FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the quarter ended September 30, 1997
Commission File No. 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, CALIFORNIA 94550

(Address of principal executive offices)

Registrant's telephone number: (510) 606-9200

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

At November 11, 1997, 15,021,918 shares of Registrant's Common Stock were outstanding.

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Three months ended September 30, 1997	Three months ended September 30, 1996	Nine months ended September 30, 1997	Nine months ended September 30, 1996
REVENUES:				
Rental operations-				
Rental	$16,067,741	$12,321,796	$ 45,138,552	$35,573,650
Rental related services	3,608,892	3,920,071	8,892,168	7,672,245
	19,676,633	16,241,867	54,030,720	43,245,895
Sales and related services	25,675,496	9,255,338	51,621,927	19,598,040
Total revenues	45,352,129	25,497,205	105,652,647	62,843,935
COSTS & EXPENSES:				
Direct costs of rental operations-				
Depreciation	3,649,571	3,108,151	10,537,344	9,188,972
Rental related services	1,991,688	2,048,185	5,606,739	4,227,682
Other direct rental costs	2,296,141	2,671,884	6,763,243	6,231,218
	7,937,400	7,828,220	22,907,326	19,647,872
Cost of sales and related services	17,878,601	6,064,184	35,533,649	13,257,615
	25,816,001	13,892,404	58,440,975	32,905,487
Gross margin	19,536,128	11,604,801	47,211,672	29,938,448
Selling and administrative expenses	5,429,859	3,729,591	12,970,953	9,576,391
Income from operations	14,106,269	7,875,210	34,240,719	20,362,057
Interest expense	1,042,716	744,275	2,905,047	2,061,701
Income before provision for income taxes	13,063,553	7,130,935	31,335,672	18,300,356
Provision for income taxes	5,361,199	2,667,070	12,632,183	7,110,824
Net income	$ 7,702,354	$ 4,463,865	$ 18,703,489	$11,189,532
Net income per share	$ 0.51	$ 0.29	$ 1.23	$ 0.73

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

CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 1997	December 31, 1996
ASSETS		
Cash	$ 1,341,998	$ 686,333
Accounts receivable, less allowance for doubtful accounts of $650,000 in 1997 and $605,000 in 1996	25,849,843	19,919,954
Rental equipment, at cost:		
Relocatable modular offices	179,968,456	158,376,950
Electronic test instruments	48,867,451	43,335,413
	228,835,907	201,712,363
Less - Accumulated depreciation	(70,142,706)	(64,419,888)
	158,693,201	137,292,475
Land	20,167,647	20,167,647
Land improvements, furniture and equipment, at cost, less accumulated depreciation of $2,934,896 in 1997 and $3,376,803 in 1996	25,416,597	19,572,015
Prepaid expenses and other assets	6,494,117	2,396,935
	$237,963,403	$200,035,359
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Notes payable	$ 65,800,000	$ 53,850,000
Accounts payable and accrued liabilities	22,757,765	15,280,543
Deferred income	7,313,239	5,226,803
Deferred income taxes	37,627,123	36,869,734
Total liabilities	133,498,127	111,227,080
Shareholders' equity:		
Common stock, no par value - Authorized - 40,000,000 shares Outstanding - 15,015,918 shares in 1997 and 14,797,918 in 1996	7,718,062	7,161,168
Retained earnings	96,747,214	81,647,111
Total shareholders' equity	104,465,276	88,808,279
	$237,963,403	$200,035,359

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
Increase (decrease) in cash
(Unaudited)

