SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

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

FOR THE QUARTER ENDED SEPTEMBER 30, 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

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 2, 1999, 12,695,238 shares of Registrant's Common Stock were outstanding.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MCGRATH RENTCORP
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
(in thousands, except per share amounts)	1999	1998	1999	1998
REVENUES				
Rental	$ 20,359	$ 18,385	$ 58,437	$ 52,706
Rental Related Services	4,511	4,062	10,045	9,012
Rental Operations	24,870	22,447	68,482	61,718
Sales	11,584	21,787	27,655	42,973
Other	445	244	895	612
Total Revenues	36,899	44,478	97,032	105,303
COSTS AND EXPENSES				
Direct Costs of Rental Operations				
Depreciation	5,072	4,618	14,491	12,275
Rental Related Services	2,237	1,943	5,400	5,151
Other	4,180	3,656	10,844	10,216
Total Direct Costs of Rental Operations	11,489	10,217	30,735	27,642
Costs of Sales	8,474	15,581	19,521	29,553
Total Costs	19,963	25,798	50,256	57,195
Gross Margin	16,936	18,680	46,776	48,108
Selling and Administrative	4,024	4,560	12,212	12,104
Income from Operations	12,912	14,120	34,564	36,004
Interest	1,721	1,686	4,818	4,720
Income Before Provision for Income Taxes	11,191	12,434	29,746	31,284
Provision for Income Taxes	4,318	4,899	11,601	12,326
Income Before Minority Interest	6,873	7,535	18,145	18,958
Minority Interest in Income of Subsidiary	88	447	142	928
Net Income	$ 6,785	$ 7,088	$ 18,003	$ 18,030
Earnings Per Share:				
Basic	$ 0.52	$ 0.50	$ 1.34	$ 1.27
Diluted	$ 0.51	$ 0.50	$ 1.32	$ 1.25
Shares Used in Per Share Calculation:				
Basic	13,067	14,062	13,430	14,218
Diluted	13,220	14,231	13,593	14,406

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

MCGRATH RENTCORP
CONSOLIDATED BALANCE SHEETS
(unaudited)

(in thousands)	SEPTEMBER 30, 1999	DECEMBER 31, 1998
ASSETS		
Cash	$ 439	$ 857
Accounts Receivable, less allowance for doubtful Accounts of $650 in 1999 and 1998	23,328	21,811
Rental Equipment, at cost:		
Relocatable Modular Offices	235,603	216,414
Electronic Test Instruments	69,094	66,573
	304,697	282,987
Less Accumulated Depreciation	(91,608)	(82,959)
Rental Equipment, net	213,089	200,028
Land, at cost	19,303	18,953
Buildings, Land Improvements, Equipment and Furniture, at cost, less accumulated depreciation of $5,032 in 1999 and $3,858 in 1998	31,700	31,460
Prepaid Expenses and Other Assets	5,030	5,567
Total Assets	$ 292,889	$ 278,676
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Notes Payable	$ 108,700	$ 97,000
Accounts Payable and Accrued Liabilities	25,533	22,964
Deferred Income	9,351	5,574
Minority Interest in Subsidiary	2,727	2,584
Deferred Income Taxes	52,788	45,160
Total Liabilities	199,099	173,282
Shareholders' Equity:		
Common Stock, no par value -- Authorized -- 40,000 shares Outstanding -- 12,690 shares in 1999 and 13,970 shares in 1998	7,434	8,138
Retained Earnings	86,356	97,256
Total Shareholders' Equity	93,790	105,394
Total Liabilities and Shareholders' Equity	$ 292,889	$ 278,676

