

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 JUNE 30, 1998

COMMISSION FILE NUMBER 0-13292

MCGRATH RENTCORP

(Exact name of registrant as specified in its Charter)

CALIFORNIA

(State or other jurisdiction
of incorporation or organization)

94-2579843

(I.R.S. Employer
Identification No.)

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

Registrant's telephone number:

(925) 606-9200

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

Yes No

At August 7, 1998, 14,068,362 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 JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1998	1997	1998	1997
REVENUES				
Rental	\$ 17,339,975	\$ 14,743,810	\$ 34,320,868	\$ 29,070,811
Rental Related Services	2,727,176	2,133,040	4,949,885	4,773,882
Rental Operations	20,067,151	16,876,850	39,270,753	33,844,693
Sales	13,233,648	16,344,934	21,185,795	25,946,431
Other	173,698	237,224	368,090	509,394
Total Revenues	33,474,497	33,459,008	60,824,638	60,300,518
COSTS AND EXPENSES				
Direct Costs of Rental Operations				
Depreciation	3,810,232	3,464,332	7,656,923	6,887,773
Rental Related Services	1,544,464	1,313,029	3,208,486	3,237,002
Other	3,534,613	2,203,225	6,560,084	4,845,151
Total Direct Costs of Rental Operations	8,889,309	6,980,586	17,425,493	14,969,926
Costs of Sales	8,722,806	11,393,852	13,972,179	17,655,048
Total Costs	17,612,115	18,374,438	31,397,672	32,624,974
Gross Margin	15,862,382	15,084,570	29,426,966	27,675,544
Selling and Administrative	3,838,880	3,688,801	7,543,543	7,046,365
Income from Operations	12,023,502	11,395,769	21,883,423	20,629,179
Interest	1,582,884	989,446	3,033,730	1,862,331
Income Before Provision for Income Taxes	10,440,618	10,406,323	18,849,693	18,766,848
Provision for Income Taxes	4,113,603	4,044,277	7,426,779	7,351,644
Income Before Minority Interest	6,327,015	6,362,046	11,422,914	11,415,204
Minority Interest in Income of Subsidiary	352,679	280,399	480,879	414,069
Net Income	\$ 5,974,336	\$ 6,081,647	\$ 10,942,035	\$ 11,001,135
Earnings Per Share:				
Basic	\$ 0.42	\$ 0.41	\$ 0.77	\$ 0.73
Diluted	\$ 0.42	\$ 0.40	\$ 0.75	\$ 0.73
Shares Used in Per Share Calculation:				
Basic	14,122,495	15,011,918	14,295,909	14,994,218
Diluted	14,213,201	15,201,573	14,496,762	15,163,548

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

MCGRATH RENTCORP
CONSOLIDATED BALANCE SHEETS
(unaudited)

	June 30, 1998	December 31, 1997
ASSETS		
Cash	\$ 1,076,195	\$ 537,875
Accounts Receivable, less allowance for doubtful accounts of \$650,000 in 1998 and 1997	23,191,495	21,794,028
Rental Equipment, at cost:		
Relocatable Modular Offices	207,502,584	196,132,895
Electronic Test Instruments	56,147,727	50,350,777
	263,650,311	246,483,672
Less Accumulated Depreciation	(76,767,755)	(72,398,374)
Rental Equipment, net	186,882,556	174,085,298
Land, at cost	20,495,975	20,495,975
Buildings, Land Improvements, Equipment and Furniture, at cost, less accumulated depreciation of \$3,617,709 in 1998 and \$3,177,213 in 1997	30,195,229	28,921,513
Prepaid Expenses and Other Assets	4,733,265	6,557,534
Total Assets	\$ 266,574,715	\$ 252,392,223
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Notes Payable	\$ 103,500,000	\$ 82,000,000
Accounts Payable and Accrued Liabilities	16,750,244	27,047,173
Deferred Income	6,661,013	6,928,532
Minority Interest in Subsidiary	2,003,937	1,523,058
Deferred Income Taxes	40,491,447	36,247,956
Total Liabilities	169,406,641	153,746,719
Shareholders' Equity:		
Common Stock, no par value -		
Authorized -- 40,000,000 shares		
Outstanding -- 14,098,362 shares in 1998 and 14,521,790 shares in 1997	7,701,829	7,756,054
Retained Earnings	89,466,245	90,889,450
Total Shareholders' Equity	97,168,074	98,645,504
Total Liabilities and Shareholders' Equity	\$ 266,574,715	\$ 252,392,223