	Nine months ended September 30, 1997	Nine months ended September 30, 1996
Cash flows from operating activities:		
Net income	$ 18,703,489	$ 11,189,532
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	11,191,451	9,787,419
Gain on sale of rental equipment	(5,453,700)	(3,606,691)
Change in:		
Accounts receivable	(5,929,889)	(5,380,276)
Prepaids and other assets	(4,097,182)	(428,495)
Accounts payable and accrued liabilities	7,313,283	3,931,629
Deferred income	2,086,436	(341,885)
Deferred income taxes	757,389	1,826,972
Net cash provided by operating activities	24,571,277	16,978,205
Cash flows from investing activities:		
Purchase of rental equipment	(41,240,592)	(17,598,298)
Purchase of land	---	(678,347)
Purchase of land improvements, furniture and equipment	(6,498,689)	(4,277,225)
Proceeds from sale of rental equipment	14,756,222	9,511,633
Net cash used in investing activities	(32,983,059)	(13,042,237)
Cash flows from financing activities:		
Net borrowings	11,950,000	8,645,000
Payment of dividends	(3,439,447)	(3,048,133)
Repurchase of common stock	---	(8,778,775)
Net proceeds from the exercise of stock options	556,894	92,101
Net cash provided (used) by financing activities	9,067,447	(3,089,807)
Net increase (decrease) in cash	655,665	846,161
Cash balance, beginning of period	686,333	221,075
Cash balance, end of period	$ 1,341,998	$ 1,067,236
Interest paid during period	$ 2,859,790	$ 2,028,226
Income taxes paid during period	$ 8,274,674	$ 5,256,506
Dividends declared but not yet paid	$ 1,201,753	$ 1,035,854

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 1997

1. The consolidated financial information for the nine months ended September 30, 1997 has not been audited, but in the opinion of management, all adjustments (consisting only of normal recurring accruals, consolidation and eliminating entries) necessary for the fair presentation of the consolidated results of operations, financial position, and cash flows of McGrath RentCorp (the "Company") have been made. The consolidated results of the nine months ended September 30, 1997 should not be considered as necessarily indicative of the results for the entire year. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's latest Form 10-K.

2. The number of outstanding shares and equivalent shares used in the earnings per common share calculations were as follows:

		Primary	Fully Diluted
Three months ended:	September 30, 1997	15,242,764	15,250,148
	September 30, 1996	15,172,408	15,194,300
Nine months ended:	September 30, 1997	15,192,887	15,235,692
	September 30, 1996	15,403,986	15,468,252

3. The Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share", which modifies the way in which earnings per share (EPS) is calculated and disclosed effective for periods ending after December 15, 1997. Primary EPS will be replaced by basic EPS which is computed by dividing reported net income by the weighted average number of shares of common stock outstanding during the period. Fully diluted EPS will be replaced with diluted EPS which is computed by dividing reported net income by the weighted average number of shares of common stock and dilutive common equivalent shares outstanding during the period. Common stock equivalents result from dilutive stock options computed using the treasury stock method with the average share price for the reported period. When implemented, the effect of this accounting change on previously reported EPS data is not significant.

4. In July 1997, the Company entered into a new credit agreement amending and restating it's unsecured line of credit (the "Agreement") with its banks which expires June 30, 1999 and permits it to borrow up to $70,000,000. The Agreement requires the Company to pay interest at prime or, at the Company's election, 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 terms, the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 1997

Agreement requires (i) the Company to maintain shareholders' equity of not less than $77,800,000 plus 50% of all net income generated subsequent to June 30, 1997, (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 of not less than 1.15 to 1. If the Company does not amend or renegotiate this 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 the principal due and payable in eight (8) quarterly installments. In addition to the $70,000,000 unsecured line of credit, the Company has a $3,000,000 committed line of credit related to its cash management services and has $10,000,000 of uncommitted optional advance facilities all of which expire June 30, 1998.

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

Three and Nine Months Ended September 30, 1997 and 1996

McGrath RentCorp (the "Company") is engaged in the business of renting and selling relocatable modular offices and classrooms under its trade name "Mobile Modular," and electronic test and measurement instruments under the names "McGrath RentCorp" and "Rentelco". Although the Company's primary emphasis is on rentals, both modulars and electronics are sold to direct-use customers. The Company also manufactures portable classrooms through its majority owned (73.2%) subsidiary, Enviroplex, Inc., for direct sale to school districts.

