entirety as follows:

> "3.2 NUMBER OF DIRECTORS. The number of directors of this corporation shall be not less than four (4) nor more than seven (7). The exact number of directors shall be six (6) until changed, within the limits specified above, by an amendment to this section 3.2 duly adopted by either the Board of Directors or the shareholders. The indefinite number of directors may be changed, or a definite number fixed without provision for an indefinite number, by an amendment to this section 3.2 adopted by the vote or written consent of a majority of the outstanding shares entitled to vote."

EXHIBIT 4.1.7

AMENDMENT NO. 1
TO
AMENDED AND RESTATED CREDIT AGREEMENT

This Amendment No. 1 to Amended and Restated Credit Agreement (this "Amendment") is dated as of December 15, 1999, by and among McGRATH RENTCORP, a California corporation (the "Borrower"), the banks listed on the signature pages hereof (individually a "Bank" and collectively "Banks"), and UNION BANK OF CALIFORNIA, N.A., as agent (the "Agent") for Banks.

Recitals

A. Agent, Banks and Borrower are parties to an Amended and Restated Loan Agreement dated as of June 30, 1999 (as amended, modified and supplemented from time to time, the "Credit Agreement").

B. Borrower wishes to increase the aggregate Commitment from the Banks from $75 million to $100 million and to relax the minimum tangible net worth requirements of the Credit Agreement. Banks are willing to so increase the Commitment and to amend the Credit Agreement in other respects on and subject to the terms and conditions set forth in this Amendment.

C. Each capitalized term used but not otherwise defined herein shall have the meaning ascribed thereto in the Credit Agreement.

NOW, THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I
AMENDMENTS TO CREDIT AGREEMENT

This Amendment shall be deemed to be an amendment to the Credit Agreement and shall not be construed in any way as a replacement or substitution therefor. All of the terms and conditions of, and terms defined in, this Amendment are hereby incorporated by reference into the Credit Agreement as if such terms and provisions were set forth in full therein.

1.1 Borrower has requested that Banks amend the Credit Agreement in certain respects, including the extension of additional credit in the form of a $25 million increase in the Commitment. Banks are willing to increase the Commitment and to amend the Credit Agreement on the terms and conditions set forth in this Amendment .

1.2 Article 1 of the Credit Agreement, entitled "Definitions," is hereby amended as follows:

(a) The definition of "Commitment" is amended by replacing the reference to "Seventy-Five Million Dollars ($75,000,000)" therein to "One Hundred Million Dollars ($100,000,000)."

(b) A new defined term "Leverage Ratio" is added, as follows:

> "Leverage Ratio" means, as of any date of determination, the ratio of Borrower's Liabilities as of such date to Tangible Net Worth as of such date.

(c) The first sentence of Section 1.2 of the Credit Agreement, "Accounting Terms," is hereby amended and restated in its entirety, to read follows:

> "All accounting terms not specifically defined in this Agreement shall be construed, and all financial data and ratios required to be submitted pursuant to this Agreement shall be prepared in conformity with GAAP and on a consolidated basis for Borrower and its Subsidiaries, except as otherwise specifically provided in this Agreement."

1.3 Section 2.3.2 of the Credit Agreement is hereby amended and restated in its entirety as follows:

> 2.3.2 Rate Options and Applicable Margins. The Rate Options and Applicable Margins for Loans shall be determined based upon the type of Loan and the current Leverage Ratio, as set forth in the table below:

TYPE OF LOAN/ RATE OPTION	LEVERAGE RATIO	APPLICABLE MARGIN ON REVOLVING LOANS	APPLICABLE MARGIN ON TERM LOANS
Eurodollar Loans/ Interbank Rate (Reserve Adjusted):	Equal to or greater than 2.25 to 1.00	1.25%	1.50%
	Equal to or greater than 1.75 to 1.00 but less than 2.25 to 1.00	1.00%	1.25%
	Equal to or greater than 1.25 to 1.00 but less than 1.75 to 1.00	0.85%	1.10%
	Less than 1.25 to 1.00	0.70%	0.95%
Reference Rate Loans/Reference Rate:	[Not applicable]	0.00%	0.25%