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

MCGRATH RENTCORP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	SIX MONTHS ENDED JUNE 30,	
	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 10,942,035	\$ 11,001,135
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	8,378,752	7,332,307
Gain on Sale of Rental Equipment	(2,955,192)	(2,885,946)
Proceeds from Sale of Rental Equipment	7,545,304	7,577,768
Change In:		
Accounts Receivable	(1,397,467)	(3,922,041)
Prepaid Expenses and Other Assets	1,824,267	(3,558,671)
Accounts Payable and Accrued Liabilities	(10,064,142)	571,639
Deferred Income	(267,518)	1,720,598
Deferred Income Taxes	4,243,492	185,813
Net Cash Provided by Operating Activities	<u>18,249,531</u>	<u>18,022,602</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Rental Equipment	(25,044,294)	(20,630,573)
Purchase of Buildings, Land Improvements, Equipment and Furniture	(1,995,545)	(4,411,326)
Net Cash Used in Investing Activities	<u>(27,039,839)</u>	<u>(25,041,899)</u>
Cash Flow from Financing Activities:		
Net Borrowings Under Lines of Credit	21,500,000	11,150,000
Net Proceeds from the Exercise of Stock Options	214,632	513,894
Repurchase of Common Stock	(9,809,788)	--
Payment of Dividends	(2,576,216)	(2,238,495)
Net Cash Provided (Used) by Financing Activities	<u>9,328,628</u>	<u>9,425,399</u>
Net Increase in Cash	538,320	2,406,102
Cash Balance, Beginning of Period	537,875	686,333
Cash Balance, End of Period	<u>\$ 1,076,195</u>	<u>\$ 3,092,435</u>
Interest Paid During the Period	<u>\$ 3,045,749</u>	<u>\$ 1,850,899</u>
Income Taxes Paid During the Period	<u>\$ 3,103,287</u>	<u>\$ 7,085,171</u>
Dividends Declared but not yet Paid	<u>\$ 1,409,836</u>	<u>\$ 1,200,953</u>

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

MCGRATH RENTCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1998

NOTE 1. CONSOLIDATED FINANCIAL INFORMATION

The consolidated financial information for the six months ended June 30, 1998 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 six months ended June 30, 1998 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

On July 31, 1998, the Company restructured a portion of its debt to a fixed rate by completing a private placement of \$40,000,000 of 6.44% senior notes due in 2005 through BancAmerica Robertson Stephens. Interest on the notes is due semi-annually in arrears and the principal is due in 5 equal installments commencing on July 31, 2001. Upon completion of the private placement, the Company repaid a \$15,000,000 interim loan with one of its banks. The remainder of the proceeds was applied to reduce the existing revolver.

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

THREE AND SIX MONTHS ENDED JUNE 30, 1998 AND 1997

Rental revenues for the three and six months ended June 30, 1998 increased \$2,596,165 (18%) and \$5,250,057 (18%), respectively, over the comparative periods in 1997. Mobile Modular Management Corporation ("MMMC") contributed \$3,552,623 (68%) and electronics contributed \$1,697,434 (32%) of the six-month increase. The significant rental revenue increase by MMC resulted from the large quantities of equipment shipped to schools in the latter part of 1997. Average utilization for electronics during the first six months increased from 53.9% in 1997 to 55.8% in 1998 and declined for modulars from 79.0% in 1997 to 75.8% in 1998. Modular utilization declined primarily due to a substantial increase in inventory from the addition of new classrooms for the 1998 school year. Modular utilization excluding new equipment inventory was 82.2% compared to 81.0% as of June 30, 1998 and 1997, respectively, with an additional \$17,643,000 of modular equipment on rent as of June 30, 1998 compared to a year earlier.

Rental related services revenues for the three and six months ended June 30, 1998 increased \$594,136 (28%) and \$176,003 (4%), respectively, as compared to the same periods in 1997. Gross margins increased from 34% to 35% in 1998 for the comparative six-month period.