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

MCGRATH RENTCORP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in thousands)	NINE MONTHS ENDED SEPTEMBER 30, 1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 18,003	$ 18,030
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	15,749	13,381
Gain on Sale of Rental Equipment	(4,425)	(4,397)
Change In:		
Accounts Receivable	(1,517)	(4,927)
Prepaid Expenses and Other Assets	537	1,417
Accounts Payable and Accrued Liabilities	2,587	(4,988)
Deferred Income	3,777	419
Deferred Income Taxes	7,628	6,467
Net Cash Provided by Operating Activities	42,339	25,402
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Rental Equipment	(35,327)	(35,501)
Purchase of Land, Buildings, Land Improvements, Equipment and Furniture	(1,848)	(3,751)
Proceeds from Sale of Rental Equipment	12,198	11,248
Net Cash Used in Investing Activities	(24,977)	(28,004)
CASH FLOW FROM FINANCING ACTIVITIES:		
Net Borrowings Under Notes Payable	11,700	18,000
Proceeds from the Exercise of Stock Options	617	215
Repurchase of Common Stock	(25,486)	(11,617)
Payment of Dividends	(4,611)	(3,987)
Net Cash Provided (Used in) Financing Activities	(17,780)	2,611
Net Increase (Decrease) in Cash	(418)	9
Cash Balance, Beginning of Period	857	538
Cash Balance, End of Period	$ 439	$ 547
Interest Paid During the Period	$ 5,345	$ 4,443
Income Taxes Paid During the Period	$ 3,782	$ 5,779
Dividends Declared but not yet Paid	$ 1,523	$ 1,400

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

MCGRATH RENTCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 1999

NOTE 1. CONSOLIDATED FINANCIAL INFORMATION

The consolidated financial information for the nine months ended September 30, 1999 has not been audited, but in the opinion of management, all adjustments (consisting of only normal recurring accruals, consolidation and eliminating entries) necessary for the fair presentation of the consolidated results of operations, financial position, and cash flows of McGrath RentCorp (the "Company") have been made. The consolidated results of the nine months ended September 30, 1999 should not be considered as necessarily indicative of the consolidated results for the entire year. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's latest Form 10-K.

NOTE 2. NOTES PAYABLE

In June 1999, the Company amended its $75,000,000 unsecured line of credit agreement with its banks to extend it to June 30, 2001 (other terms and conditions remained the same). In addition, the Company amended its line of credit related to its cash management services to increase it from $4,000,000 to $5,000,000 and to extend it to June 30, 2000.

NOTE 3. BUSINESS SEGMENTS

The Company defines its business segments based on the nature of operations for the purpose of reporting under Statement of Financial Accounting Standard No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131). The Company's three reportable segments are Mobile Modular Management Corporation (Modulars), McGrath-RenTelco (Electronics), and Enviroplex. The operations of these three segments are described in the notes to the consolidated financial statements included in the Company's latest Form 10-K. As a separate corporate entity, Enviroplex revenues and expenses are separately maintained from Modulars and Electronics. Excluding interest expense, allocations of revenues and expenses not directly associated with Modulars or Electronics are generally allocated to these segments based on their pro-rata share of direct revenues. Interest expense is allocated between Modulars and Electronics based on their pro-rata share of average rental equipment, accounts receivable and customer security deposits. The Company does not report total assets by business segment. Summarized financial information for the nine months ended September 30, 1999 and 1998 for the Company's reportable segments is shown in the following table:

(in thousands)	MODULARS(1)	ELECTRONICS(2)	ENVIROPLEX	CONSOLIDATED
NINE MONTHS ENDED SEPTEMBER 30, 1999				
Rental Operation Revenues	$ 48,026	$ 20,456	$ --	$ 68,482
Sales and Other Revenues	12,897	7,908	7,745	28,550
Total Revenues	60,923	28,364	7,745	97,032
Depreciation on Rental Equipment	7,886	6,605	--	14,491
Interest Expense	3,720	1,246	(148)	4,818
Income before Income Taxes	18,451	10,458	837	29,746
Rental Equipment Acquisitions	25,186	10,141	--	35,327
Accounts Receivable, net (period end)	13,037	9,010	1,281	23,328
Rental Equipment, at cost (period end)	235,603	69,094	--	304,697
1998				
Rental Operation Revenues	$ 43,976	$ 17,742	--	$ 61,718
Sales and Other Revenues	18,939	6,340	18,306	43,585
Total Revenues	62,915	24,082	18,306	105,303
Depreciation on Rental Equipment	6,895	5,380	--	12,275
Interest Expense	3,583	1,095	42	4,720
Income before Income Taxes	17,136	8,670	5,478	31,284
Rental Equipment Acquisitions	20,121	15,380	--	35,501
Accounts Receivable, net (period end)	13,948	6,710	6,063	26,721
Rental Equipment, at cost (period end)	209,507	60,747	--	270,254

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(1) Operates under the trade name Mobile Modular Management Corporation