The Applicable Margin shall be subject to reduction or increase, as applicable and as set forth in the table above, on a quarterly basis according to the performance of Borrower as measured by the Leverage Ratio for the immediately preceding fiscal quarter of Borrower. Any such increase or reduction in the Applicable Margin shall be effective on the next Business Day after receipt by Agent of the applicable financial statements and the corresponding Compliance Certificate. If the financial statements and the Compliance Certificate of Borrower setting forth the Leverage Ratio is not received by the Agent by the date required pursuant to this Agreement, the Applicable Margin shall be determined as if the Leverage Ratio exceeds 2.25 to 1.00, commencing on the date when Borrower's time to deliver such financial statements and Compliance Certificate shall have expired and continuing until such time as such financial statements and Compliance Certificate are received and any Event of Default resulting from a failure to timely deliver such financial statements or Compliance Certificate has been waived in writing by the Required Banks.

Effective as of the date of this Amendment and continuing until the next adjustment required under Section 2.3.2, the Applicable Margin on outstanding Revolving Loans is 0.85%, based on Borrower's most recently reported Leverage Ratio.

1.4 The form of Compliance Certificate referenced in Section 7.3(c) of the Credit Agreement and attached thereto as Exhibit A is hereby replaced in its entirety with the form of Compliance Certificate attached to this Amendment as Exhibit "A".

1.5 Section 7.11(a) of the Credit Agreement is hereby amended and restated in its entirety as follows:

(a) Tangible Net Worth at all times of at least the sum of (i) Seventy-Five Million Dollars ($75,000,000), plus (ii) fifty percent (50%) of Borrower's Net Income (without reduction for any Net Loss) generated after September 30, 1999, plus (iii) ninety percent (90%) of the proceeds from the issuance of Borrower's capital stock after September 30, 1999, excluding the first Two Million Dollars ($2,000,000) of such proceeds from the exercise of stock options after September 30, 1999.

1.6 A new Section 10.9 is added to Article 10 of the Credit Agreement, as follows:

10.9 IRS WITHHOLDING REPRESENTATION. Each Bank represents and warrants that it is entitled to receive any payments hereunder without the withholding of any tax and will furnish to Agent such forms, certifications, statements and other documents as Agent may request from time to time to evidence such Bank's exemption from the withholding of any tax imposed by any jurisdiction or to enable Agent to comply with any applicable laws or regulations relating thereto.

Without limiting the effect of the foregoing, if any Bank is not created or organized under the laws of the United States or any state thereof, such Bank further represents and warrants that it is engaged in the conduct of a business within the United States and that the payments made hereunder are or are reasonably expected to be effectively connected with the conduct of that trade or business and are or will be includible in its gross income or, if Bank is not engaged in a U.S. trade or business with which such payments are effectively connected, that such Bank is entitled to the benefits of a tax convention which exempts the income from U.S. withholding tax and that it has satisfied all requirements to qualify for the exemption from tax.

Each Bank agrees that it will, immediately upon the request of Agent, furnish to Agent Form 4224 or Form 1001 of the Internal Revenue Service, or such other forms, certifications, statements or documents, duly executed and completed by such Bank as evidence of its exemption from the withholding of U.S. tax with respect thereto. If any Bank determines that, as a result of any change in applicable law, regulation, or treaty or in any official application or interpretation thereof, it ceases to qualify for exemption from any tax imposed by any jurisdiction with respect to payments made hereunder, such Bank shall promptly notify Agent of such fact and Agent may, but shall not be required to withhold the amount of any such applicable tax from amounts paid to such Bank hereunder. Agent shall not be obligated to make any payments hereunder to such Bank in respect of its Loans until such Bank shall have furnished to Agent the requested form, certification, statement or document and may withhold the amount of such applicable tax from amounts paid to Bank hereunder.

Each Bank shall reimburse, indemnify and hold Agent harmless for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed upon, incurred by or asserted against Agent due to its reliance upon the representation hereby made that such Bank is exempt from withholding of tax. Unless Agent receives written notice to the contrary, each Bank shall be deemed to have made the representations contained in this Section and in each subsequent tax year of such Bank.

1.7 For purposes of Section 11.20 of the Credit Agreement, the addresses of the parties set forth on the signature pages to this Amendment shall supercede, and be used for notices and other communications after the date hereof instead of the addresses set forth on the signature pages to the Credit Agreement.