Sales for the three and six months ended June 30, 1998 declined \$3,111,286 (19%) and \$4,760,636 (18%), respectively, as compared to the same periods in 1997 due to fewer new classroom sales to school districts by MMC. Enviroplex and Electronics sales volumes increased 15% and 11%, respectively, over the 1997 comparative six-month period which partially offset MMC's expected decline in new classroom sales. (See 1997 Form 10K Management Discussion and Analysis for Fiscal Years 1997 and 1996.) Gross margin on sales improved for the six-month period from 32% in 1997 to 34% in 1998. 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.

Depreciation on rental equipment for the three and six months ended June 30, 1998 increased \$345,900 (10%) and \$769,150 (11%) over the comparative periods in 1997 as a result of additions to the rental equipment of both modulars and electronics. Rental equipment, at cost, increased 23% between June 30, 1997 and June 30, 1998. Other direct costs of rental operations for the three and six months ended June 30, 1998 increased \$1,331,388 (60%) and \$1,714,933 (35%) over the comparative periods in 1997 due to increased maintenance costs of the modular fleet and higher amortization of lease expenses included in the rental rate.

Selling and administrative expenses for the three and six months ended June 30, 1998 increased \$150,079 (4%) and \$497,178 (7%), respectively, compared to the same periods in 1997 primarily due to higher personnel and benefit costs. Personnel and benefit costs increased \$433,225 over the comparative six-month period in 1997 resulting from additional staff for sales and support, including the addition of electronics sales people on the East Coast, and higher health insurance costs.

Interest expense for the three and six months ended June 30, 1998 increased \$593,438 (60%) and \$1,171,399 (63%) over the comparative periods in 1997 as a result of higher average borrowing levels in 1998. The debt increase was primarily due to rental equipment purchases made during 1997.

Net income for the three and six months ended June 30, 1998 decreased slightly as compared to the comparative periods in 1997 and amounted to \$5,974,336 and \$10,942,035, respectively. Earnings per share increased slightly for the three and six-month periods in 1998 to \$0.42 per share and \$0.77 per share, respectively, on fewer shares outstanding.

LIQUIDITY AND CAPITAL RESOURCES

The Company had total liabilities to equity ratio of 1.74 to 1 and 1.56 to 1 as of June 30, 1998 and December 31, 1997, respectively. The debt (notes payable) to equity ratio was 1.07 to 1 and 0.83 to 1 as of June 30, 1998 and December 31, 1997, respectively.

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. As of August 7, 1998, the Company has repurchased 519,550 shares of its outstanding common stock for an aggregate purchase price of \$10,424,093 (or an average price of \$20.06 per share). As of August 7, 1998, 919,900 shares remain authorized for repurchase.

The Company believes that its needs for working capital and capital expenditures through 1998 and beyond will adequately be met by cash flow and bank borrowings.

PART II OTHER INFORMATION

ITEM 3. OTHER INFORMATION

On June 11, 1998, the Company declared a quarterly dividend on its Common Stock; the dividend was \$0.10 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	First Extension \$3,000,000 Committed Credit Facility	Filed herewith.
4.2	Fourth Extension to the \$5,000,000 Optional Credit Facility with Union Bank of California N.A.	Filed herewith.
4.3	Schedule of Notes With Sample Note	Filed herewith.
27	Financial Data Schedule	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: August 7, 1998

MCGRATH RENTCORP

by: /s/ Delight Saxton

Delight Saxton
Senior Vice President, Chief Financial
Officer (Chief Accounting Officer) and
Secretary

INDEX TO EXHIBITS

Exhibits.

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27	Financial Data Schedule	Filed herewith.

Date: June 23, 1998

Mr. Thomas J. Sauer
Vice President and Treasurer/Controller
McGrath RentCorp.
5700 Las Positas Road
Livermore, CA 94550

Re: Credit extended to Borrower pursuant to that certain \$3,000,000 Committed Credit 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 July 24, 1997, and further evidenced by that certain Credit Line Note dated July 24, 1997, executed by Borrower to the order of Bank ("Credit Line Note"). Capitalized terms used herein shall have the meanings given to them in the Facility Letter.