(2) Operates under the trade name McGrath-RenTelco

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

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

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1999 AND 1998

Rental revenues for the three and nine months ended September 30, 1999 increased $1,974,000 (11%) and $5,731,000 (11%), respectively, over the comparative periods in 1998. Mobile Modular Management Corporation ("MMMC") contributed $2,995,000 and McGrath-RenTelco contributed $2,736,000 of the nine-month increase. MMMC's rental revenues increased as a result of having an average of $19,834,000 more equipment on rent compared to a year earlier even though average monthly yield for all modular equipment has declined from 1.94% in 1998 to 1.90% in 1999. Modular average utilization for the nine months ended September 30, 1999, excluding new equipment inventory, was 81.9% compared to 82.8% for the same period in 1998. McGrath-RenTelco's rental revenues increased as a result of having an average of $5,371,000 more equipment on rent compared to a year earlier even though average monthly yield for all electronics equipment has declined from 3.53% in 1998 to 3.31% in 1999. Electronics average utilization for the nine months ended September 30, 1999 was 53.0% compared to 55.0% for the same period in 1998.

Rental related services revenues for the three and nine months ended September 30, 1999 increased $449,000 (11%) and $1,033,000 (11%), respectively, as compared to the same periods in 1998 as a result of higher volume of modular equipment movements and site requirements in 1999. Gross margins on these services for the nine-month period increased from 43% in 1998 to 46% in 1999.

Sales for the three and nine months ended September 30, 1999 declined $10,203,000 (47%) and $15,318,000 (36%), respectively, as compared to the same periods in 1998 primarily due to a reduction in sales by Enviroplex of manufactured classrooms to school districts from the high levels in 1998 caused by California's Class Size Reduction Program. Sales also have declined as a result of the nonrepetitive nature of one large sale ($6,110,000) recorded by MMMC in the third quarter of 1998. Further, for Enviroplex, increased business levels anticipated from the $9.2 billion California bond measure, which passed in November 1998, have not materialized. Consolidated gross margin on sales declined for the nine-month period from 31% in 1998 to 29% in 1999 due to lower margin classroom projects sold during the first nine months of 1999. Sales continue to occur routinely as a normal part of the Company's rental business; however, these sales can fluctuate from quarter to quarter and year to year depending on customer demands and requirements.

Enviroplex's backlog of orders as of September 30, 1999 and 1998 was $4,595,000 and $3,189,000, respectively. Backlog is not significant in MMMC's modular business or in McGrath-RenTelco's electronics business.

Depreciation on rental equipment for the three and nine months ended September 30, 1999 increased $454,000 (10%) and $2,216,000 (18%) over the comparative periods in 1998 due to the additional rental equipment purchased. For the nine months ended September 30, 1999, the average modular rental equipment, at cost, increased $26,311,000 (14%) and average electronics rental equipment, at cost, increased $12,207,000 (22%) over the 1998 comparative period.

Selling and administrative expenses for the three and nine months ended September 30, 1999 decreased $536,000 (12%) and increased $108,000 (1%), respectively, over the comparative periods in 1998. Selling and administrative expenses for each quarter in 1999 have been approximately the same with the three-month period ending September 30, 1999 declining as compared with the similar period in 1998 primarily due to lower personnel and temporary labor costs ($411,000), including performance and incentive bonuses.

Interest expense for the nine months ended September 30, 1999 increased $98,000 (2%) over 1998 as a result of a higher average borrowing level offset by a lower average interest rate in 1999. The debt increase funded part of the significant rental equipment purchases made during the last twelve months.

Income before provision for taxes for the three and nine months ended September 30, 1999 decreased $1,243,000 (10%) and $1,538,000 (5%), respectively, while net income decreased $303,000 (4%) and $27,000, respectively, from the comparative periods in 1998. The percentage decrease for net income is lower than the percentage decrease for income before provision for taxes as a result of Enviroplex's smaller contribution to consolidated earnings and an effective tax rate which declined from 39.4% in 1998 to 39.0% in 1999. Earnings per share for the three and nine months ending September 30, 1999 increased to $0.52 per share and $1.34 per share, respectively, on fewer outstanding shares.