ARTICLE II
CONDITIONS TO EFFECTIVENESS
OF AMENDMENT

2.1 The effectiveness of this Amendment is subject to the fulfillment to the satisfaction of Agent, in its sole discretion, of the following conditions precedent:

(a) Borrower shall have executed and delivered to Banks this Amendment, and the three (3) replacement Revolving Notes, one payable to each Bank, in the form attached hereto as Exhibit "B";

(b) Borrower shall have paid to Agent for ratable distribution to Banks, a one-time facility fee in the amount of $40,000 in connection with the increase in the Commitment and this Amendment, and shall have reimbursed Agent its costs and expenses, including attorneys' fees and costs not to exceed $1,500.00, incurred in connection with the negotiation, preparation and closing of this Amendment.

(c) Agent shall have received appropriate authorization documents, including borrowing resolutions and certificates of incumbency, confirming to Agent's satisfaction that all necessary corporate and organizational actions have been taken to authorize Borrower to enter into this Amendment ; and

(d) Agent shall have received such other documents, instruments or agreements as Agent may require to effectuate the intents and purposes of this Amendment.

ARTICLE III
REPRESENTATIONS AND WARRANTIES

Borrower hereby represents and warrants to Agent and each Bank that:

3.1 After giving effect to the amendment of the Credit Agreement pursuant to this Amendment and the consummation of the transactions contemplated hereby (i) each of the representations and warranties set forth in Article 6 of the Credit Agreement is true and correct in all respects as if made on the date hereof (with references to the Credit Agreement being deemed to include this Amendment), and (ii) there exists no Default or Event of Default under the Credit Agreement after giving effect to this Amendment.

3.2 Borrower has full corporate power and authority to execute and deliver this Amendment, to make and deliver the replacement Revolving Notes, and to perform the obligations of its part to be performed thereunder and under the Credit Agreement as amended hereby. Borrower has taken all necessary action, corporate or otherwise, to authorize the execution and delivery of this Amendment and each of the documents described herein. No consent or approval of any person, no consent or approval of any landlord or mortgagee, no waiver of any lien or similar right and no consent, license, approval or authorization of any governmental authority or agency is or will be required in connection with the execution or delivery by Borrower of this Amendment or the performance by Borrower of the Credit Agreement as amended hereby.

3.3 This Amendment, the replacement Revolving Notes and the Credit Agreement as amended hereby are, or upon delivery thereof to Banks will be, the legal, valid and binding obligations of Borrower, enforceable against Borrower in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally.

ARTICLE IV
MISCELLANEOUS

4.1 The Credit Agreement, the other Loan Documents and all agreements, instruments and documents executed and delivered in connection with any of the foregoing shall each be deemed to be amended hereby to the extent necessary, if any, to give effect to the provisions of this Amendment. Except as so amended hereby, the Credit Agreement and the other Loan Documents shall remain in full force and effect in accordance with their respective terms.

4.2 Borrower agrees to pay Agent on demand reasonable fees and costs of attorneys up to $1,500.00, incurred by Agent in connection with the preparation, negotiation and execution of this Amendment and any document required to be furnished hereunder. IN WITNESS WHEREOF, Borrower, Banks and Agent have executed this Amendment as of the date set forth in the preamble hereto.

MCGRATH RENTCORP

By: Thomas J. Sauer
Title: Vice President and Chief Financial Officer

Notice Address:

5700 Las Positas Road
Livermore, California 94550
Attention: Mr. Thomas Sauer, Chief Financial Officer
Fax: (925) 453-3200

UNION BANK OF CALIFORNIA, N.A.,
individually and as Agent

By: Robert John Vernagallo
Title: Vice President

Notice Address: Commitment: $34,000,000
-------------- Pro Rata Share: 34%

350 California Street, 6th Floor
San Francisco, CA 94104
Attention: Mr. Robert John Vernagallo
Fax No.: (415) 705-7566

FLEET BANK, N.A.