Rental revenues for the three and nine months ended September 30, 1997 increased $3,745,945 (30%) and $9,564,902 (27%), respectively, over the same periods in 1997. Modulars contributed 71.2% and 75.8% of the rental revenue increase in 1997 for the three and nine months ended September 30, 1997. Average utilization during the first nine months increased for Modulars, from 70.5% to 80.0%, and slightly declined for Electronics, from 55.2% to 55.0% as compared to the same period in 1996. The increase in utilization for Modulars is primarily the result of rentals to implement the class size reduction program in California schools.

Rental related service revenues for the three months ended September 30, 1997 decreased $311,179 (8%) and for the nine months ended September 30, 1997 increased $1,219,923 (16%), respectively, compared to the same periods in 1996. The three month comparative revenue decline resulted from many schools opting in 1997 to include the normal upfront charges in the rental rate. The nine month comparative increase was primarily due to one commercial project with significant site work requirements which occurred in the first quarter of 1997. The gross margins for rental related services declined for the nine month comparative period from 45% in 1996 to 37% in 1997 partially as a result of the project noted above being performed at a lower gross margin.

Sales and related services for the three and nine months ended September 30, 1997 increased $16,420,158 (177%) and $32,023,887 (163%), respectively, over the same periods in 1996. The table below indicates the sales and related services contribution for Modulars, Enviroplex and Electronics for nine months ended September 30, 1997 compared with the nine months ended September 30, 1996.

	Nine months ended September 30,		Increase Over
	1997	1996	Prior Period
Modulars	$29,156,007	$ 9,216,794	$19,939,213
Enviroplex	16,755,733	6,150,920	10,604,813
Electronics	5,710,187	4,230,326	1,479,861
	$51,621,927	$19,598,040	$32,023,887

The significant increase in sales and related services for Modulars and Enviroplex is directly related to the higher demand by school districts in conjunction with the class size reduction program in California. Sales and related service revenues from school districts comprised 77% and 33% of the Modulars sales and related services revenues for the nine months ended September 30, 1997 and 1996, respectively, while Enviroplex sells substantially all of its product to school districts. Future sales under the class size reduction program for the Company are subject to the state's funding of the program, the requirements of the various school districts and available supplies. Management believes the present sales and related services revenue levels for Modulars, and to a lesser degree Enviroplex, may not be sustainable in the future. Management continues to believe that sales and related services from quarter to quarter and year to year fluctuate based on customer requirements. Gross margins on sales and related services declined slightly for the nine month period from 32.4% in 1996 to 31.2% in 1997.

Depreciation on rental equipment for the three and nine months ended September 30, 1997 increased $541,420 (17%) and $1,348,372 (15%), respectively, over the same periods in 1996 due to the additions of both modular and electronic rental equipment.

Selling and administrative expenses for the three and nine months ended September 30, 1997 increased $1,700,268 (46%) and $3,394,562 (35%), respectively, over the same periods in 1996. The increased business activity in the modular business for class size reduction has also translated into higher personnel costs for the nine months ended September 30, 1997 over the same nine month period in 1996. Personnel costs increased $1,580,152 over the same period in 1996 and include additional staff for sales and support, increased temporary contract labor, and increased sales and performance bonuses. Additionally, selling and administrative expenses for Enviroplex increased $908,894 during the nine month comparative period due to increased sales activity and includes the reduction of net income by the portion of earnings of Enviroplex related to the minority shareholder's interest.

Interest expense for the three and nine months ended September 30, 1997 increased $298,441 (40%) and $843,346 (41%), respectively, over the same periods in 1996 as a result of 47% higher average borrowing levels during the comparative period.

Income before provision for income taxes for the three and nine months ended September 30, 1997 increased $5,932,618 (83%) and $13,878,662 (68%), respectively, over the same periods in 1996. Net income increased $3,238,489 (73%) for the three month period and $7,513,957 (67%) for the nine month period over the same periods in 1996. Earnings per share for the three and nine months ended September 30, 1997 increased 76%, from $0.29 to $0.51, and 68%, from $0.73 to $1.23.

Liquidity and Capital Resources.