Dear Tom:

This letter is to confirm that Union Bank of California, N.A. has agreed to extend the maturity date of that certain facility ("Committed Credit Facility") in the maximum principal amount of \$3,000,000, granted by Bank to Borrower pursuant to the terms and conditions of the Facility Letter and Credit Line Note. References in the Facility Letter to the Credit Line Note shall mean the Credit Line Note as amended from time to time, and references in the Credit Line Note to the Facility Letter shall mean the Facility Letter as amended from time to time. A copy of the note is attached to this letter.

The maturity date of the Committed Credit Facility is hereby extended to September 30, 1998 ("New Maturity Date"). The Facility Letter and the Credit Line Note shall be deemed modified as of the date of this letter to reflect the New Maturity Date. All other terms and conditions of the Facility Letter and Credit Line Note remain in full force and effect, without waiver or modification. This extension is further conditioned on (i) Borrower's continued payment of interest as provided in the Facility Letter and Credit Line Note, and (ii) any principal instalments which Borrower was obligated to make prior to the extension provided for herein.

Each advance request, or Borrower's continued payments of principal or interest on the outstanding balance of any loan, constitutes Borrower's warranty that no event of default as defined in the Facility Letter or Credit Line Note and no condition, event or act which, with the giving of notice or the passage of time or both, would constitute such an event of default, shall have occurred and be continuing or shall exist.

BANK HAS NOT COMMITTED TO MAKE ANY FURTHER EXTENSION OF THE MATURITY DATE, OR TO RENEW THE COMMITTED CREDIT FACILITY OR OPTIONAL ADVANCE NOTE BEYOND THE NEW MATURITY DATE. ANY FURTHER EXTENSION OR RENEWAL REMAINS IN THE SOLE AND ABSOLUTE DISCRETION OF THE BANK.

Except as specifically provided herein, all terms and conditions of the Facility Letter and the Credit Line Note shall remain in full force and effect and are hereby ratified and confirmed. This letter shall not constitute a waiver of any existing or future default or a waiver of a breach of a condition or covenant unless specified herein.

Very Truly Yours,

UNION BANK OF CALIFORNIA, N.A.

By:

Robert John Vernagallo
Vice President

Date: June 23, 1998

Mr. Thomas J. Sauer
Vice President and Treasurer/Controller
McGrath RentCorp.
5700 Las Positas Road
Livermore, CA 94550

Re: Credit available (at Bank's discretion) pursuant to that certain \$5,000,000 Optional Advance Facility ("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 modified by an amendment letter dated July 24, 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 and modified by an amendment letter dated July 24, 1997 ("Optional Advance Note"). Capitalized terms used but not defined herein shall have the meaning given to them in the Facility Letter.

Dear Tom:

This letter is to confirm that Union Bank of California, N.A., has agreed to extend the maturity date of that certain facility ("Optional Advance Facility") in the maximum principal amount of \$5,000,000, granted by Bank to Borrower pursuant to the terms and conditions of the Facility Letter and Optional Advance Note. References in the Facility Letter to the Optional Advance Note shall mean the Optional Advance Note as amended from time to time, and references in the Optional Advance Note to the Facility Letter shall mean the Facility Letter as amended from time to time. A copy of the note is attached to this letter.

The maturity date of the Optional Advance Facility is hereby extended to September 30, 1998 ("New Maturity Date"). The Facility Letter and the Optional Advance Note shall be deemed modified as of the date of this letter to reflect the New Maturity Date. All other terms and conditions of the Facility Letter and Optional Advance Note remain in full force and effect, without waiver or modification. This extension is further conditioned on (i) Borrower's continued payment of interest as provided in the Facility Letter and Optional Advance Note, and (ii) any principal instalments which Borrower was obligated to make prior to the extension provided for herein.

Each advance request, or Borrower's continued payments of principal or interest on the outstanding balance of any loan, constitutes Borrower's warranty that no event of default as defined in the Facility Letter or Optional Advance Note and no condition, event or act which, with the giving of notice or the passage of time or both, would constitute such an event of default, shall have occurred and be continuing or shall exist.

BANK HAS NOT COMMITTED TO MAKE ANY FURTHER EXTENSION OF THE MATURITY DATE, OR TO RENEW THE OPTIONAL ADVANCE FACILITY OR OPTIONAL ADVANCE NOTE BEYOND THE NEW MATURITY DATE. ANY FURTHER EXTENSION OR RENEWAL REMAINS IN THE SOLE AND ABSOLUTE DISCRETION OF THE BANK.