By:
Title

Notice Address: Commitment: $33,000,000
-------------- Pro Rata Share: 33%

100 Federal Street
Mail Stop: 01-08-02
Boston, MA 02110
Attention: Mr. Chip Gaysunas
Fax No.: (617) 434-0816

BANK OF AMERICA, N.A., formerly known as BANK
OF AMERICA, NATIONAL TRUST AND SAVINGS ASSOCIATION

By: Lisa M. Thomas
Title Vice President

Notice Address: Commitment: $33,000,000
-------------- Pro Rata Share: 33%

300 Lakeside Drive, Suite 250
Oakland, CA 94612
Attention: Ms. Lisa M. Thomas
Fax No.: (510) 273-5299

EXHIBIT "B"
TO
AMENDMENT NO. 1 TO AMENDED AND
RESTATED CREDIT AGREEMENT

[Replacement Revolving Notes]

REVOLVING NOTE

NOT TO EXCEED
$34,000,000.00

San Francisco, California
December __, 1999

FOR VALUE RECEIVED, the undersigned, McGrath Rentcorp, a California corporation ("Borrower"), promises to pay to UNION BANK OF CALIFORNIA, N.A. (the "Bank", or order, on or before the Revolving Loan Termination Date, or as otherwise provided in the Amended and Restated Credit Agreement dated as of June 30, 1999 among the Borrower, certain banks parties thereto, and Union Bank of California, N.A., as Agent for the Banks, as from time to time modified, supplemented or amended, (the "Agreement), the lesser of (i) the principal sum of THIRTY-FOUR MILLION DOLLARS ($34,000,000) or (ii) the aggregate unpaid principal amount of all Revolving Loans made by the Bank to Borrower pursuant to the Agreement. Terms defined in the Agreement have the same meanings herein.

Borrower further promises to pay to the Bank, or order, interest on the unpaid principal amount hereunder from time to time outstanding from the date hereof until such amount shall have become due and payable (whether at the stated maturity, by acceleration, or otherwise) at the rate(s) of interest and at the times provided in the Agreement. Borrower further promises to pay interest on any overdue payment of principal and (to the extent permitted by law) interest as set forth in the Agreement.

Bank is authorized, but not required, to record the date, amount, type, interest rate and Eurodollar Period (if applicable) of each Loan made by the Bank to Borrower, and each payment made on account thereof, on its books and records or on the schedule annexed hereto, and, in the absence of manifest error, such recordation shall constitute prima facie evidence of the accuracy of the information so recorded; provided, however, that failure by the Bank to make any such recordation shall not affect any of the Obligations of Borrower.

All payments of principal, interest, fees, or other amounts due from Borrower hereunder, shall be in Dollars and in immediately available funds, without setoff, counterclaim or other deduction of any nature, and shall be made to Agent, at its address set forth on the signature pages of the Agreement, prior to 10:00 a.m., San Francisco time, on the last date permitted therefor.

Except as otherwise provided in the Agreement, if any payment of principal or interest hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next following Business Day and such extension of time shall be included in computing interest in connection with such payment.

This Revolving Note is one of the "Revolving Notes" referred to in, evidences obligations of Borrower under, and is entitled to the benefits of, the Agreement, which, among other things, provides for the acceleration of the maturity hereof upon the occurrence of certain circumstances and upon certain terms and conditions. This Revolving Note supersedes and replaces that certain Revolving Note dated June 30, 1999, as amended from time to time, in the principal amount not to exceed Twenty-Five Million Five Hundred Thousand Dollars ($25,500,000), executed by Borrower in favor of Bank (the "Previous Note"). As of the effective date of the Agreement, all unpaid principal, interest and other amounts accrued and outstanding under the Previous Note shall for all purposes be and constitute unpaid amounts outstanding under and evidenced by this Revolving Note.

Borrower hereby expressly waives presentment, demand, notice of dishonor, protest, as such terms are defined in Division 3 of the California Commercial Code, and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Revolving Note and the Agreement.

This Revolving Note shall be governed by, construed and enforced in accordance with the laws of the State of California.

MCGRATH RENTCORP

By:____
Name: Thomas J. Sauer
Title: Vice President and Chief Financial Officer

SCHEDULE OF LOANS

This Revolving Note evidences Loans made, continued or converted under the Agreement to Borrower, on the dates, in the principal amounts, of the types, bearing interest at the rates and having Eurodollar Periods (if applicable) set forth below, subject to the payments, prepayments, continuations and conversions of principal set forth below:

Date Made, Continued or Converted	Principal Amount of Loan	Type of Loan	Interest Rate	Duration of Eurodollar Period	Amount Paid Prepaid Continued or Converted	Unpaid Principal Amount	Notation Made By