The debt (notes payable) to equity ratio was 0.63 to 1 at September 30, 1997 compared to 0.61 to 1 at December 31, 1996. The debt (total liabilities) to equity ratio at the end of the current period was 1.28 to 1 as compared to 1.25 to 1 as of December 31, 1996.

The Company has made purchases of shares of its common stock from time to time in the over-the-counter market (NASDQ) and/or through privately negotiated, large block transactions under an authorization of the Board of Directors. Shares repurchased by the Company will be cancelled and returned to the status of authorized but unissued stock. The Company has not repurchased any of its common stock during 1997 and currently is authorized to purchase up to 1,000,000 shares.

The Company's primary use of funds is to purchase rental equipment and sales inventory, and funds will continue to be used for this purpose in the future. The Company also pays quarterly dividends, which will constitute an additional use of cash in 1997.

PART II. OTHER INFORMATION

ITEM 5. OTHER INFORMATION

In September 1997, the Company declared a quarterly dividend on its Common Stock; the dividend was $0.08 per share. Subject to its continued profitability and favorable cash flow, the Company intends to continue the payment of quarterly dividends.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS.

Index to exhibits filed herewith as part of this report:

Exhibit Number	Title
4.1	$3,000,000 Committed Credit Facility dated July 29, 1997 between the Company and Union Bank of California, N.A.
4.2	$5,000,000 Optional Advance Facility Extension dated July 29, 1997 between the Company and Union Bank of California, N.A.
4.3	$5,000,000 Optional Advance Facility Extension dated August 13, 1997 between the Company and Fleet Bank, N.A.

(b) REPORTS ON FORM 8-K. No reports on form 8-K have been filed during the quarter for which this report is filed.

SIGNATURES

Pursuant to the requirements of 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: November 11, 1997

McGRATH RENTCORP

By:/s/ Delight Saxton

Delight Saxton, Chief Financial Officer and Senior Vice President

EXHIBIT 4.1

[LETTERHEAD]

July 24, 1997

(415) 765-2614

Ms. Delight Saxton
Chief Financial Officer and
Vice President of Administration
McGrath RentCorp
2500 Grant Avenue
San Lorenzo, CA 94580

Re: $3,000,000.00 Committed Credit Facility

Dear Ms. Saxton:

Union Bank of California, N.A. ("Bank") is pleased to offer McGrath RentCorp, a California corporation ("Borrower") a committed credit facility ("Facility") under which the Bank will make advances to the Borrower from time to time up to and including June 30, 1998, not to exceed at any time the maximum principal amount of Three Million Dollars ($3,000,000), to be governed by the terms of the enclosed Credit Line Note ("Credit Line Note") in favor of Bank, and subject to the conditions and agreements set forth below.

1. This Facility is made available only in connection with Borrower's use of the Bank's sweep service for management of its checking account balances ("Sweep Service"). Therefore, this Facility shall commence on the date ("Effective Date") Borrower becomes a Sweep Service customer and this Facility shall terminate, if not earlier terminated, on the date Borrower ceases to continue as a Sweep Service customer. Upon such termination Bank shall have no further obligation to fund advances under this Facility, and all amounts owing under the Credit Line Note shall become immediately due and payable.

2. As provided in the Credit Line Note, the occurrence of an Event of Default under the Multibank Agreement shall be a default under this Facility. The term "Multibank Agreement" as used herein means that certain Credit Agreement dated as of July 10, 1997, by and among Borrower, Bank, Fleet Bank, N.A. and Bank of America, National Trust & Savings Association, and shall include any amendments thereto as are consented to by Bank as set forth herein. Each capitalized term not otherwise defined herein shall have the meaning set forth in the Multibank Agreement.

3. Borrower shall comply with, and repeats as if fully set forth herein as of the date hereof, all of the representations, covenants and obligations of Borrower set forth under Articles 6, 7, 8, and 11 (and including any definitions and related provisions) of the Multibank Agreement. In the event the Multibank Agreement terminates or expires prior to the termination or expiration of this Facility the foregoing representations, covenants and obligations of Borrower shall nevertheless survive as between Borrower and Bank with respect to this Facility and shall continue in effect until this Facility terminates or expires. No amendment or waiver of any provision of the Multibank Agreement after the date hereof shall be effective with respect to this Facility unless the Bank consents thereto in writing.

