
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

For Fiscal Year ended:	Commission File Number:
December 31, 1996	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.)

2500 GRANT AVENUE
SAN LORENZO, CALIFORNIA 94580-1810
(Address of principal executive offices)

Registrant's telephone number: (510) 276-2626

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

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

Title of Class
----- -- -----
COMMON STOCK

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

Yes X No
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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

State the aggregate market value of voting stock, held by nonaffiliates of the registrant: $158,451,723 as of March 4, 1997.

At March 4, 1997, 7,412,959 shares of Registrant's Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

McGrath RentCorp's Annual Report to Shareholders for the year ended December 31, 1996 (hereinafter referred to as the "Annual Report"), is filed herewith as Exhibit 13 and incorporated by reference into:

Part I - Items 1 and 2
Part II - Items 5, 6, 7 and 8

McGrath RentCorp's definitive Proxy Statement with respect to its Annual Shareholders' Meeting to be held June 5, 1997, which will be filed with the Securities and Exchange Commission within 120 days after the end of its fiscal year, is incorporated by reference into Part III, Items 10, 11, 12 and 13.

See page 4 for an index of Exhibits

PART I

ITEM 1. BUSINESS.

The information required by this Item is contained in the Annual Report under the headings "Company Profile" (pages 2 and 3), "Our Products" (pages 3 through 6). Such information is incorporated by reference and filed herewith.

ITEM 2. PROPERTIES.

The information required by this Item is contained in the Annual Report under the heading "Properties" (page 11). Such information is incorporated by reference and filed herewith.

ITEM 3. LEGAL PROCEEDINGS.

The Company is not a party to any material pending legal proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SHAREHOLDERS.

There were no matters submitted to a vote of shareholders during the fourth quarter of 1996.

PART II

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

The information required by this Item is contained in the Annual Report under the headings "Shareholder Matters - Stock Activity", "Shareholder Matters - Number of Shareholders", and "Shareholders Matters - Dividend Policy" (page 20). Such information is hereby incorporated by reference and filed herewith.

ITEM 6. SELECTED FINANCIAL DATA.

The unaudited information required by this Item is contained in the Annual Report under the heading "Consolidated Quarterly (Unaudited) and Five Year Selected Financial Data" (page 7). Such information is hereby incorporated by reference and filed herewith.

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

The information required by this Item is contained in the Annual Report under the headings "Management Discussion and Analysis" (page 8), "Fiscal Years 1996 and 1995" (pages 8 and 9), "Fiscal Years 1995 and 1994" (page 9), "Liquidity and Capital Resources" and "Impact of Inflation" (page 10). Such information is hereby incorporated by reference and filed herewith.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The information required by this Item is contained in the Annual Report (pages 12 through 19). Such information is hereby incorporated by reference and filed herewith.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required by this Item is incorporated by reference to McGrath RentCorp's definitive Proxy Statement with respect to its Annual Shareholders' Meeting to be held June 5, 1997, which will be filed with the Securities and Exchange Commission by not later than April 30, 1997.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item is incorporated by reference to McGrath RentCorp's definitive Proxy Statement with respect to its Annual Shareholders' Meeting to be held June 5, 1997, which will be filed with the Securities and Exchange Commission by not later than April 30, 1997.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this Item is incorporated by reference to McGrath RentCorp's definitive Proxy Statement with respect to its Annual Shareholders' Meeting to be held June 5, 1997, which will be filed with the Securities and Exchange Commission by not later than April 30, 1997.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this Item is incorporated by reference to McGrath RentCorp's definitive Proxy Statement with respect to its Annual Shareholders' Meeting to be held June 5, 1997, which will be filed with the Securities and Exchange Commission by not later than April 30, 1997.

PART IV

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

(a) (1) FINANCIAL STATEMENTS.

The following financial statements and independent auditors report appearing in the Annual Report, on pages 12 through 19, are incorporated herein by reference:

Report of Independent Public Accountants
Consolidated Statements of Income for the Years Ended December 31, 1996, 1995 and 1994
Consolidated Balance Sheets as of December 31, 1996 and 1995
Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 1996, 1995 and 1994
Consolidated Statements of Cash Flows for the Years Ended December 31, 1996, 1995 and 1994
Notes to Consolidated Financial Statements

(a) (2) FINANCIAL STATEMENT SCHEDULES.

None.

(a) (3) EXHIBITS.

Index to exhibits filed herewith as part of this report:

EXHIBIT NUMBER	TITLE	PAGE
4.1	Fourth Amendment to Amended and Restated Credit Agreement dated October 25, 1996 between the Company and Union Bank of California, N.A., Fleet Bank, N.A., and Bank of America National Trust and Savings Association	7
4.2	$5,000,000 Optional Advance Facility dated October 16, 1996 between the Company and Union Bank of California, N.A.	11
11	Weighted Average Shares Composition	19
13	1996 Annual Report to Shareholders	20
27	Financial Data Schedule (filed electronically)	

The following exhibits to the Company's Quarterly Report Under Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the quarter ended June 30, 1996 (filed August 1, 1996) is hereby incorporated by reference herein:

4.1 Second Amendment to Amended and Restated Credit Agreement dated May 10, 1996.
4.2 Third Amendment to Amended and Restated Credit Agreement dated June 10, 1996.

Exhibit Number 4.1 (First Amendment to Amended and Restated Credit Agreement dated June 16, 1995) to the Company's Annual Report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the year ended December 31, 1995 (filed March 29, 1996) is hereby incorporated by reference herein.

Exhibit 4.1. (Amended and Restated Credit Agreement dated June 14, 1994) to the Company's Quarterly Report Under Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the quarter ended June 30, 1994 (filed August 13, 1994) is hereby incorporated by reference herein.

Exhibit Number 3.1 (Amendment to the Company's Articles of Incorporation) to the Company's Registration Statement under the Securities Act of 1933 (filed March 28, 1991, Registration No. 33-39633), is hereby incorporated by reference herein.

The following exhibits to the Company's Annual Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the year ended December 31, 1990 (filed March 28, 1991) are incorporated by reference herein:

3.1 Amended Bylaws of the Company

10.3 Long-Term Bonus Plan, together with attached exemplar Long-Term Stock Bonus Agreement

Exhibit Number 19.3 (Real Property Lease-8.8 Acres, Cota Street, Corona, California) to the Company's Quarterly Report Under Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the quarter ended September 30, 1989 (filed November 14, 1989) is hereby incorporated by reference herein.

The following exhibits to the Company's Quarterly Report Under Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the quarter ended June 30, 1988 (filed August 14, 1988) are hereby incorporated by reference herein:

19.1 The Amended and Restated Articles of Incorporation of the Company, filed with the California Secretary of State's Office on June 6, 1988.

19.3 The McGrath RentCorp 1987 Incentive Stock Option Plan.

19.4 Exemplar of the form of Incentive Stock Option Agreement entered into by the Company with participants in the McGrath RentCorp 1987 Incentive Stock Option Plan.

19.5 Exemplar of the form of Indemnification Agreement entered into by the Company with Directors, Officers and other agents of the Company approved by the Company's Board of Directors.

Exhibit Number 10.3 (Real Property Lease - 2500 Grant Avenue, San Lorenzo, California) to the Company's Annual Report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the year ended December 31, 1986 (filed March 31, 1987) is hereby incorporated by reference herein.

(b) REPORTS ON FORM 8-K.
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No report on Form 8-K has been filed during the last quarter of the period covered by this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 31, 1997

MCGRATH RENTCORP

By: /s/ Robert P. McGrath
Robert P. McGrath,
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities and on the dates as indicated.

SIGNATURE	TITLE	DATE
/s/ Robert P. McGrath Robert P. McGrath	Chairman of the Board, and Chief Executive Officer	March 31, 1997
/s/ Delight Saxton Delight Saxton	Vice President, Chief Financial Officer, Secretary, and Director	March 31, 1997
/s/ Joan M. McGrath Joan M. McGrath	Director	March 31, 1997

FOURTH AMENDMENT
TO AMENDED AND RESTATED CREDIT AGREEMENT

THIS FOURTH AMENDMENT ("Fourth Amendment") is entered into as of October 25, 1996, between MCGRATH RENTCORP, a California corporation and UNION BANK OF CALIFORNIA, NATIONAL ASSOCIATION, formerly known as The Bank of California, National Association, as agent for Banks (sometimes "Agent", sometimes individually "Bank" and sometimes with Fleet Bank, N. A. ,formerly known as National Westminister Bank, USA, and Bank of America National Trust and Savings Association, "Banks").

RECITALS

A. Borrower is obligated to Banks pursuant to that certain Amended and Restated Credit Agreement dated as of June 14, 1994 (as amended from time to time, "Agreement").

B. The parties mutually desire to amend the Agreement as set forth herein.

NOW, THEREFORE, the parties hereto agree as follows:

1. The definition of "Bank" in Section 1.1 is hereby deleted in its entirety and replaced with the following:

> " 'Bank' means, individually, Union Bank of California, N.A., Fleet Bank, N.A., Bank of America, N.T. & S.A., and their respective successors, and such other banks as may become party to this Agreement, collectively referred to herein as "Banks".

2. The definition of "Commercial Account" in Section 1.1 is hereby deleted in its entirety and replaced with the following:

> " 'Commercial Account' means Borrower's commercial account number 001-2016481 at the office of Agent."

3. The definition of "Pro Rata Share" in Section 1.1 is hereby deleted in its entirety and replaced with the following:

> "Pro Rata Share" means, with respect to each Bank, the percentage set forth next to that Bank's name as follows:

Bank	Pro Rata Share	Commitment
Union Bank of California, N.A.	45%	$27,000,000
Bank of America, NT&SA	27.5%	$16,500,000
Fleet Bank, N.A.	27.5%	$16,500,000

4. The definition of "Reserve Commitment Amount" in Section 1.1 is hereby deleted in its entirety and replaced with the following:

> " 'Reserve Commitment Amount' means the amount of Twenty Million Dollars ($20,000,000.00)".