LIQUIDITY AND CAPITAL RESOURCES

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

The Company's operations produced a positive cash flow for the nine months ended September 30, 1999 of $42,339,000 as compared to $25,402,000 for the year earlier period. During 1999, the primary uses of cash have been to purchase additional rental inventory to satisfy customer requirements, to repurchase shares of the Company's common stock on the open market, and to pay dividends to the Company's shareholders.

The Company had a total liabilities to equity ratio of 2.12 to 1 and 1.64 to 1 as of September 30, 1999 and December 31, 1998, respectively. The debt (notes payable) to equity ratios were 1.16 to 1 and 0.92 to 1 as of September 30, 1999 and December 31, 1998, respectively. Both ratios have increased since December 31, 1998 as a result of the Company's stock repurchase program.

The Company has made purchases of shares of its common stock from time to time in the over-the-counter market (NASDAQ) and/or through privately negotiated, large block transactions under an authorization of the Board of Directors. Shares repurchased by the Company are cancelled and returned to the status of authorized but unissued stock. During the nine months ended September 30, 1999, the Company repurchased 1,399,860 shares of its outstanding common stock for an aggregate purchase price of $25,485,584 (or an average price of $18.21 per share). As of November 2, 1999, 733,640 shares remain authorized for repurchase.

The Company believes that its needs for working capital and capital expenditures through 1999 and beyond will be met adequately by cash flow and bank borrowings.

MARKET RISK

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

The Company currently has no material derivative financial instruments that expose the Company to significant market risk. The Company is exposed to cash flow and fair value risk due to changes in interest rates with respect to its notes payable. As of September 30, 1999, the Company believes that the carrying amounts of its financial instruments (cash and notes payable) approximate fair value.

YEAR 2000

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

The "Year 2000" issue is the result of computer programs using two digits rather than four to determine the applicable year. This could affect date-sensitive calculations that treat "00" as the year 1900 rather than the year 2000. An assessment of the Company's exposure related to the Year 2000 issues has been completed and it is not expected to have a significant impact on the Company.

The Company initiated a number of major system projects in 1997 and 1998 to upgrade core computer hardware, networking and software systems. These projects are replacing existing systems as opposed to simply fixing Year 2000 problems. Most of these projects have been completed and are operational; the balance is expected to be operational by November 1999. Capitalized expenditures for this process totaled $1,800,000 for the period January 1, 1997 to September 30, 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." The Company estimates approximately $200,000 for completion of its system upgrades for the remainder of 1999. Future costs will be funded from operating cash flow.

The Company does not significantly rely on "embedded technology" in its critical processes. Embedded technology, which means microprocessor-controlled devices as opposed to multi-purpose computers, does control some building and security operations, such as electric power management, ventilation, and building access. Building facilities have been evaluated, and the Company believes all essential systems using embedded technology are Year 2000 ready. The electronics test and measurement rental equipment has been evaluated, and it appears only minor quantities of equipment pose a Year 2000 problem. If deemed important, some equipment may be upgraded. The Company asks its customers to seek definitive Year 2000 compliance guidance directly from the equipment manufacturers.

The Company cannot predict the likelihood of a significant disruption of its customers' or suppliers' businesses or the economy as a whole, either of which could have a material adverse impact on the Company. However, because the markets for the Company's products are comprised of numerous customers with a variety of sizes and levels of sophistication, the noncompliance with Year 2000 of any one would not be expected to have a detrimental impact on the Company's financial position or results of operations. As a normal course of business, the Company seeks to maintain multiple suppliers where possible. The Company continues to communicate with vendors, customers, suppliers, service providers, and government agencies to monitor their compliance.

The Company presently believes that its Year 2000 exposures will not present a material adverse risk to the Company's future consolidated results of operations, liquidity, or capital resources. However, if all systems are not completed in a timely manner, or the level of timely compliance by key suppliers or service providers is not sufficient, the Year 2000 issue could have a material adverse effect on the Company's operations. This includes, but is not limited to, delays of equipment shipments resulting in loss of revenues, increased operating costs, loss of customers and suppliers, or other significant disruptions to the Company's business.

The Company's contingency plan includes (1) all critical computer operating and financial data will be backed-up and printed at key dates to provide the basis, if necessary, for a manual system, (2) in the event a significant number of customers are unable to issue payments, the Company has sufficient liquidity with its existing line of credit to function adequately, and (3) the Company continues to look for multiple suppliers and is also evaluating power and communication alternatives in the event of a loss of service. The contingency plan is enhanced by the fact that existing management has been in place since before computer systems were used.