4. Borrower acknowledges that any amount outstanding under the Credit Line Note is included within the definition of "Debt" and "Outside Debt" under the Agreement.

5. Borrower shall pay to Bank a non-refundable commitment fee for this Facility for the period of time during which this Facility is available. Such fee shall be payable in arrears in quarterly installments on the last day of each March, June, September, and December, and on the last day this Facility is

available, to be computed at the rate per annum equal to 0.125% on the average unused amount of the Facility during such period.

6. This Facility letter will be governed by the laws of the State of California.

Enclosed is the original Credit Line Note and a copy of the this Facility letter together with an Authorization to Pay Proceeds of Note and Loan Disbursement Instructions, and any other contract, instrument or document Bank requires to be executed and delivered in connection with this Facility (each a "Loan Document"). The Borrower's executing the Loan Documents and returning them to Bank together with an appropriate corporate resolution and incumbency certificate acceptable to Bank constitutes its agreement to the terms and conditions of this Facility.

BORROWER AND BANK HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER THIS FACILITY LETTER, THE CREDIT LINE NOTE OR ANY OTHER LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL HERETO OR THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; AND ANY SUCH CLAIM, DEMAND ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY. BORROWER OR BANK MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THIS CONSENT OF BORROWER AND BANK TO WAIVE THEIR RIGHT TO TRIAL BY JURY.

This offer expires on August 8, 1997, unless the executed Loan Documents and the corporate resolution and incumbency certificate are returned to the Bank by then. If the Effective Date has not occurred by October 30, 1997, this Facility letter and the Credit Line Note shall terminate and be of no further force and effect on such date.

We look forward to serving you.

Yours truly,

Union Bank of California, N. A.

By: /s/ Robert John Vernagallo

Robert John Vernagallo,
Vice President

ACCEPTED AND AGREED:

MCGRATH RENTCORP, a
California Corporation

By: /s/ Delight Saxton

Title: VICE PRESIDENT OF ADMIN

By: /s/ Thomas J. Sauer

Title: VICE PRESIDENT

Date: July 29, 1997

RV/da/11095

CREDIT LINE NOTE

Borrower Name McGrath RentCorp, a California corporation		
Borrower Address	Office	Loan Number
2500 Grant Avenue San Lorenzo, California 94580	Maturity Date June 30, 1998	Amount $3,000,000

Date July 24, 1997 $3,000,000

FOR VALUE RECEIVED, on June 30, 1998, the undersigned ("Debtor") promises to pay to the order of UNION BANK OF CALIFORNIA, N.A. ("Bank") as indicated below, the principal sum of THREE MILLION DOLLARS ($3,000,000), or so much thereof as is disbursed, together with interest on the balance of such principal sum from time to time outstanding, at a per annum rate equal to the Reference Rate, such per annum rate to change as and when the Reference Rate shall change. Debtor may borrow, repay and reborrow under this note.

As used herein, the term "Reference Rate" shall mean the rate announced by Bank from time to time at its corporate headquarters as its "Reference Rate." The Reference Rate is an index rate determined by Bank from time to time as a means of pricing certain extensions of credit and is neither directly tied to any external rate of interest or index nor necessarily the lowest rate of interest charged by Bank at any given time. All computations of interest under this note shall be made on the basis of a year of 360 days, for actual days elapsed.

1. PAYMENTS.

1.1 INTEREST PAYMENTS. Debtor shall pay interest on the last day of each month commencing July, 1997. Should interest not be so paid, it shall become a part of the principal and thereafter bear interest as herein provided.

1.2 PRINCIPAL PAYMENTS. All principal outstanding on this note is due and payable on the earlier of June 30, 1998 or any accelerated maturity date.

Debtor shall pay all amounts due under this note in lawful money of the United States at Bank's San Francisco Office or such other office as may be designated by Bank from time to time.