5. In Section 2.3.2(a) the Applicable Margin of 1.000%, which applies to Eurodollar Loans if the ratio of Liabilities to Tangible Net Worth is less than or equal to 2:00 to 1 and the ratio of Adjusted Net Income to Debt Service (as calculated in accordance with Section 7.12(e)) is greater than or equal to 2:00 to 1, is hereby deleted and replaced with .900%.

6. Section 2.8 is hereby deleted in its entirety and replaced with the following:

> "2.8 ADJUSTMENT OF THE COMMITMENT. Upon not less than three Business Days' notice to the Agent at any time, and from time to time, Borrower may, at any time reduce the amount of any component of the Commitment in increments of One Million Dollars ($1,000,000) or integral multiples thereof; provided, however, that no adjustment in the Basic Commitment shall occur until the Reserve Commitment Amount shall have been reduced to zero. Except as expressly provided in this Section 2.8, the Commitment may not be adjusted by Borrower."

7. Effective as of May 10, 1996 (and in order to correspond to a previous amendment of the Conversion Date and the Term Loan Maturity Date), the dates "June 30, 1996" and "June 30, 2001" are hereby deleted and replaced with "June 30, 1997" and "June 30, 2002", respectively, where such dates or either of them appear in the following Sections or Exhibits:

Section 1.1, definition of "Revolving Loan Termination Date"
Section 3.2.1.
Section 3.2.2.
Exhibit E
Exhibit F

8. CONDITIONS PRECEDENT. Borrower understands that this Amendment shall not be effective and the Banks shall have no obligation to amend the terms of the Loan Documents as provided herein unless and until Borrower shall have executed and delivered to Agent, not later October 31, 1996, this Amendment and a new Revolving Note for each Bank, reflecting such Bank's Pro Rata Share of the Commitment.

9. FULL FORCE AND EFFECT. Except as specifically provided herein, all terms and conditions of the Agreement and each Loan Document remain in full force and effect, without waiver or modification. This Fourth Amendment, the preceding amendments and the Agreement shall be read together as one document.

10. REPRESENTATIONS AND WARRANTIES. As part of the consideration for the Banks to enter into this Fourth Amendment, the Borrower represents and warrants to the Banks as follows:

(a) The execution, delivery and performance by the Borrower of this Fourth Amendment are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action by or in respect of, or filing with, any governmental body, agency or official, and the execution, delivery and performance by the Borrower of this Fourth Amendment do not contravene, or constitute a default under, any provision of applicable law or requirements or of the certificate or articles of incorporation or the by-laws of the Borrower or of any material agreement, judgment, injunction, order, decree or other instrument binding upon the Borrower or any assets of the Borrower, or result in the creation or imposition of any Lien on any asset of the Borrower.

(b) This Fourth Amendment constitutes the valid and binding obligation of the Borrower, enforceable against it in accordance with its terms, except as enforceability may be subject to applicable bankruptcy, insolvency, reorganization, equity of redemption, moratorium or other laws now or hereafter in effect relating to creditors rights, and to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(c) No Event of Default has occurred and is continuing, and the representations and warranties of the Borrower in the Agreement and other Loan Documents delivered pursuant thereto are true and correct in all material respects as of the date hereof as if made on the date hereof.

(d) The officer of the Borrower executing and delivering this Fourth Amendment on behalf of the Borrower has been duly authorized by appropriate corporate resolutions to so execute and deliver this Fourth Amendment.

11. COUNTERPARTS. This Fourth Amendment may be executed by the parties hereto in one or more counterparts and all such counterparts, when taken together, shall constitute one and the same Fourth Amendment.

IN WITNESS WHEREOF, the parties hereto have caused this Fourth Amendment to become effective as of the date and year first written above.

BANKS:	BORROWER:
UNION BANK OF CALIFORNIA, NATIONAL ASSOCIATION as a Bank and as Agent	MCGRATH RENTCORP, a California corporation
By: -------------------------	By: -------------------------
Title: ----------------------	Title: ---------------------

FLEET BANK, N. A.,

By: -------------------------

Title: ----------------------

BANK OF AMERICA NATIONAL TRUST AND
SAVINGS ASSOCIATION

By: -------------------------

Title: ----------------------

October 16, 1996

Ms. Delight Saxton
Vice President-Administration
Chief Financial Officer
MCGRATH RENTCORP
2500 Grant Avenue
San Lorenzo, CA 94580

RE: $5,000,000.00 Optional Advance Facility

Dear Ms. Saxton:

Union Bank of California, N.A. (the "Bank") is pleased to offer MCGRATH RENTCORP, a California corporation ("Borrower") an optional advance facility in the maximum principal amount of FIVE MILLION AND NO/100 DOLLARS ($5,000,000.00) which, at Bank's sole discretion, may be available from time to time until June 30, 1997 (the "Facility"), to be governed by the terms of the enclosed Optional Advance Note ("Note"). The term "Agreement" as used herein shall mean the Amended and Restated Credit Agreement dated June 14, 1994, as amended from time to time between Borrower and Bank, and Bank of America National Trust & Savings Association and Fleet Bank, N.A. Terms used but not defined herein shall have the meanings given them in the Agreement. Borrower hereby agrees as follows:

(i) In the event the Agreement terminates or expires prior to the termination or expiration of the Facility, the representations and covenants of the Agreement shall nevertheless survive as between Borrower and Bank with respect to the Facility and shall continue in effect until the Facility terminates or expires. No amendment or waiver of any provision of the Agreement after the date hereof shall be effective with respect to this Facility unless Bank so agrees in writing.

(ii) Borrower acknowledges that any amount outstanding under the Note is included within the definition of "Debt" and "Outside Debt" under the Agreement, and is therefore subject to, among other things, the limitations of Section 8.5(c) of the Agreement.

(iii) Borrower shall comply with, and repeats as if fully set forth herein as of the date hereof, all of the representations, warranties, covenants and obligations of Borrower under Articles 6, 7 and 8 of the Agreement. Delivery of each Compliance Certificate to the Bank pursuant to

Section 7.3(d) of the Agreement shall be deemed delivery of such certificate to the Bank for the purposes of this Facility. Delivery of each Borrowing Base Certificate to the Bank pursuant to Section 7.4 of the Agreement shall be deemed delivery of such certificate to the Bank for the purposes of this Facility.

(iv) During the term of the Note until the performance of all obligations of Borrower to Bank, Borrower will not, without Bank's prior written consent, create, incur, assume or permit to exist any Lien on any of Borrower's property, except Liens permitted under Section 8.3 of the Agreement, Liens in favor of Bank and Liens which have been approved by Bank in writing prior to the date of the Note. This covenant is not intended to constitute a Lien, deed of trust, or equitable mortgage, or security interest of any kind on any of Borrower's property, and this agreement shall not be recorded or recordable.

If the proceeds of any advances under the Note are, at Borrower's request, to wire-transferred to Borrower or any other individual or entity, such transfer shall be subject to all applicable law and regulations, and the policy of the Board of Governors of the Federal Reserve System on Reduction of Payments System Risk in effect from time to time. Borrower recognizes and agrees that Bank cannot effectively determine whether a specific request purportedly made by or on behalf of Borrower is actually authorized or authentic. Borrower assumes all risks regarding the validity, authenticity and due authorization of any request purporting to be made by or on behalf of Borrower and promises to repay any sums, with interest, that are advanced by Bank pursuant to any request which Bank in good faith believes to be authorized.

This Facility reflects the Bank's general willingness to extend credit to you, but does not involve any obligation on the part of the Bank to make funds available. Therefore, no commitment or facility fee will be charged. 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 this Facility, may decline to continue or renew this Facility, and may terminate this Facility at any time. Since this is not a committed facility, Borrower acknowledges that it should not rely on this Facility to meet its liquidity needs.

Enclosed is the original Note and a copy of this Facility letter together with Authorization to Pay Proceeds of Note and Loan Disbursement Instructions any other contract, instrument or document Bank requires to be executed in connection with the Note (each a "Loan Document"). Your signing and returning the Loan Documents constitutes your agreement to the terms and conditions of the Facility.

This offer expires on October 31, 1996, unless a copy of the Facility letter, the Note and other Loan Documents are returned to the Bank duly executed by such date. If the Bank does not have on file a current borrowing resolution, please provide one at the time you return the Loan Documents.

We look forward to serving you.

Very truly yours,

Union Bank of California, N.A.

By:

Robert John Vernagallo
Vice President

Accepted and Agreed:

MCGRATH RENTCORP

By:

Its:

Dated: 10/29/96

OPTIONAL ADVANCE NOTE
(BASE RATE)

SAN FRANCISCO, CALIFORNIA $5,000,000.00 Date: October 16, 1996

FOR VALUE RECEIVED, on June 30, 1997, 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 ($5,000,000.00), or so much thereof as is disbursed by Bank from time to time in its sole discretion, together with interest on the balance of such principal from time to time outstanding, at the per annum rates and at the times set forth below.

1. ADVANCES. At Debtor's option, and in the sole discretion of Bank, Debtor may request advances hereunder for an Interest Period selected by Debtor; provided that for Interest Periods of 1 day to and including 6 days the minimum amount of such advance must be $2,500,000, and for Interest Periods of 7 days to and including 45 days the minimum amount of such advance must be $1,000,000. Advances in excess of either such minimum must be in increments of $250,000.