REVOLVING NOTE

NOT TO EXCEED
$33,000,000.00

San Francisco, California
December __, 1999

FOR VALUE RECEIVED, the undersigned, McGrath Rentcorp, a California corporation ("Borrower"), promises to pay to FLEET BANK, N.A. (the "Bank"), or order, on or before the Revolving Loan Termination Date, or as otherwise provided in the Amended and Restated Credit Agreement dated as of June 30, 1999 among the Borrower, certain banks parties thereto, and Union Bank of California, N.A., as Agent for the Banks, as from time to time modified, supplemented or amended, (the "Agreement), the lesser of (i) the principal sum of THIRTY-THREE MILLION DOLLARS ($33,000,000) or (ii) the aggregate unpaid principal amount of all Revolving Loans made by the Bank to Borrower pursuant to the Agreement. Terms defined in the Agreement have the same meanings herein.

Borrower further promises to pay to the Bank, or order, interest on the unpaid principal amount hereunder from time to time outstanding from the date hereof until such amount shall have become due and payable (whether at the stated maturity, by acceleration, or otherwise) at the rate(s) of interest and at the times provided in the Agreement. Borrower further promises to pay interest on any overdue payment of principal and (to the extent permitted by law) interest as set forth in the Agreement.

Bank is authorized, but not required, to record the date, amount, type, interest rate and Eurodollar Period (if applicable) of each Loan made by the Bank to Borrower, and each payment made on account thereof, on its books and records or on the schedule annexed hereto, and, in the absence of manifest error, such recordation shall constitute prima facie evidence of the accuracy of the information so recorded; provided, however, that failure by the Bank to make any such recordation shall not affect any of the Obligations of Borrower.

All payments of principal, interest, fees, or other amounts due from Borrower hereunder, shall be in Dollars and in immediately available funds, without setoff, counterclaim or other deduction of any nature, and shall be made to Agent, at its address set forth on the signature pages of the Agreement, prior to 10:00 a.m., San Francisco time, on the last date permitted therefor.

Except as otherwise provided in the Agreement, if any payment of principal or interest hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next following Business Day and such extension of time shall be included in computing interest in connection with such payment.

This Revolving Note is one of the "Revolving Notes" referred to in, evidences obligations of Borrower under, and is entitled to the benefits of, the Agreement, which, among other things, provides for the acceleration of the maturity hereof upon the occurrence of certain circumstances and upon certain terms and conditions. This Revolving Note supersedes and replaces that certain Revolving Note dated June 30, 1999, as amended from time to time, in the principal amount not to exceed Twenty-Four Million Seven Hundred Fifty Thousand Dollars ($24,750,000), executed by Borrower in favor of Bank (the "Previous Note"). As of the effective date of the Agreement, all unpaid principal, interest and other amounts accrued and outstanding under the Previous Note shall for all purposes be and constitute unpaid amounts outstanding under and evidenced by this Revolving Note.

Borrower hereby expressly waives presentment, demand, notice of dishonor, protest, as such terms are defined in Division 3 of the California Commercial Code, and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Revolving Note and the Agreement.

This Revolving Note shall be governed by, construed and enforced in accordance with the laws of the State of California.

MCGRATH RENTCORP

By:____
Name: Thomas J. Sauer
Title: Vice President and Chief Financial Officer

SCHEDULE OF LOANS

This Revolving Note evidences Loans made, continued or converted under the Agreement to Borrower, on the dates, in the principal amounts, of the types, bearing interest at the rates and having Eurodollar Periods (if applicable) set forth below, subject to the payments, prepayments, continuations and conversions of principal set forth below:

Date Made, Continued or Converted	Principal Amount of Loan	Type of Loan	Interest Rate	Duration of Eurodollar Period	Amount Paid Prepaid Continued or Converted	Unpaid Principal Amount	Notation Made By

REVOLVING NOTE

NOT TO EXCEED
$33,000,000.00

San Francisco, California
December __, 1999

FOR VALUE RECEIVED, the undersigned, McGrath Rentcorp, a California corporation ("Borrower"), promises to pay to BANK OF AMERICA, N.A., formerly known as Bank of America, National Trust and Savings Association (the "Bank"), or order, on or before the Revolving Loan Termination Date, or as otherwise provided in the Amended and Restated Credit Agreement dated as of June 30, 1999 among the Borrower, certain banks parties thereto, and Union Bank of California, N.A., as Agent for the Banks, as from time to time modified, supplemented or amended, (the "Agreement), the lesser of (i) the principal sum of THIRTY-THREE MILLION DOLLARS ($33,000,000) or (ii) the aggregate unpaid principal amount of all Revolving Loans made by the Bank to Borrower pursuant to the Agreement. Terms defined in the Agreement have the same meanings herein.