2. INTEREST RATE FOLLOWING DEFAULT. In the event of default, at the option of Bank, and, to the extent permitted by law, interest shall be payable on the outstanding principal under this note at a per annum rate equal to two percent (2%) in excess of the interest rate specified in the initial paragraph of this note, calculated from the date of default until all amounts payable under this note are paid in full.

3. DEFAULT AND ACCELERATION OF TIME FOR PAYMENT. Default shall include, but not be limited to, any of the following: (a) the failure of Debtor to make any payment required under this note when due; (b) any breach misrepresentation or other default by Debtor, any guarantor, co-maker endorser, or any person or entity other than Debtor providing security for this note (hereinafter individually and collectively referred to as the "Obligor") under any security agreement, guaranty or other agreement between Bank and any Obligor; (c) the insolvency of any Obligor or the failure of any Obligor generally to pay such Obligor's debts as such debts become due; (d) the commencement as to any Obligor of any voluntary or involuntary proceeding under any laws relating to bankruptcy, insolvency, reorganization, arrangement, debt adjustment or debtor relief; (e) the assignment by any Obligor for the benefit of such Obligor's creditors; (f), the appointment, or commencement of any proceedings for the appointment, of a receiver, trustee, custodian or similar official for all or substantially all of any Obligor's property; (g) the commencement of any proceeding for the dissolution or liquidation of any Obligor; (h) the termination of existence or death of any Obligor; (i) the failure of any Obligor to comply with any order, judgment, injunction, decree, writ or demand of any court or other public authority; (j) the filing or recording against any Obligor, or the property of any Obligor of any notice of levy, notice to withhold, or other legal process for taxes other than property taxes; (k) the default by any Obligor liable for amounts owed hereunder on any obligation concerning the borrowing of money; (i) the issuance against any Obligor or the property of any Obligor, of any writ of attachment, execution or other; judicial lien; (m) the deterioration of the financial condition of any Obligor which results in Bank deeming itself, in good faith, insecure, (n) Debtor's failure to comply with any provision of the Multibank Agreement (as defined in the facility letter between Debtor and Bank executed in connection herewith), or (o) Debtor's failure to comply with any provision of the facility letter between Debtor and Bank executed in connection herewith. Upon the occurrence of any such default, Bank, in its discretion, may cease to advance funds hereunder and may declare all obligations under this note immediately due and payable; however, upon the occurrence of an event of default under d, e, f, g, or n all principal and interest shall automatically become immediately due and payable.

4. ADDITIONAL AGREEMENTS OF DEBTOR. If any amounts owing under this note are not paid when due, Debtor promises to pay all costs and expenses, including reasonable attorney's fees, incurred by Bank in the collection or enforcement of this note. Debtor and any endorsers of this note, for the maximum period of time and the full extent permitted by law (a) waive diligence, presentment, demand notice of nonpayment, protest, notice of protest, and notice of every kind; (b) waive the right to assert the defense of any statute of limitations to any debt or obligation hereunder; and (c) consent to renewals and extensions of time for the payment of any amounts due under this note. If this note is signed by more than one party, the term 'Debtor" includes each of the undersigned and any successors in interest thereof; all of whose liability shall be joint and several. The receipt of any check or other item of payment by Bank, at its option, shall not be considered a payment on account until such check or

other item of payment is honored when presented for payment at the drawee bank. Bank may delay the credit of such payment based upon Bank's schedule of funds availability, and interest under this note shall accrue until the funds are deemed collected. In any action brought under or arising out of this note, Debtor and any endorser of this note, including their successors and assigns, hereby consents to the jurisdiction of any competent court within the State of California, except as provided in any alternative dispute resolution agreement executed between Debtor and Bank, and consents to service of process by any means authorized by said state law. The term "Bank" includes, without limitation, any holder of this note. This note shall be construed in accordance with and governed by the laws of the State of California. This note is subject to the terms of the facility letter between Debtor and Bank executed in connection herewith but in the event of any conflict between the terms of such facility letter and this note the terms of this note shall prevail.