Each advance shall bear interest at a Base Interest Rate quoted by Bank and accepted by Debtor for the Interest Period selected by Debtor. Debtor may obtain a quote of a Base Interest Rate (for a new advance or the continuation of an existing advance) from Bank by telephoning an authorized lending officer of Bank located at Bank's San Francisco Office, or such other office as may be designated by Bank from time to time, prior to 10:00 a.m., San Francisco time, on any Business Day and advising such officer of the amount of such advance and the length of the Interest Period selected by Debtor. Bank has no obligation to provide any quote and Debtor has no obligation to accept any quote. If Bank provides a quote and is willing to make or continue such advance, Debtor must accept such quote prior to 12:00 noon, San Francisco time, on such Business Day. Each Base Interest Rate will become effective (and the related advance will be made or continued) two Business Days after the Business Day it is accepted.

In the event Debtor wishes an advance to remain outstanding after the end of the initial Interest Period, or any subsequent Interest Period, Debtor must accept Bank's quote of a Base Interest Rate for a new Interest Period, prior to 12:00 noon, San Francisco time, on the Business Day which is two Business Days prior to the last Business Day of such expiring Interest Period.

Bank will confirm the terms of the election in writing by mail to Debtor promptly after the quote is accepted. Failure to send such confirmation shall not affect Bank's rights to collect interest at the rate selected. If Bank is unable or unwilling for any reason to provide a quote of a Base Interest Rate for a requested advance, such advance will not be made. If Bank is unable or unwilling for any reason to provide a quote of a Base Interest Rate for an existing advance, such advance will be immediately due and payable at the expiration of the existing Interest Period. Bank reserves the right to fund any advance from any source of funds notwithstanding any Base Interest Rate selected by Debtor.

Any Base Interest Rate selected by Debtor may not be changed, altered or otherwise modified until the expiration of the Interest Period for which it was selected. Each advance shall be as recorded in Bank's records, which records shall be prima facie evidence of the amount borrowed, the Base Interest Rate and the Interest Period; provided, however, that failure of Bank to make any such notation in its records shall not discharge Debtor from its obligations to repay in full with interest all amounts borrowed.

In Bank's sole discretion, at any time prior to the maturity of this note, subject to the provisions of paragraph 4, of this note, Debtor may borrow, repay and reborrow hereon so long as the total outstanding at any one time does not exceed the principal amount of this note.

2. PAYMENTS. 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.

a. INTEREST PAYMENTS. Debtor shall pay interest on the last day of each month (commencing October 31, 1996). Should interest not be paid when due, it shall become part of the principal and bear interest as herein provided. All computations of interest under this note shall be made on the basis of a year of 360 days, for actual days elapsed.

b. PRINCIPAL PAYMENTS. All outstanding principal shall be paid on the date of the expiration of the Interest Period applicable to such principal, unless Debtor has prior to such date accepted a quote provided by Bank for a Base Interest Rate applicable to a continuation Interest Period. All principal not earlier paid shall be due and payable on June 30, 1997.

3. 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 five percent (5%) in excess of the Reference Rate which rate shall change as the Reference Rate changes, calculated from the date of default until all amounts payable under this note are paid in full.

4. PREPAYMENT.

a. Amounts outstanding under this note may only be prepaid in whole or in part provided Bank has received not less than five (5) Business Days prior written notice of an intention to make such prepayment and Debtor pays a prepayment fee to Bank in an amount equal to: (i) the difference between (a) the Adjusted Libor Rate portion of the Base Interest Rate applicable to the principal amount which Debtor intends to prepay, and (b) the return which Bank could obtain if it used the amount of such prepayment of principal to purchase at bid price regularly quoted securities issued by the United States having a maturity date most closely coinciding with the relevant Base Rate Maturity Date and such securities were held by Bank until the relevant Base Rate Maturity Date ("Yield Rate"); (ii) the above difference, if greater than zero, is multiplied by a fraction, the numerator of which is the number of days in the period between the date of prepayment and the relevant Base Rate Maturity Date and the denominator of which is 360 days; (iii) the above product is multiplied by the amount of the principal so prepaid (except in the event that principal payments are required and have been made as scheduled under the terms of the Base Interest Rate Loan being prepaid, then the amount multiplied in this section shall be the lesser of the amount prepaid or 50% of the total of the amount prepaid and the amount of principal scheduled under the terms of the Base Interest Rate Loan being prepaid to be outstanding at the relevant Base Rate Maturity Date); and (iv) the above product is then discounted to present value using the Yield Rate as the annual discount factor.

b. In no event shall Bank be obligated to make any payment or refund to Debtor, nor shall Debtor be entitled to any setoff or other claim against Bank, should the return which Bank could obtain under the above prepayment formula exceed the interest that Bank would have received if no prepayment had occurred. All prepayments shall include payment of accrued interest on the principal amount so prepaid and shall be applied to payment of interest before application to principal. A determination by Bank as to the prepayment fee amount, if any, shall be conclusive.

c. Such prepayment fee, if any, shall also be payable if prepayment occurs as the result of the acceleration of the principal of this note by Bank because of any default hereunder. If, following such acceleration, all or any portion of a Base Interest Rate Loan is satisfied, whether through sale of property encumbered by a security agreement or other agreement securing this note, if any, at a foreclosure sale held thereunder or through the tender of payment any time following such acceleration, but prior to such a foreclosure sale, then such satisfaction shall be deemed an evasion of the prepayment conditions set forth above, and Bank shall, automatically and without notice or demand, be entitled to receive, concurrently with such satisfaction the prepayment fee set forth above, and the obligation to pay such prepayment fee shall be added to the principal. DEBTOR HEREBY ACKNOWLEDGES AND AGREES THAT BANK WOULD NOT LEND TO DEBTOR THE LOAN EVIDENCED BY THIS NOTE WITHOUT DEBTOR'S AGREEMENT, AS SET FORTH ABOVE, TO PAY BANK A PREPAYMENT FEE UPON THE SATISFACTION OF ALL OR ANY PORTION OF THE PRINCIPAL BEARING INTEREST AT A BASE INTEREST RATE FOLLOWING THE ACCELERATION OF THE MATURITY DATE HEREOF BY REASON OF A DEFAULT.

5. DEFAULT AND ACCELERATION OF TIME FOR PAYMENT. A default under this note shall mean any of the following: (a) the failure of Debtor to make any payment required under this note when due, (b) the occurrence of an Event of Default as defined in that certain Amended and Restated Credit Agreement dated June 14, 1994, as amended from time to time, or (c) failure of Borrower to comply with any provision of the letter agreement between Borrower and Bank of even date 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 Section 9.1(f) or 9.1(g) of the Agreement relating to bankruptcy and similar matters, all principal and interest shall automatically become immediately due and payable.

6. 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. 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 Obligor, including their successors or assigns, hereby consent to the jurisdiction of any competent court within the State of California, as provided in any alternative dispute resolution agreement executed between Debtor and Bank, and consent to service of process by any means authorized by California 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 hereby incorporates any alternative dispute resolution agreement previously, concurrently or hereafter executed between Debtor and Bank. This note is subject to the terms of the facility letter between Debtor and Bank of even date 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.

7. DEFINITIONS. As used herein, the following terms shall have the meanings respectively set forth below: "ADJUSTED LIBOR-RATE" shall mean the LIBOR Base Rate as adjusted for reserve requirements imposed on Bank from time to time. "BASE INTEREST RATE" shall mean the per annum interest rate which may, in Bank's sole discretion, be quoted by Bank to Borrower from time to time and consisting of an Adjusted Libor-Rate plus a spread over such Adjusted Libor-Rate determined by Bank in its sole discretion. "BASE INTEREST RATE LOAN" shall mean amounts outstanding under this note that bear interest at a Base Interest Rate. "BASE RATE MATURITY DATE" shall mean the last day of the Interest Period with respect to principal outstanding on which a Base Interest Rate has been selected by Debtor. "BUSINESS DAY" shall mean a day which is not a Saturday or Sunday on which Bank is open for business in California and on which dealings in U.S. dollar deposits outside of the United States may be carried on by Bank. "INTEREST PERIOD" shall mean any calendar period of one to forty-five days; provided that, in no event shall any Interest Period extend beyond the maturity date of this note. In determining an Interest Period, a month means a period that starts on one Business Day in a month and ends on and includes the day preceding the numerically corresponding day in the next month. For any month in which there is no such numerically corresponding day, then as to that month, such day shall be deemed to be the last calendar day of such month. Any Interest Period which would otherwise end on a non-Business Day shall end on the next succeeding Business Day unless that is the first day of a month, in which event such Interest Period shall end on the next preceding Business Day. "LIBOR BASE RATE" shall mean for each Interest Period the rate per annum (rounded upward, if necessary, to the nearest 1/100 of 1%) at which dollar deposits, in immediately available funds and in lawful money of the United States would be offered to Bank, outside of the United States, for a term coinciding with such Interest Period and for an amount equal to the amount of principal covered by Debtor's selection of a Base Interest Rate. "REFERENCE RATE" shall mean the rate announced by Bank from time to time at its corporate headquarters at 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.

MCGRATH RENTCORP

By:

Title:

EXHIBIT 11

McGrath RentCorp

Weighted Average Shares Composition

	YEAR ENDED DECEMBER 31,		
	1996	1995	1994
PRIMARY			
Weighted common shares issued and outstanding	7,551,194	7,974,362	8,279,350
Common stock equivalents	101,707	109,885	135,920
Shares used for EPS calculation	7,652,901	8,084,247	8,415,270
FULLY DILUTED			
Weighted common shares issued and outstanding	7,551,194	7,974,362	8,279,350
Common stock equivalents	125,365	125,017	147,409
Computed fully diluted shares	7,676,559	8,099,379	8,426,759

1996

ANNUAL
REPORT

McGRATH RENTCORP

THE CORPORATION

2500 Grant Avenue, San Lorenzo, CA 94580 (510) 276-2626

McGrath RentCorp is engaged in the business of renting and selling relocatable modular offices and classrooms, and electronic test and measurement instruments with related accessories. Although the Company's primary emphasis is on rentals, both modulars and instruments are also sold to direct-use customers. The Company uses the tradenames "Mobile Modular" and "RenTelco". The Company manufactures portable classrooms through its subsidiary, Enviroplex, Inc., which sells directly to school districts.