Borrower further promises to pay to the Bank, or order, interest on the unpaid principal amount hereunder from time to time outstanding from the date hereof until such amount shall have become due and payable (whether at the stated maturity, by acceleration, or otherwise) at the rate(s) of interest and at the times provided in the Agreement. Borrower further promises to pay interest on any overdue payment of principal and (to the extent permitted by law) interest as set forth in the Agreement.

Bank is authorized, but not required, to record the date, amount, type, interest rate and Eurodollar Period (if applicable) of each Loan made by the Bank to Borrower, and each payment made on account thereof, on its books and records or on the schedule annexed hereto, and, in the absence of manifest error, such recordation shall constitute prima facie evidence of the accuracy of the information so recorded; provided, however, that failure by the Bank to make any such recordation shall not affect any of the Obligations of Borrower.

All payments of principal, interest, fees, or other amounts due from Borrower hereunder, shall be in Dollars and in immediately available funds, without setoff, counterclaim or other deduction of any nature, and shall be made to Agent, at its address set forth on the signature pages of the Agreement, prior to 10:00 a.m., San Francisco time, on the last date permitted therefor.

Except as otherwise provided in the Agreement, if any payment of principal or interest hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next following Business Day and such extension of time shall be included in computing interest in connection with such payment.

This Revolving Note is one of the "Revolving Notes" referred to in, evidences obligations of Borrower under, and is entitled to the benefits of, the Agreement, which, among other things, provides for the acceleration of the maturity hereof upon the occurrence of certain circumstances and upon certain terms and conditions. This Revolving Note supersedes and replaces that certain Revolving Note dated June 30, 1999, as amended from time to time, in the principal amount not to exceed Twenty-Four Million Seven Hundred Fifty Thousand Dollars ($24,750,000), executed by Borrower in favor of Bank (the "Previous Note"). As of the effective date of the Agreement, all unpaid principal, interest and other amounts accrued and outstanding under the Previous Note shall for all purposes be and constitute unpaid amounts outstanding under and evidenced by this Revolving Note.

Borrower hereby expressly waives presentment, demand, notice of dishonor, protest, as such terms are defined in Division 3 of the California Commercial Code, and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Revolving Note and the Agreement.

This Revolving Note shall be governed by, construed and enforced in accordance with the laws of the State of California.

MCGRATH RENTCORP

By:____

Name: Thomas J. Sauer

Title: Vice President and Chief Financial Officer

SCHEDULE OF LOANS

This Revolving Note evidences Loans made, continued or converted under the Agreement to Borrower, on the dates, in the principal amounts, of the types, bearing interest at the rates and having Eurodollar Periods (if applicable) set forth below, subject to the payments, prepayments, continuations and conversions of principal set forth below:

Date Made, Continued or Converted	Principal Amount of Loan	Type of Loan	Interest Rate	Duration of Eurodollar Period	Amount Paid Prepaid Continued or Converted	Unpaid Principal Amount	Notation Made By

EXHIBIT "A"

COMPLIANCE CERTIFICATE

This Compliance Certificate is furnished pursuant to Section 7.3(c) of that certain Amended and Restated Credit Agreement dated as of June 30, 1999, among the Borrower, certain Banks parties thereto and Union Bank of California, N.A., as Agent for the Banks, as from time to time modified, supplemented or amended (the "Agreement"). Unless otherwise defined, all capitalized terms used in this Compliance Certificate have the respective meanings ascribed to them in the Agreement.

Borrower hereby represents and warrants as follows:

1. I am familiar with the Agreement and the business and operations of Borrower.

2. Except as otherwise specifically indicated, the information contained in this Certificate is true and accurate on and as of ______________________, __ (the "Certification Date").