MCGRATH RENTCORP, a
California corporation

By: /s/ Delight Saxton

Title: Vice President of Admin.

EXHIBIT 4.2

[LETTERHEAD]

July 24, 1997

(415) 765-2614

Ms. Delight Saxton
Chief Financial Officer and
Vice President of Administration
McGrath RentCorp
2500 Grant Avenue
San Lorenzo, CA 94580

Re: Credit available (at Bank's discretion) pursuant to that certain $5,000,000.00 Optional Advance Facility Letter ("Facility Letter") from Union Bank of California, N.A., formerly The Bank of California, N.A. ("Bank") to McGrath RentCorp, a California corporation ("Borrower") dated October 16, 1996, as extended by an extension letter dated June 27, 1997, and further evidenced by that certain Optional Advance Note dated October 16, 1996, executed by Borrower to the order of Bank, as extended by an extension letter dated June 27, 1997 ("Optional Advance Note").

Dear Ms. Saxton:

Pursuant to the Facility Letter the Bank expressed its general willingness to extend credit to the Borrower. Capitalized terms used herein shall have the meanings given them in the Facility Letter and Optional Advance Note.

Bank and Borrower mutually desire to amend the Facility Letter and the Optional Advance Note in certain respects, and hereby agree as follows:

> The date "June 30, 1997" which appears in the first unnumbered paragraph of the Facility Letter, in the first unnumbered paragraph of the Optional Advance Note, and in paragraph 2.b. of the Optional Advance Note (as extended by the extension letter described above) is hereby amended to "June 30, 1998".
>
> The second sentence of the first unnumbered paragraph of the Facility Letter is hereby amended to read as follows: "The term 'Agreement' as used herein shall mean the Credit Agreement dated as of July 10, 1997, between Borrower, Bank, Bank of America, National Trust & Savings Association, and Fleet Bank, N.A., and shall include any amendments thereto as are agreed to by Bank as set forth below."
>
> The following phrase in the first sentence of section (iii) of the Facility Letter: "under Articles 6, 7, and 8 of the Agreement is hereby deleted and replaced with the following: under Articles 6, 7, 8 and 11 of the Agreement (and including any definitions and related provisions) of the Agreement."

The second and third sentences of section (iii) of the Facility Letter are deleted and replaced with the following: "Delivery to Bank of the financial statements and other documents pursuant to Section 7.3 of the Agreement shall be deemed delivery thereof to Bank for the purposes of this Facility."

Section (b) of the first sentence of paragraph 5 of the Optional Advance Note is amended to read as follows: "(b) the occurrence of an Event of Default as defined in the Agreement, or."

The following sentence is added at the end of paragraph 6 of the Optional Advance Note: "The capitalized terms used but not defined in this note shall have the meanings given them in such facility letter."

The following sentence is deleted from paragraph 6 of the Optional Advance Note: "This note incorporates any alternative dispute resolution agreement previously, concurrently or hereafter executed between Debtor and Bank". The following is added as a new final paragraph to the Facility Letter:

> BORROWER AND BANK HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER THIS FACILITY LETTER, THE NOTE OR ANY OTHER LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL HERETO OR THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; AND ANY SUCH CLAIM, DEMAND ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY. BORROWER OR BANK MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THIS CONSENT OF BORROWER AND BANK TO WAIVE THEIR RIGHT TO TRIAL BY JURY.

Except as specifically provided herein, all terms and conditions of the Facility Letter and Optional Advance Note remain in full force and effect, without waiver or modification. Borrower hereby confirms all terms and conditions contained in the Facility Letter. Further, Borrower certifies that, as of the date of this letter, there exists neither (i) any material adverse change to Borrower, its business, the property, or to any guarantor, nor (ii) any material misrepresentation or omission in any of the information or materials submitted by Borrower to Bank in connection with the Facility, nor (iii) any condition, act or event which with the giving of notice or the passage of time or both would constitute a material adverse change, misrepresentation or omission.