CONSOLIDATED FINANCIAL HIGHLIGHTS

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

Operations Data: Year ended December 31,	1996	1995	Percent Change
Rental Revenues	$ 48,986	$ 46,063	6%
Sales and Related Services Revenues	30,175	15,839	91
Total Revenues	89,005	71,273	25
Net Income	15,522	13,843	12
Net Income Per Share	2.03	1.71	19
Cash Dividends Per Share	0.56	0.48(1)	17
Balance Sheet Data (YEAR-END):			
Rental Equipment, net	$137,292	$127,608	8%
Total Assets	200,035	175,130	14
Notes Payable	53,850	37,080	45
Shareholders' Equity	88,808	85,893	3

Footnote

1. DIVIDEND OF $0.11 PER SHARE DECLARED IN JANUARY 1995 IS EXCLUDED FROM THE 1995 AMOUNT.

A Message To Our Shareholders

First, we would like to recall our business strategy, as we have discussed in previous reports, and then tell you how that strategy paid off this year when the "gods of class size reduction" smiled down on us.

Last year we stated that our business strategy for modulars calls for creating facility capabilities that our competitors cannot duplicate. This would enable us to quickly and efficiently modify buildings to meet our customers' needs. Our goal was to be more responsive at less expense. This efficiency and responsiveness would be enhanced by our computer based relational database programs that control our internal operations.

We further stated that executing these operational plans required dedication, a willingness to embrace change and painstaking work. Shareholders like to hear about pizzazz and we are serving up bricks, mortar and computers. However, we continue to emphasize that our long-term success lies in our ability to provide a better service to our customers with our per transaction cost less than that of our competitors.

This strategy is starting to show results. We have moved into our new and more efficient Houston and Southern California facilities and we will be in our new Northern California facility by August.

In 1996 the governor of California introduced a plan to increase the educational benefits California public school students were receiving by reducing the class size from approximately 30 students to 20 students. This was started and funded for the lower grades. The program provided a great incentive to the school districts to rapidly implement the program which meant more classrooms and more teachers.

The Company had to move rapidly as well. Because of our ongoing commitment to our business strategy mentioned above, we were in a position to respond quickly and efficiently to bring our classroom inventory into readiness and move these buildings into the school system.

Enviroplex, a manufacturer of DSA portable classrooms, which is 73% owned by the Company, received a similar rush of orders. For Enviroplex the big benefit is that it can remain at full production even during the normal slack months.

Where does this class size reduction program go from here? We feel the future looks positive since there is such a groundswell of support which we feel will manifest itself in the required funding to move this program into the other grades. There is great political pressure to make this happen. On the other hand, there are no guarantees and much of future funding depends upon the economic health (and therefore tax revenues) of the State. Further, with demand outstripping supply, there are new players who are becoming classroom manufacturers. At some point, there may well be over capacity with the resultant pricing pressures. We welcome the challenges.

The initial results of class size reduction show up in our 1996 results. Please note that most of the classrooms going out on rent were not shipped until late in the year. This means that the costs of putting those units out on rent occurred in 1996 but most of the rental stream will occur in future years.

The improving economic climate in California has been good for the commercial end of our modular business and we look for continued improvement.

If class size reduction had not been so important, this letter to shareholders would undoubtedly have placed more emphasis on our electronic instrument rental groups. Both our general purpose group and telecommunications group had an excellent year. We want to acknowledge our people in electronics who made this possible. Part of this success can be attributed to a program to keep calibrated equipment on the shelf and ready to ship rather than calibrating after the order is placed. We also feel we have improved systems for selecting and ordering new equipment. We are pleased to report that both groups set a record for new rental bookings for each quarter of 1996 compared to the similar quarter of 1995.

We are pleased that total revenues for 1996 increased 25% over 1995 to $89,005,000; net income increased 12% to $15,522,000; and net income per share increased 19% to $2.03 per share. Once again this was the best year in our history.

Cash flow continues strong. Rental assets increased by $16,156,000; improvements increased by $7,527,000; dividends paid were $4,084,000; and stock repurchased was $8,779,000; while our debt increased by only $16,770,000.

We will work hard to make 1997 another record year. Thank you for your confidence.

Sincerely,

/s/ ROBERT P. MCGRATH	/s/ DENNIS C. KAKURES
Robert P. McGrath	Dennis C. Kakures
Chairman and Chief Executive Officer	President and Chief Operating Officer

P.S. This is Dennis Kakures' second year as president. He's doing great. His bold thinking on class size reduction and positioning us to take advantage of those challenges have really paid off. Thank you Dennis.

RPM

Robert P. McGrath
[PHOTO]
Dennis C. Kakures
[PHOTO]

COMPANY
PROFILE

Since its founding and incorporation in 1979, McGrath RentCorp has rented and sold relocatable modular offices designed to fill customers' temporary space needs. These units are used as temporary offices adjacent to existing facilities, and as classrooms, sales offices, construction field offices and for a variety of other purposes. Under the trade name "Mobile Modular Management Corporation", the Company conducts its rental and sales operations of relocatable modular offices from branch offices, two in California and one in Texas.

In 1985, the Company expanded its operations into the rental of electronic test and measurement instruments. Engineers, scientists and technicians use these instruments in evaluating the performance of their own electrical and electronic equipment, developing products, controlling manufacturing processes and in field service applications. These instruments are rented primarily to electronics, industrial, research and aerospace companies. The majority of the Company's inventory consists of instruments manufactured by Hewlett-Packard and Tektronix. The Company conducts rental and sales operations of electronic instruments from its Northern California branch office and telecommunications test equipment from its Dallas, Texas branch office.

In January 1995, the Company converted a $300,000 note receivable to a 73.2% ownership interest in Enviroplex, Inc. Enviroplex, Inc. manufactures portable classrooms built to the requirements of the California Division of the State Architect ("DSA") and sells primarily to school districts.

The following table shows the revenue components, percentage of total revenues, original cost and net book value of equipment, and average utilization by product line for the past five years.

Product Highlights

(DOLLAR AMOUNTS IN THOUSANDS)

Year ended December 31,	1996	1995	1994	1993	1992
RELOCATABLE MODULAR OFFICES					
Rental Operations:					
Rental	$ 31,931	$ 31,577	$ 33,386	$ 30,565	$ 31,103
Rental Related Services	9,525	9,103	9,181	7,429	6,755
	41,456	40,680	42,567	37,994	37,858
Sales and Related Services	14,359	6,572	9,039	6,153	5,799
Total Revenues	$ 55,815	$ 47,252	$ 51,606	$ 44,147	$ 43,657
Percentage of Total Revenues	62.7%	66.3%	75.6%	77.3%	80.0%
Original Cost (YEAR-END)	$ 158,377	$ 150,389	$ 148,111	$ 140,100	$ 133,546
Net Book Value (YEAR-END)	$ 110,014	$ 106,266	$ 109,392	$ 106,827	$ 106,024
Average Utilization Rate (1)	72.1%	73.9%	79.3%	77.0%	78.8%
ELECTRONIC TEST AND MEASUREMENT INSTRUMENTS					
Rental Operations:					
Rental	$ 17,055	$ 14,486	$ 12,763	$ 10,128	$ 7,654
Rental Related Services	319	268	265	245	189
	17,374	14,754	13,028	10,373	7,843
Sales and Related Services	5,610	4,492	3,661	2,615	3,072
Total Revenues	$ 22,984	$ 19,246	$ 16,689	$ 12,988	$ 10,915
Percentage of Total Revenues	25.8%	27.0%	24.4%	22.7%	20.0%
Original Cost (YEAR-END)	$ 43,335	$ 35,168	$ 29,732	$ 26,825	$ 21,325
Net Book Value (YEAR-END)	$ 27,279	$ 21,342	$ 17,852	$ 16,604	$ 13,657
Average Utilization Rate (1)	54.9%	55.2%	56.0%	52.3%	46.7%
ENVIROPLEX, INC. (MAJORITY OWNED SUBSIDIARY)					
Sales and Related Services	$ 10,206	$ 4,775	$ --	$ --	$ --
Total Revenues	$ 10,206	$ 4,775	$ --	$ --	$ --
Percentage of Total Revenues	11.5%	6.7%	--	--	--
TOTAL COMPANY REVENUES	$ 89,005	$ 71,273	$ 68,295	$ 57,135	$ 54,572

Footnote

1. UTILIZATION IS CALCULATED AS OF THE END OF EACH MONTH BY DIVIDING THE ORIGINAL COST OF EQUIPMENT ON RENT BY THE TOTAL ORIGINAL COST OF ALL EQUIPMENT IN THE RENTAL INVENTORY; AND THE FIGURES SHOWN ARE THE AVERAGE OF SUCH MONTHLY FIGURES FOR EACH YEAR.

The Company has 314 employees. The operational compatibility between the two rental product lines results in the efficient use of overhead.

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

We are a company with a marketing sense throughout. We are constantly searching for ways both to streamline our service and to raise the quality of each relocatable office or instrument we rent or sell. We are not only renting products, we are selling an old-fashioned idea: Paying attention to our customers pays off.

OUR PRODUCTS

Relocatable Modular Offices

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

The market for relocatable modular offices is broad. Businesses which have a need for additional space and have adjacent land or a parking lot are potential customers. Our largest single demand is for temporary classrooms. We believe the demand for classrooms is caused by shifting and fluctuating school populations, the lack of state funds for new construction, and the need for temporary classroom space during reconstruction of older schools and most recently class size reduction. Other applications include sales offices, administrative offices for health care facilities, universities and museums. Large multi-modular complexes are used by the aerospace, energy and utility industries, and governmental agencies. Our branch offices, as well as our corporate office, are housed in various sizes of relocatable buildings.