PART II OTHER INFORMATION

ITEM 3. OTHER INFORMATION

On September 2, 1999, the Company declared a quarterly dividend on its Common Stock; the dividend was $0.12 per share. Subject to its continued profitability and favorable cash flow, the Company intends to continue the payment of quarterly dividends.

ITEM 4. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

NUMBER	DESCRIPTION	METHOD OF FILING
4.1	$5,000,000 Committed Credit Facility	Filed herewith.

(b) Reports on Form 8-K.

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

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

Date: November 2, 1999

MCGRATH RENTCORP

by: /s/ THOMAS J. SAUER

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

Exhibit Index

No.	Description
4.1	$5,000,000 Committed Credit Facility
27	Financial Data Schedule

EXHIBIT 4.1

September 1, 1999

Mr. Thomas J. Sauer
Vice President and Chief Financial Officer
McGrath RentCorp
5700 Las Positas Road
Livermore, CA 94550

Re: $5,000,000.00 Committed Credit Facility

Dear Mr Sauer:

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 29, 2000, not to exceed at any time the maximum principal amount of Five Million Dollars ($5,000,000), 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 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 Amended and Restated Credit Agreement dated as of June 30, 1999, 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. 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 Multibank 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, on the basis of a 360 day year.

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

7. Borrower has an existing committed credit facility of Four Million Dollars ($4,000,000) evidenced by a letter agreement and credit line note, both dated as of June 30, 1999 ("Existing Facility"). If this offer of a $5,000,000 Facility is accepted by the Borrower and becomes effective pursuant to the terms of this Facility letter, the Facility will replace the Existing Facility, in which case the Existing Facility shall have no further force and effect as of the Effective Date of the Facility. If the Existing Facility is so replaced, all unpaid principal, interest, commitment fees, and any other amounts accrued and outstanding under the Existing Facility will for all purposes

be deemed to be obligations under, and payable at the times specified in, this Facility letter and the Credit Line Note.

Enclosed is the original Credit Line Note and a copy of 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 an incumbency certificate (if necessary) 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 September 10, 1999, unless the executed Loan Documents and the appropriate corporate resolution and incumbency certificate (if necessary) are returned to the Bank by that date. If the Facility has not become effective by September 10, 1999, this Facility letter and the Credit Line Note shall terminate and be of no further force and effect on such date. The Existing Facility shall remain in full force and effect in accordance with its terms unless and until the Facility becomes effective in accordance with this Facility Letter.

We look forward to continuing to serve you.

Yours truly,

UNION BANK OF CALIFORNIA, N.A.

By:

Robert J. Vernagallo
Vice President

ACCEPTED AND AGREED:

MCGRATH RENTCORP,
a California Corporation

By:

Thomas J. Sauer
Vice President and Chief Financial Officer

Date:

CREDIT LINE NOTE

Borrower Name MCGRATH RENTCORP, a California corporation		
Borrower Address 5700 Las Positas Road Livermore, CA 94550	Office	Loan Number
	Maturity Date June 29, 2000	Amount $5,000,000

$5,000,000 Effective as of ____________________, 1999

FOR VALUE RECEIVED, on June 29, 2000, the undersigned ("Debtor") promises to pay to the order of UNION BANK OF CALIFORNIA, N.A. ("Bank") as indicated below, the principal sum of FIVE MILLION DOLLARS ($5,000,000), 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 on the first such date which occurs after the date of this note. 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 29, 2000 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 attorneys' 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.

This note supersedes and replaces that certain credit line note dated June 30, 1999 in the maximum amount of Four Million Dollars ($4,000,000), executed by Borrower in favor of Bank (the "Previous Note"). As of the effective date of this note, 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 note.

MCGRATH RENTCORP,
a California corporation

By:

Thomas J. Sauer
Vice President and Chief Financial Officer

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM McGRATH RENTCORP FORM 10-Q FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

9-MOS
DEC-31-1999
JAN-01-1999
SEP-30-1999
439
0
23,978
(650)
0
0
360,732
(96,640)
292,889
0
0
0
0
7,434
86,356
292,889
97,032
97,032
50,256
50,256
12,212
0
4,818
29,746
11,601
0
0
0
0
18,003
1.34
1.32

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