3. As of the Certification Date and at all times during the quarter ending on the Certification Date, Borrower has performed all obligations to be performed by it under (a) the Agreement, (b) any instrument or agreement to which Borrower is a party or under which Borrower is obligated, and (c) any judgment, decree, or order of any court or governmental authority binding on Borrower. No Default or Event of Default has occurred, whether or not the same was cured, during such quarter.

4. As of the Certification Date, the information set forth below is true, accurate and complete:

(a)	Section 7.11(a): Tangible Net Worth	
	Tangible Net Worth	$__________
	Minimum Tangible Net Worth calculation:	
	Base amount	$75,000,000

	Plus: Fifty percent of Net Income (without reduction for Net Loss) after September 30, 1999	$__________
	Plus: 90% of the gross proceeds from stock issuance (excluding the first $2,000,000 of proceeds from the exercise of stock options after September 30, 1999)	$__________
	Minimum Tangible Net Worth Total	$__________
(b)	Section 7.11(b): Liabilities to Net Worth	
	Liabilities	$__________
	Less Deferred Taxes	($__________)
	Total (A)	$__________
	Tangible Net Worth (B)	$__________
	Ratio of A to B	
	Maximum permitted: 3:1	
(c)	Section 7.11(c): Interest Expense Ratio	
	EBIT (A)	$__________
	Interest expense (B)	$__________
	Ratio of A to B	
	Minimum required: 2 to 1	
(d)	Section 7.11(d): Debt Service Coverage	
	Adjusted Net Income (A)	$__________
	Debt Service (B)	$__________
	Ratio of A to B	
	Minimum required: 1.15 to 1	
	Calculation of Adjusted Net Income:	
	EBIT	$__________
	Depreciation and amortization	$__________
	Adjusted Net Income (A)	$__________
	Calculation of Debt Service:	
	Loans	$__________
	Years (ended to nearest qtr) to Term Loan Maturity Date	____________
		$__________
	Assumed principal payments	$__________
	Debt (other than Loans)	$__________
	Other Debt principal payments due in next four quarters	$__________
	Interest on Loans in next four quarters	$__________
	Interest on other Debt in next four quarters	$__________

Interest rate used for computation (floating rate Debt) $__________.

5. The Borrowing Base and the Adjusted Borrowing Base as of the Certification Date are as set forth below. Borrower hereby further certifies the information set forth below is true, accurate and complete and the aggregate amount of the Loans outstanding under the Agreement, after giving effect to any new Loan made as of the Certification Date, is not in excess of the Commitment or the Adjusted Borrowing Base.

(a)	Borrowing Base	
	Eligible Equipment	$__________
	Less: 25%	$__________
	Borrowing Base	$__________
(b)	Adjusted Borrowing Base	
	Borrowing Base	$__________
	Less: Outside Debt	$__________
	Adjusted Borrowing Base	$__________
(c)	Excess of Adjusted Borrowing Base over Loans Outstanding	$__________
	Adjusted Borrowing Base	$__________
	Less: Loans outstanding	$__________
	Excess of Adjusted Borrowing Base over Loans Outstanding	$__________

Executed this _____ day of ______________, _.
By: ____
Name: _______________________________________ Title: _________________________

EXHIBIT 10.2.4

OPTIONS GRANTED TO BOARD OF DIRECTORS

NAME	GRANT DATE	NUMBER OF OPTIONS	EXERCISE PRICE
Robert C. Hood	December 22, 1999	10,000	18.25
William J. Dawson	December 22, 1999	4,000	18.25
Ronald H. Zech	December 22, 1999	4,000	18.25

EXHIBIT 23

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included in this Form 10-K, into the Company's previously filed Registration Statement File No. 333-6112 and 333-74089.

Arthur Andersen LLP

San Francisco, California
March 22, 2000

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM MCGRATH RENTCORP FORM 10-K AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

12-MOS
DEC-31-1999
JAN-01-1999
DEC-31-1999
490
0
26,555
(650)
0
0
367,368
(99,219)
297,722
0
0
0
0
8,755
86,648
297,722
129,962
129,962
67,295
67,295
17,103
0
6,606
38,958
14,874
0
0
0
(1,367)
22,466
1.70
1.68

(PP&E) Includes rental equipment, Land, Buildings, Land Improvements Furniture and Equipment.
(DEPRECIATION) Accumulated depreciation related to PP&E footnote above.
(NET-INCOME) Net income includes reduction of minority interest in income of subsidiary.