[PHOTO1]

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The Company purchases new relocatable modular offices from various manufacturers who build to the Company's design specifications. None of the principal suppliers are affiliated with the Company. The Company believes that the loss of any one of these suppliers would not have a material adverse effect on its operations.

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

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

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

In addition to operating its rental fleet, the Company sells relocatable offices to customers who have a direct and permanent use for such units. These sales arise out of our marketing efforts for the rental fleet and manufactured classrooms. Such sales can be of either new units or used units from the rental fleet or new manufactured classrooms. Of 1996 sales to direct-use customers, 58% arose from the Company's rental operations (43% were new equipment and 57% were used) and

42% were newly manufactured classrooms from Enviroplex, Inc.

Competition in the rental and sale of relocatable modular offices is intense. Many firms are engaged in the rental of relocatable modular offices, and some have substantially greater financial resources than the Company. Significant competitive factors in the rental business include availability, price, services, reliability and the quality and attractiveness of the units. McGrath RentCorp markets high-quality, well constructed and attractive offices. We believe that this strategy, together with our emphasis on prompt and efficient customer service, gives us a competitive advantage. We are determined to offer quick response to requests for information, experienced assistance for the first-time user, rapid delivery and timely maintenance of our units. The Company has a sales and maintenance staff trained in the Company's tradition of excellence in service.

We are eager to be accountable for the quality of the product we rent and for the excellence of our response to customer requests. In fact, we enjoy the satisfaction of a job well done, and we take pains to see that we never lose this company ethic.

OUR PRODUCTS

Classroom Rentals

The rental of relocatable modular offices to school districts for use as portable classrooms, restroom buildings and administrative offices for kindergarten through grade twelve (K-12) accounted for approximately 40% of the Company's relocatable modular rental revenues during 1996 compared to 34% in 1995. This increase can be attributed to the Class Size Reduction Program instituted by the state of California. School districts were given great incentive to reduce class size in the lower grades from a typical 30 students to no greater than 20 students. This highly popular program has created a great demand for both purchasing and renting classroom buildings.

In California (where most of the Company's rentals to school districts have occurred), school districts are permitted to purchase only portable classrooms which have been built to the requirements of the California Division of the State Architect ("DSA"). However, school districts may rent classrooms that meet either the Department of Housing ("DOH") or DSA requirements. Prior to 1988, the majority of the classrooms in the Company's rental fleet were built to the DOH requirements, and since 1988 the majority of new classrooms have been built to the DSA requirements. In 1988, California adopted a law which limits the term for which school districts may rent portable classrooms built to DOH standards to three years (under a waiver process), and which also requires the school board to indemnify the State against any claims arising out of the use of such classrooms. As a consequence, the tendency is for the Company to rent the DOH classrooms for shorter periods and to rent the DSA classrooms for longer periods. In 1993, a new law went into effect that allowed school districts that already had DOH classrooms to continue to rent them for an additional three years (i.e. up to six years in total). New orders for DOH classrooms placed after 1992 are restricted to the three year limitation as before.

New legislation has been adopted that eliminates the waiver process after September 30, 1997 or the expiration of the waiver in effect, whichever is longer. New regulations are in place that allow the use of the DOH classrooms for periods up to 24 months anytime after September 30, 1997, provided they receive a "Temporary Certification" from DSA. It is also anticipated that new legislation will be introduced that extends the September 30, 1997 date for the elimination of the waiver process.

All of the Company's DOH classrooms, with the exception of the 24'x40' standard classrooms, are also suitable for rent to non-school customers for commercial uses. Generally, the 24'x40' standard classrooms are not popular for commercial use. The Company has continued to rent returned DOH 24'x40' standard classrooms to school districts since 1988 and there is no reason to believe that it will not continue to do so in the future. However, there can be no assurance that existing laws or new laws may not adversely affect the Company's future classroom rental business.

The following table shows the relationship of 24'x40' standard DOH classrooms to DSA equipment marketed to school districts as of December 31, 1996, 1995 and 1994.

Equipment Comparison

(DOLLAR AMOUNTS IN THOUSANDS)

Balance At December 31,	1996	1995	1994
24'X 40' Standard DOH Classrooms:			
Original Cost On Rent	$ 13,738	$ 10,449	$ 13,114
Original Cost Off Rent	1,834	5,015	3,258
Total Original Cost	$ 15,572	$ 15,464	$ 16,372
Net Book Value	$ 8,952	$ 9,324	$ 10,650
Utilization(1)	88.2%	67.6%	80.1%
DSA Equipment:			
Original Cost On Rent	$ 26,488	$ 17,454	$ 18,644
Original Cost Off Rent	611	3,653	1,829
Total Original Cost	$ 27,099	$ 21,107	$ 20,473
Net Book Value	$ 22,399	$ 17,115	$ 17,304
Utilization(1)	97.7%	82.7%	91.1%

Footnote

1. UTILIZATION IS CALCULATED AS OF DECEMBER 31 BY DIVIDING THE ORIGINAL COST OF EQUIPMENT ON RENT BY THE TOTAL ORIGINAL COST OF ALL EQUIPMENT IN THE RENTAL INVENTORY CATEGORY.

OUR PRODUCTS

Electronic Test and Measurement Instruments

McGrath RentCorp commenced its electronic test and measurement instrument rental business in 1985, carrying primarily general purpose equipment. In 1991, the Company expanded its rental equipment base through the purchase of a telecommunication test equipment rental business conducted under the name "RenTelco" in Richardson, Texas (Dallas Area).

The Company's rental inventory includes electronic instruments such as oscilloscopes, spectrum analyzers, logic analyzers, signal generators, frequency counters, protocol analyzers, cable locators, fiber optic and sonet equipment. A typical rental period is from one to six months. The Company also rents electronic instruments from other rental companies and re-rents the instruments to customers. The Company endeavors to keep its equipment fresh and attempts to sell equipment so that the majority of the inventory is less than five years old.

[PHOTO2]

[PHOTO3]

The business of renting electronic test and measurement instruments is an industry which emerged approximately 30 years ago, and which today has equipment on rent or available for rent in the United States with an aggregate original cost of several hundred million dollars. While there is a broad customer base for the rental of such instruments, most rentals are to electronics, industrial, research and aerospace companies. Although the Company has targeted the rental market in California and Texas, test equipment is shipped to other states.

The industry is dominated by four major companies. Two of these companies are much larger than the Company, have substantially greater financial resources and are well established in the industry with large inventories of equipment, several branch offices and experienced staffs.

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

The electronic test and measurement and the relocatable modular office product lines share common facilities, financing, senior management, and operating and accounting systems. Each product line has its own sales and technical personnel.

CONSOLIDATED QUARTERLY (UNAUDITED)
AND FIVE YEAR SELECTED FINANCIAL DATA

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	Operations Data					Balance Sheet Data			
	Total Revenues	Income From Operations	Net Income	Net Income Per Share	Dividends Per Share	Rental Equipment, Net	Total Assets	Notes Payable	Shareholders' Equity
Total 1992	$54,572	$18,404	$10,145	$ 1.18	$ 0.36	$119,681	$144,223	$35,000	$68,700
Total 1993	57,135	19,083	10,637	1.27	0.40	123,431	161,427	40,100	76,071
Total 1994	68,295	24,546	13,004	1.55	0.44(1)	127,244	169,923	35,950	83,839
Quarter									
1st	16,649	5,935	3,177	0.38	0.12	126,761	170,510	34,050	84,451
2nd	17,121	6,157	3,264	0.39	0.12	127,901	174,540	37,315	85,270
3rd	19,067	6,627	3,506	0.44	0.12	128,308	177,065	39,925	82,801
4th	18,436	7,118	3,896	0.49	0.12	127,608	175,130	37,080	85,893
Total 1995	71,273	25,837	13,843	1.71	0.48	127,608	175,130	37,080	85,893
Quarter									
1st	17,705	5,734	3,074	0.39	0.14	128,214	175,557	35,855	85,934
2nd	19,641	6,753	3,652	0.48	0.14	127,801	179,321	42,375	84,499
3rd	25,497	7,875	4,464	0.59	0.14	130,112	188,647	45,725	85,247
4th	26,162	7,797	4,332	0.58	0.14	137,292	200,035	53,850	88,808
Total 1996	89,005	28,159	15,522	2.03	0.56	137,292	200,035	53,850	88,808

1. INCLUDES DIVIDEND OF $0.11 PER SHARE DECLARED JANUARY 1995.

MANAGEMENT'S
DISCUSSION
AND ANALYSIS
- ------------

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

The major portion of the Company's revenue is derived from rentals and rental related services, comprising approximately 66% of total revenues in 1996. Over the past three years relocatable modular offices comprised 69% of the cumulative rental revenues, and test and measurement instruments comprised 31% of the cumulative rental revenues. Classrooms are a significant part of the Company's business (see "Our Products" -- "Classroom Rentals").

The Company sells both previously rented and new relocatable modular offices to customers who have a direct and permanent use for such units, and through its majority owned subsidiary Enviroplex, Inc., sells DSA classrooms directly to school districts. The Company also acts as a dealer of new relocatable modular offices and is licensed as a dealer by governmental agencies in California and Texas. The Company also sells units from its rental inventory of test and measurement equipment. Revenues from sales of both modular and electronic equipment have comprised approximately 26% of total revenues over the last three years.

FISCAL YEARS
1996 AND
1995
- ------------

The Company has experienced a significant increase in orders during the last six months of 1996 primarily related to a law enacted on July 15, 1996 in California which provided operational funding for a reduction of classroom size for kindergarten through third grade to 20 pupils and additional legislation which made available $200 million of state funds for facilities to accomplish that goal.