BORROWER ACKNOWLEDGES THAT THE FACILITY IS NOT A COMMITTED FACILITY. IN ITS SOLE DISCRETION, FOR ANY REASON OR FOR NO REASON AND WITH OR WITHOUT NOTICE, BANK MAY DECLINE TO MAKE ANY OR ALL REQUESTED

ADVANCES UNDER THE FACILITY, MAY DECLINE TO CONTINUE OR FURTHER RENEW THE FACILITY, AND MAY TERMINATE THE FACILITY AT ANY TIME.

Please indicate acceptance of the terms of this letter amendment by executing the enclosed copy and returning it to me no later than the Bank's close of business on July 25, 1997, at which time, unless the executed copy is received, the amendments contained herein shall expire.

Yours truly,

Union Bank of California, N.A.

By: /s/ Robert John Vernagallo

Robert John Vernagallo,
Vice President

ACCEPTED AND AGREED:

MCGRATH RENTCORP, a
California corporation

By: /s/ Delight Saxton

Title: Vice President of Admin

By: /s/ Thomas J. Sauer

Title: Vice President

Date: July 29 , 1997

EXHIBIT 4.3

[LETTERHEAD]

July 23, 1997

Ms. Delight Saxton, CFO
McGrath RentCorp
2500 Grant Avenue
San Lorenzo, CA 94580

Re: Requests for Loans

Dear Delight:

We are pleased to advise you that Fleet Bank, National Association (the "Bank") hereby agrees to consider requests from McGrath RentCorp (the "Company") for short-term loans from time to time. Please be advised that any extension of credit will be available at the sole discretion of the Bank subject to the following terms and conditions:

LOAN REQUESTS: Each request for a loan will be, at the Bank's option, reviewed by the Bank and an independent credit option, reviewed by the Bank and an independent credit analysis and assessment will be made each time a request is received. HOWEVER, THE BANK SHALL BE UNDER NO OBLIGATION WHATSOEVER TO MAKE ANY LOAN OR OTHERWISE EXTEND CREDIT TO THE COMPANY. The Bank may respond to any request for a loan for stated amount with a loan for a different amount, date or maturity, or may decline to respond entirely. Please call Joanne Koska at 212-819-6355 with your request.

MAXIMUM AMOUNT OF LOANS: In no event shall the Company have more than $5,000,000 of indebtedness outstanding at any one time.

INTEREST RATE: Loans shall bear interest at an agreed or negotiated rate for the designated term of each loan. Interest rates on any loan will be determined by the Bank if such loan is provided to the Company.

EXPIRATION AND MATURITY DATE: No loan shall mature later than June 30, 1998.

OTHER CONDITIONS; DOCUMENTATION: Each request for a loan will be subject to the execution of a promissory note and such other documentation satisfactory to the Bank and to such other terms and conditions as may be required in the sole discretion of the Bank including, without limitation, satisfactory collateral, further due diligence, and the Bank's satisfaction as to all credit and legal matters.

If the terms of this letter are acceptable to you, please indicate your acceptance by signing and returning the enclosed copy of this letter to the Bank on or before the date of your first request.

Please contact me, at the above number, or Bill Derasmo at 212-819-6647, if you have any questions or concerns.

Very truly yours,

FLEET BANK N.A.

By: /s/ Anthony C. Nocera, VP

Accepted and Agreed:

McGRATH RENTCORP

By: /s/ Delight Saxton

8/13/97

cc: Bill Derasmo
Joanne Koska

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM MCGRATH RENTCORP'S QUARTERLY REPORT (10Q) FOR QUARTER ENDING SEPTEMBER 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

9-MOS
DEC-31-1997
JAN-01-1997
SEP-30-1997
1,342
0
26,499
(650)
0
0
277,353
(73,076)
237,963
0
0
0
0
7,718
96,747
237,963
105,653
105,653
58,441
58,441
12,971
0
2,905
31,336
12,632
18,703
0
0
0
18,703
1.23
0

INCLUDES RENTAL EQUIPMENT, LAND, LAND IMPROVEMENT, FURNITURE & EQUIPMENT.
ACCUMULATED DEPRECIATION RELATED TO FOOTNOTE 16 ABOVE.