Except as specifically provided herein, all terms and conditions of the Facility Letter and the Optional Advance Note shall remain in full force and effect and are hereby ratified and confirmed. This letter shall not constitute a waiver of any existing or future default or a waiver of a breach of a condition or covenant unless specified herein.

BORROWER ACKNOWLEDGES THAT THE FACILITY IS NOT A COMMITTED FACILITY. IN ITS SOLE DISCRETION, FOR ANY REASON OR FOR NO REASON AND 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.

Very truly Yours,

UNION BANK OF CALIFORNIA, N.A.

By:

Robert John Vernagallo
Vice President

NOTES ISSUED IN THE FOLLOWING AMOUNTS

CONNECTICUT GENERAL LIFE INSURANCE COMPANY	\$ 8,000,000
CONNECTICUT GENERAL LIFE INSURANCE COMPANY	\$ 4,000,000
CONNECTICUT GENERAL LIFE INSURANCE COMPANY	\$ 5,000,000
CONNECTICUT GENERAL LIFE INSURANCE COMPANY	\$ 3,000,000
ALLSTATE INSURANCE COMPANY	\$ 5,000,000
ALLSTATE LIFE INSURANCE COMPANY	\$ 2,500,000
ALLSTATE LIFE INSURANCE COMPANY	\$ 2,500,000
NATIONWIDE LIFE INSURANCE COMPANY	\$10,000,000

MCGRATH RENTCORP

6.44% Senior Note due July 15, 2005

No. R-1

July _____, 1998

\$8,000,000

PPN 580589 A* 0

FOR VALUE RECEIVED, the undersigned MCGRATH RENTCORP (herein called the "Company"), a corporation organized and existing under the laws of the State of California, hereby promises to pay to CIG & CO., or registered assigns, the principal sum of EIGHT MILLION DOLLARS (\$8,000,000) on July 15, 2005, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 6.44% per annum from the date hereof, payable semiannually, on the fifteenth day of January and July in each year, commencing with the January 15 or July 15 next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreements referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (1) 8.44% or (2) 2% over the rate of interest publicly announced by Bank of America from time to time in Chicago, Illinois as its "reference" rate.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of Bank of America in Chicago, Illinois or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreements referred to below.

This Note is one of a series of Senior Notes (herein called the "Notes") issued pursuant to separate Note Purchase Agreements, each dated as of July 1, 1998 (as from time to time amended, collectively, the "Note Purchase Agreements"), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in SECTION 20 of the Note Purchase Agreements and (ii) to have made the representation set forth in SECTION 6.2 of the Note Purchase Agreements to the extent provided in SECTION 13.2 of the Note Purchase Agreements.

This Note is a registered Note and, as provided in the Note Purchase Agreements, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

The Company will make required prepayments of principal on the dates and in the amounts specified in the Note Purchase Agreements. This Note is also subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreements, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreements, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreements.

This Note shall be construed and enforced in accordance with, and the rights and parties shall be governed by, the law of the State of Illinois, excluding choice-of-law principles of the law of such State which would require application of the laws of the jurisdiction other than such State.

MCGRATH RENTCORP

By /s/ Delight Saxton

Its /s/ CFO

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM (A) McGRATH RENTCORP'S QUARTERLY REPORT (10Q) FOR QUARTER ENDING JUNE 30, 1998.

1,000

6-MOS	DEC-31-1998	JAN-01-1998	JUN-30-1998
			1,076
			0
		23,841	
		(650)	
		0	
		0	317,958
	(80,385)		
	266,575		
	0		0
	0		0
		0	
		7,702	
		89,466	
266,575			
		60,825	
	60,825		
		31,398	
		31,398	
		7,544	
		0	
	3,034		
	18,850		
		7,427	
	0		
		0	
		0	
		0	0
	10,942		
	0.77		
	0.75		

INCLUDES RENTAL EQUIPMENT, LAND, LAND IMPROVEMENTS, FURNITURE AND EQUIPMENT
ACCUMULATED DEPRECIATION OF ABOVE
MINORITY INTEREST IN INCOME OF SUBSIDIARY INCLUDED