Rental revenues increased $2,923,000 (6%) over 1995 with electronics contributing $2,569,000 and relocatable modular offices contributing $354,000 of the increase. Average utilization in 1996 for modular equipment declined, from 73.9% to 72.1%, and slightly declined for electronic equipment, from 55.2% to 54.9%, as compared to 1995. However, as a result of the significant volume of shipment to school districts during the last five months of 1996, modular utilization has increased to 78.6% as of December 31, 1996 compared to 71.0% as of December 31, 1995. Rental revenues for 1996 reflect only a partial year of rental revenues associated with the classrooms shipped in the last five months of 1996.

Rental related services revenues in 1996 increased $473,000 (5%) over 1995 due to additional site requirements and the significant increase in the movement of classrooms to school districts. Gross margins declined from 41% in 1995 to 39% in 1996 due to additional incentive fees earned by the Company in 1995 for equipment management which were not repeated in 1996.

Sales and related services revenues in 1996 increased $14,336,000 (91%) over 1995. Of the increase in sales and related services revenues, $7,787,000 relates to the Company's modular equipment sales arising from its rental operations, $5,431,000 relates to the Company's majority owned subsidiary, Enviroplex, Inc., which manufactures and sells portable classrooms directly to school districts, and $1,118,000 relates to electronic test and measurement equipment. The significant increase in modular equipment sales and related services in 1996 is primarily due to the higher demand by school districts because of the class size reduction program in California. Of the sales of modular equipment in 1996, 67% were new and 33% were used equipment. The single largest sale was for $1,517,000 by Enviroplex, Inc. to a school district consisting of manufactured portable classrooms of various sizes. Gross margin on sales and related services remained consistent at 32% in both 1996 and 1995. Sales and related services from quarter to quarter and year to year have fluctuated depending on customer requirements.

Depreciation on rental equipment in 1996 increased $918,000, an 8% increase over 1995 due to the increase in rental equipment. Equipment supplies, repair, direct labor and other increased $1,348,000 (20%) from 1995 due to material, repair and labor costs directly related to the modular equipment movement during the last five months of 1996. Of the $1,348,000 increase, direct labor costs accounted for $608,000 due to the additional use of outside contract labor, increased staffing, and overtime premiums to assist in the preparation of modular equipment for potential lease and sale opportunities.

Selling and administrative expenses increased $2,872,000 (27%) over 1995. However, during the first quarter of 1995, the Company had recognized an acceleration of $330,000 in additional leasehold improvement expense related to a rented facility it vacated. Excluding this 1995 nonrecurring expense, selling and administrative expenses increased $3,202,000 (31%) for 1996, net of the reduction in facilities rental expense due to the relocation of modular office operations in Southern California and Texas to owned facilities. Personnel costs accounted for $2,134,000 of the increase which included higher staffing levels and increases in sales and performance bonuses. Additionally, expense increases of $239,000 by the Company's majority owned subsidiary, Enviroplex Inc., also contributed to the overall increase.

Income before provision for taxes increased $2,266,000 (10%) in 1996 over 1995 while net income increased $1,678,000 (12%) due to a lower effective tax rate in 1996 of 38.6% compared to 39.8% in 1995. Earnings per share increased 19%, from $1.71 per share in 1995 to $2.03 per share in 1996, as a result of higher earnings coupled with fewer outstanding shares.

FISCAL YEARS 1995 AND 1994

Rental revenues for 1995 decreased $86,000 from 1994. The rental revenue increase from electronics of $1,723,000 was offset by a $1,809,000 decrease in rental revenues from relocatable modular offices. The rental revenue decline for modulars was primarily due to the return of a significant amount of equipment (220 unit complex) from a single customer which had generated rental billings of $1,290,000 per year. Average utilization declined for both modular equipment, from 79.3% to 73.9%, and for electronics equipment, from 56.0% to 55.2%, as compared to 1994. Rental related services for 1995 decreased $75,000 from 1994 with gross margin increasing from 34% in 1994 to 41% in 1995. The increase in gross margin was due to additional incentive fees earned by the Company for equipment management.

Sales and related services in 1995 increased $3,139,000 (25%) over 1994. The sales volume increase is due to the contribution of the Company's majority owned subsidiary, Enviroplex, Inc., which had sales of $4,775,000. Gross margin on sales and related services remained the same at 32% for 1995 and 1994. Sales and related services fluctuate from quarter to quarter and from year to year depending on customer demands and requirements.

Interest expense in 1995 increased $664,000 (31%) over 1994 as a result of slightly higher borrowing levels combined with a higher average interest rate of 7.3% in 1995 versus 5.6% in 1994.

Income before provision for taxes increased $627,000 (3%) in 1995 over 1994 while net income increased $839,000 (6%) due to a lower effective tax rate in 1995 of 39.8% compared to 41.9% in 1994. Earnings per share increased 10%, from $1.55 in 1994 to $1.71 in 1995, primarily as a result of fewer outstanding shares.

LIQUIDITY AND CAPITAL RESOURCES

The Company requires substantial capital in order to maintain an available inventory of relocatable modular offices and electronic test and measurement instruments necessary to satisfy customer requirements in a timely manner. In 1996, as in prior years, the primary use of cash was for the purchase of rental equipment. During the last three years, the growth of the rental inventory has been financed primarily by cash flow from operations and bank borrowings. During 1996, the Company demonstrated its strong cash flow by increasing rental assets by $16,156,000, increasing land improvements, furniture and equipment by $7,527,000, repurchasing $8,779,000 of common stock, paying dividends of $4,084,000, and paying income taxes of $7,405,000, while increasing its debt by only $16,770,000 during the year.

The Company believes that bank borrowings will continue to be a source of funds for the purchase of rental equipment. As the Company's assets have grown, it has been able to negotiate increases in the borrowing limit under its general bank lines of credit to its current $65,000,000 limit consistent with its increased asset base. Although no assurance can be given, the Company believes it will continue to be able to negotiate higher limits on its general bank line of credit adequate to meet capital requirements not otherwise met by operational cash flows. The Company had a total liabilities to equity ratio of 1.25 to 1 and 1.04 to 1 as of December 31, 1996 and 1995, respectively. The debt (notes payable) to equity ratio was 0.61 to 1 and 0.43 to 1 at December 31, 1996 and 1995, respectively.

During 1994, the Company repurchased 158,354 shares of its outstanding common stock for an aggregate purchase price of $2,533,000 (or an average price of $15.99 per share). During 1995, the Company repurchased 436,066 shares of its outstanding common stock for an aggregate purchase price of $7,374,000 (or an average price of $16.91 per share). During 1996, the Company repurchased 420,550 shares of its outstanding common stock for an aggregate purchase price of $8,779,000 (or an average price of $20.87 per share). These repurchases were made in the over-the-counter market (NASDAQ) and through privately negotiated, large block transactions.

The Company believes that its needs for working capital and capital expenditures through 1997 and beyond will adequately be met by cash flow and bank borrowings.

IMPACT OF INFLATION

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

PROPERTIES

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

The Company has purchased land at three of the branch locations during the last few years; 137.7 acres in Livermore, California (San Francisco Bay Area) in 1991, 50 acres in Pasadena, Texas (Houston Area) in 1992 and 78.5 acres in Mira Loma, California (Los Angeles Area) in 1993. These land purchases will allow the Company to consolidate its relocatable modular office storage lots and operations into one location in each of Northern California, Southern California and Texas. The Company has completed the Pasadena, Texas facility and the Southern California facility. The completion of the development of the Northern California facility and the relocation of branch and corporate offices is anticipated to occur by August 1997.

The following table sets forth for each branch the acres leased, the acres owned, and the total acres at December 31, 1996.

Facilities

	Acres		
	Leased	Owned	Total
San Francisco Bay Area	14.3	146.6(1)	160.9
Los Angeles Area	--	98.5	98.5
Houston Area	14.0	50.0(2)	64.0
Dallas Area(3)	--	--	--
	28.3	295.1	323.4

Footnotes

1. INCLUDES AN 8.9 ACRE PARCEL WITH A 74,000 SQUARE FOOT MANUFACTURING FACILITY FOR ENVIROPLEX, INC.; 45 ACRES OF THE REMAINING 137.7 ACRE PARCEL HAVE BEEN DEVELOPED AND ARE BEING USED FOR STORAGE.
2. 34 ACRES ARE BEING USED. THE REMAINING 16 ACRES WILL BE DEVELOPED FOR STORAGE.
3. LEASED OFFICE SPACE AND WAREHOUSE FACILITY OF APPROXIMATELY 6,611 SQUARE FEET.

Report of Independent Public Accountants

To the Shareholders and Board of Directors of McGrath RentCorp:

We have audited the accompanying consolidated balance sheets of McGrath RentCorp (a California corporation) and subsidiary as of December 31, 1996 and 1995, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of McGrath RentCorp as of December 31, 1996 and 1995, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

San Francisco, California

February 18, 1997 ARTHUR ANDERSEN LLP

CONSOLIDATED STATEMENTS OF INCOME

Year ended December 31,	1996	1995	1994
REVENUES			
Rental Operations:			
Rental	$ 48,986,436	$46,062,913	$46,148,783
Rental Related Services	9,843,744	9,371,098	9,445,843
	58,830,180	55,434,011	55,594,626
Sales and Related Services	30,174,858	15,838,800	12,700,114
Total Revenues	89,005,038	71,272,811	68,294,740
COSTS & EXPENSES			
Direct Costs of Rental Operations:			
Depreciation	12,456,193	11,538,628	11,017,574
Rental Related Services	6,019,398	5,543,173	6,279,402
Equipment Supplies, Repair, Direct Labor, and Other	8,198,592	6,850,853	6,971,675
	26,674,183	23,932,654	24,268,651
Cost of Sales and Related Services	20,531,687	10,734,775	8,634,057
	47,205,870	34,667,429	32,902,708
Gross Margin	41,799,168	36,605,382	35,392,032
Selling and Administrative	13,640,556	10,768,543	10,846,298
Income from Operations	28,158,612	25,836,839	24,545,734
Interest	2,886,609	2,830,863	2,166,541
Income Before Provision for Income Taxes	25,272,003	23,005,976	22,379,193
Provision for Income Taxes	9,750,391	9,162,831	9,375,172
Net Income	$ 15,521,612	$13,843,145	$13,004,021

Net Income Per Common and Common Equivalent Share	$ 2.03	$ 1.71	$ 1.55
Weighted Average Number of Common and Common Equivalent Shares Outstanding	7,652,901	8,084,247	8,415,270

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED BALANCE SHEETS

Balance at December 31,	1996	1995
ASSETS		
Cash	$ 686,333	$ 221,075
Accounts Receivable, less allowance for doubtful accounts of $605,000 in 1996 and 1995	19,919,954	13,201,196
Rental Equipment, at cost:		
Relocatable Modular Offices	158,376,950	150,388,694
Electronic Test Instruments	43,335,413	35,167,717
	201,712,363	185,556,411
Less -- Accumulated Depreciation	(64,419,888)	(57,948,456)
	137,292,475	127,607,955
Land, at cost	20,167,647	19,489,300
Land Improvements, Furniture and Equipment, at cost, less accumulated depreciation of $3,376,803 in 1996 and $2,708,404 in 1995	19,572,015	12,713,095
Prepaid Expenses and Other Assets	2,396,935	1,897,700
	$200,035,359	$175,130,321
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Notes Payable	$ 53,850,000	$37,080,000
Accounts Payable and Accrued Liabilities	15,280,543	11,701,417
Deferred Income	5,226,803	5,967,063
Deferred Income Taxes	36,869,734	34,488,695
Total Liabilities	111,227,080	89,237,175
Shareholders' Equity:		
Common Stock, no par value -		
Authorized -- 20,000,000 shares		
Outstanding -- 7,410,209 shares in 1996 and 7,769,813 in 1995	7,161,168	8,913,311
Retained Earnings	81,647,111	76,979,835
Total Shareholders' Equity	88,808,279	85,893,146
	$200,035,359	$175,130,321

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock Shares	Common Stock Amount	Retained Earnings	Total Shareholders' Equity
Balance, December 31, 1993	8,312,641	$18,502,096	$57,568,928	$76,071,024
Net Income	--	--	13,004,021	13,004,021
Repurchase of Common Stock	(158,354)	(2,532,591)	--	(2,532,591)
Exercise of Stock Options	4,400	30,128	--	30,128
Dividends Declared of $0.33 per share (Note 6)	--	--	(2,733,094)	(2,733,094)
Balance, December 31, 1994	8,158,687	15,999,633	67,839,855	83,839,488
Net Income	--	--	13,843,145	13,843,145
Repurchase of Common Stock	(436,066)	(7,374,279)	--	(7,374,279)
Common Stock Issued or Reserved Under Long-Term Stock Bonus Plan	6,786	221,609	--	221,609
Repurchase of Common Stock in Connection with the Exercise of Stock Options	(19,313)	(336,941)	--	(336,941)
Exercise of Stock Options	59,719	403,289	--	403,289
Dividends Declared of $0.59 per share(Note 6)	--	--	(4,703,165)	(4,703,165)
Balance, December 31, 1995	7,769,813	8,913,311	76,979,835	85,893,146
Net Income	--	--	15,521,612	15,521,612
Repurchase of Common Stock	(420,550)	(2,110,889)	(6,667,886)	(8,778,775)
Common Stock Issued or Reserved Under Long-Term Stock Bonus Plan	10,910	197,739	--	197,739
Repurchase of Common Stock in Connection with the Exercise of Stock Options	(14,211)	(298,489)	--	(298,489)
Exercise of Stock Options	64,247	459,496	--	459,496
Dividends Declared of $0.56 per share	--	--	(4,186,450)	(4,186,450)
Balance, December 31, 1996	7,410,209	$ 7,161,168	$81,647,111	$ 88,808,279

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31,	1996	1995	1994
Increase (Decrease) in cash			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$ 15,521,612	$ 13,843,145	$ 13,004,021
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation	13,285,130	12,441,786	11,443,965
Gain on Sale of Rental Equipment	(4,815,533)	(3,281,144)	(3,474,741)
Change in:			
Accounts Receivable	(6,718,758)	(538,983)	(1,651,786)
Prepaid Expenses and Other Assets	(499,235)	206,213	(279,635)
Accounts Payable and Accrued Liabilities	3,674,404	1,384,566	2,287,032
Deferred Income	(740,260)	(1,280,584)	539,568
Deferred Income Taxes	2,381,039	1,206,414	2,881,288
Net Cash Provided by Operating Activities	22,088,399	23,981,413	24,749,712
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of Rental Equipment	(29,924,430)	(17,251,729)	(21,172,069)
Purchase of Land	(678,347)	(4,750)	--
Purchase of Land Improvements, Furniture and Equipment	(7,687,857)	(6,339,843)	(2,457,641)
Proceeds from Sale of Rental Equipment	12,599,250	8,630,079	9,816,458
Net Cash Used in Investing Activities	(25,691,384)	(14,966,243)	(13,813,252)
CASH FLOW FROM FINANCING ACTIVITIES:			
Net Borrowings (Payments) Under Line of Credit	16,770,000	1,130,000	(4,150,000)
Net Proceeds from the Exercise of Stock Options	161,007	66,348	30,128
Repurchase of Common Stock	(8,778,775)	(7,374,279)	(2,532,591)
Payment of Dividends	(4,083,989)	(3,767,812)	(3,564,358)
Net Cash Provided (Used) by Financing Activities	4,068,243	(9,945,743)	(10,216,821)
Net Increase (Decrease) in Cash	465,258	(930,573)	719,639
Cash Balance, Beginning of Period	221,075	1,151,648	432,009
Cash Balance, End of Period	$ 686,333	$ 221,075	$ 1,151,648
Interest Paid During the Period	$ 2,832,537	$ 2,835,280	$ 2,138,725
Income Taxes Paid During the Period	$ 7,404,686	$ 7,456,575	$ 6,537,003
Dividends Declared but not yet Paid	$ 1,037,814	$ 935,353	$ --

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 -- ORGANIZATION AND BUSINESS

McGrath RentCorp (the "Company"), also doing business as "Mobile Modular Management Corporation" and "RenTelco", is engaged in the business of renting and selling relocatable modular offices and electronic test and measurement instruments with related accessories primarily in California and Texas. Although the Company's primary emphasis is on rentals, both modulars and instruments are also sold to direct-use customers. The rental of relocatable modular offices to school districts for use as portable classrooms, restroom buildings and administrative offices for kindergarten through grade twelve (K-12) accounted for approximately 40% in 1996, 34% in 1995, and 38% in 1994 of the Company's modular rental revenues.

In January 1995, McGrath RentCorp converted a $300,000 note receivable to a 73.2% ownership interest in Enviroplex, Inc. Enviroplex, Inc. manufactures portable classrooms built to the requirements of the California Division of the State Architect ("DSA") and sells primarily to school districts. Enviroplex sales were $10,587,633 in 1996 and $4,867,064 in 1995.

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its majority owned subsidiary, Enviroplex, Inc. All significant intercompany accounts and transactions are eliminated. Net income is reduced by the portion of earnings of Enviroplex, Inc. related to the minority shareholder's interest which is included in Selling and Administrative expenses in the Consolidated Statements of Income.

REVENUES

Rental revenue is recognized under the "operating method" of accounting for the majority of leases. Revenue is recognized on a straight-line basis in those cases where equipment is leased with uneven payment terms. Rental billings for more than one month are recorded as deferred income and recognized as rental revenue when earned.

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

Sales and related services revenue is recognized upon delivery of the equipment to the customer. Certain leases meeting the requirements of Statement of Financial Accounting Standards ("SFAS") No. 13, "Accounting for Leases", are accounted for as sales type leases. For these leases, sales revenue and the related accounts receivable are recognized upon execution of the leases and unearned interest is recognized over the lease term on a basis which results in a constant rate of return on the unrecovered lease investment (See Note 3).

DEPRECIATION AND MAINTENANCE

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

Rental equipment:	
Relocatable modular offices	18 years, 18% residual value
Electronic test instruments	5 to 8 years, no residual value
Accessory equipment	7 to 18 years, 0% to 18% residual value
Land improvements, furniture and equipment	5 to 50 years, no residual value

Maintenance and repairs are expensed as incurred.

WARRANTY SERVICE COSTS

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

INCOME TAXES

Provision has been made for deferred income taxes based upon the amount of taxes payable in future years, after considering changes in tax rates and other statutory provisions that will be in effect in those years (See Note 5).

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in determining reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE

Net income per common and common equivalent share is computed by dividing net income by the weighted average number of shares of common stock and dilutive common equivalent shares outstanding during each period. Common stock equivalents result from dilutive stock options computed using the treasury stock method. The difference between primary and fully diluted earnings per share was not significant in any period presented.

RECLASSIFICATIONS

Certain 1995 and 1994 balances have been reclassified to conform to classifications used during the current year.

NOTE 3 -- SALES TYPE LEASE RECEIVABLES

The Company has entered into several sales type leases. The minimum lease payments receivable and the net investment included in accounts receivable for such leases at December 31, 1996 and 1995 are as follows:

	1996	1995
Gross minimum lease receivable	$ 4,457,079	$4,127,199
Less -- Unearned interest	(899,531)	(875,735)
Net investment in sales type lease receivables	$ 3,557,548	$3,251,464

The future minimum lease payments as of December 31, 1996 are as follows:

Year ended December 31,	
1997	$2,395,266
1998	1,140,693
1999	593,162
2000	230,100
2001	71,871
2002 and thereafter	25,987
	$4,457,079

NOTE 4 -- NOTES PAYABLE

The Company maintains unsecured lines of credit agreements (the "Agreements") with its banks which expire June 30, 1997 and permit it to borrow up to $65,000,000 of which $53,850,000 was outstanding as of December 31, 1996. The Agreements require the Company to pay interest at prime or, at the Company's election, other rate options available under the Agreements. In addition, the Company pays a commitment fee on the daily average unused portion of the available line. Among other restrictions, the Agreements require (i) the Company to maintain shareholders' equity of not less than $70,000,000 plus 50% of all net income generated subsequent to December 31, 1995 plus 90% of any new stock issuance proceeds (restricted equity at December 31, 1996 is $77,761,000), (ii) a debt-to-equity ratio (excluding deferred income taxes) of not more than 3 to 1, (iii) interest coverage (income from operations compared to interest expense) of not less than 2 to 1 and (iv) no payment of cash dividends in excess of 50% of one year's earnings without the bank's consent. If the Company does not amend or renegotiate the present Agreements for an additional time period prior to its expiration date, the principal amount outstanding at that time will be converted to a five-year term loan with principal due and payable in twenty (20) consecutive quarterly installments.

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

Year ended December 31,	1996	1995
Maximum amount outstanding	$ 53,850,000	$41,035,000
Average amount outstanding	$ 41,881,000	$36,838,000
Weighted average interest rate	6.58%	7.33%
Effective interest rate at end of period	6.57%	7.04%
Prime interest rate at end of period	8.25%	8.50%

NOTE 5 -- INCOME TAXES

The provision for income taxes is comprised of the following:

	Current	Deferred	Total
Year ended December 31,			
1996:			
FEDERAL	$ 6,031,974	$ 2,218,606	$ 8,250,580
STATE	1,337,378	162,433	1,499,811
	$ 7,369,352	$ 2,381,039	$ 9,750,391
1995:			
Federal	$ 6,785,118	$ 1,177,522	$ 7,962,640
State	1,171,299	28,892	1,200,191
	$ 7,956,417	$ 1,206,414	$ 9,162,831
1994:			
Federal	$ 5,500,987	$ 2,795,237	$ 8,296,224
State	992,897	86,051	1,078,948
	$ 6,493,884	$ 2,881,288	$ 9,375,172

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

Year ended December 31,	1996	1995	1994
Federal statutory rate	35.00%	35.00%	35.00%
State taxes, net of federal income tax benefit	3.86	3.41	4.33
Other	(.28)	1.42	2.56
	38.58%	39.83%	41.89%

The following table shows the tax effect of the Company's cumulative temporary differences included in deferred income taxes on the Company's Balance Sheets as of December 31, 1996 and 1995:

Year ended December 31,	1996	1995
Excess of tax over book depreciation	$ 41,338,486	$40,644,594
State income taxes	(2,617,118)	(2,421,043)
Accrued liabilities not currently deductible	(976,089)	(1,040,426)
Revenue deferred for financial reporting purposes	(1,813,099)	(2,272,315)
Other, net	937,554	(422,115)
	$ 36,869,734	$34,488,695

NOTE 6 -- COMMON STOCK AND STOCK OPTIONS

In 1985, the Company established an Employee Stock Ownership Plan, as amended. Under the terms of the plan, the Company makes annual contributions in the form of cash or common stock of the Company to a trust for the benefit of eligible employees. The amount of the contribution is determined annually by the Board of Directors. A contribution of $650,000 was approved for 1996 and $550,000 for both 1995 and 1994.

The Company adopted a 1987 Incentive Stock Option Plan (the "1987 Plan"), effective December 14, 1987, under which options to purchase common stock may be granted to officers and key employees of the Company. The plan provides for the award of options at a price not less than the fair market value of the stock as determined by the Board of Directors on the date the options are granted. Under the 1987 Plan, options have been granted with an exercise price of $6.125, $13.875, and $21.50 per share. The options become exercisable over the term of the related option agreements. Option activity and options exercisable including weighted average excercise price for the three years ended December 31, 1996, 1995 and 1994 were as follows:

	1996		1995		1994	
	SHARES	WTD. AVG. EX. PRICE	Shares	Wtd. Avg. Ex. Price	Shares	Wtd. Avg. Ex. Price
Options outstanding at January 1	256,423	9.74	322,292	9.22	326,692	9.19
Options granted during the year	80,000	21.50	--	--	--	--
Options exercised during the year	(64,247)	7.15	(59,719)	6.75	(4,400)	6.85
Options terminated during the year	(1,950)	13.88	(6,150)	11.87	--	--
Options outstanding at December 31	270,226	13.80	256,423	9.74	322,292	9.22
Options exercisable at December 31	139,211	9.58	163,328	8.65	186,827	7.95

The weighted average remaining contractual life of the 270,226 options outstanding at December 31, 1996 is 5.1 years. As of December 31, 1996, 586,790 options remain available for future grant under the 1987 Plan.

In 1991, the Board of Directors adopted a Long-Term Stock Bonus Plan (the "LTB Plan") under which 200,000 shares of common stock are reserved for grant to officers and key employees. The stock bonuses granted under the LTB Plan are evidenced by written Stock Bonus Agreements covering specified performance periods. The LTB Plan provides for the grant of stock bonuses upon achievement of certain levels of return on equity during a specified period. Stock bonuses earned under the LTB Plan vest over 5 years from the grant date contingent on the employee's continued employment with the Company. As of December 31, 1996, 51,041 shares of common stock have been granted, of which 30,582 shares of common stock are vested. Future grants of 35,163 shares of common stock are authorized by the Board of Directors to be issued under the LTB Plan in the event the Company reaches the highest level of achievement. Compensation expense for 1996, 1995 and 1994 under these plans was $197,739, $76,318, and $53,726, respectively, and is based on a combination of the anticipated shares to be granted, the amount of vested shares previously issued and fluctuations in market price of the Company's common stock.

The Company adopted Statement of Financial Accounting Standards No. 123 -- "Accounting for Stock-Based Compensation" (FAS 123) in 1996. The effect of FAS 123 for the years presented in the financial statements is not significant.

The Board of Directors has authorized the repurchase of shares of the Company's outstanding common stock. These purchases are to be made in the over-the-counter market and/or through large block transactions at such repurchase price as the officers shall deem appropriate and desirable on behalf of the Company. All shares repurchased by the Company are to be canceled and returned to the status of authorized but unissued shares of common stock. In 1994, the Company repurchased 158,354 shares of common stock for an aggregate repurchase price of $2,532,591 or an average price of $15.99 per share. In 1995, the Company repurchased 436,066 shares of common stock for an aggregate repurchase price of $7,374,279 or an average price of $16.91 per share. In 1996, the Company repurchased 420,550 shares of common stock for an aggregate repurchase price of $8,778,775 or an average price of $20.87 per share. As of December 31, 1996, 387,200 shares remain authorized for repurchase.

In January 1995, the Board of Directors declared a quarterly dividend on its common stock of $0.11 per share related to fourth quarter 1994. If the fourth quarter dividend for 1994 had been declared in December 1994, the cumulative dividends for 1995 and 1994 would have been $0.48 per share and $0.44 per share, respectively.

SHAREHOLDER MATTERS

STOCK ACTIVITY

The Company's common stock is traded in the NASDAQ National Market System under the symbol "MGRC". The range of reported high and low bid quotations for each quarter in 1995 and 1996, according to the automated quotation system of the NASDAQ, was as follows:

1995	High Bid	Low Bid
First Quarter	17	14 1/2
Second Quarter	17 1/2	15 1/4
Third Quarter	19	16 1/2
Fourth Quarter	19 1/2	17 1/2

1996	High Bid	Low Bid
First Quarter	20	17 3/4
Second Quarter	22 1/2	19 1/4
Third Quarter	27 1/4	16 3/4
Fourth Quarter	27	23 1/2

Such over-the-counter market quotations reflect inter-dealer prices, without retail markup, markdown, or commission, and may not necessarily represent actual transactions.

NUMBER OF SHAREHOLDERS

On March 4, 1997, the Company's common stock was held by approximately 124 shareholders of record, which does not include shareholders whose shares are held in street or nominee name. The Company believes that when holders in street or nominee name are added, the number of holders of the Company's Common Stock exceeds 500.

DIVIDEND POLICY

The Company has declared a quarterly dividend on its common stock every quarter since 1990. (See Consolidated Quarterly (Unaudited) and Five Year Selected Financial Data on page 7). Subject to its continued profitability and favorable cash flow, the Company intends to continue the payment of quarterly dividends. The Company has agreed with its lending banks that it will not pay dividends or make other distributions to shareholders in excess of 50% of its net income in any year. The Company's current dividend policy is in compliance with this restriction.

STOCK TRANSFER AGENT

U.S. Stock Transfer
1745 Gardena Avenue - Second Floor
Glendale, CA 91204
(818) 502-1404

AUDITORS

Arthur Andersen LLP
Spear Street Tower
One Market Plaza
San Francisco, CA 94105

GENERAL COUNSEL

Christopher Ream, Esq.
1717 Embarcadero Road
Palo Alto, CA 94303

ANNUAL MEETING

The Annual Meeting of the Shareholders of McGrath RentCorp will be held at 2:00 p.m. on Thursday, June 5, 1997 at our San Lorenzo Corporate Office.

MCGRATH RENTCORP

OFFICERS

Robert P. McGrath

Chairman of the Board
and Chief Executive Officer

Dennis C. Kakures
President and Chief Operating Officer

Delight Saxton
Vice-President of Administration,
Chief Financial Officer and Secretary

Thomas J. Sauer
Vice-President and Treasurer

DIRECTORS

Bryant J. Brooks
Independent Financial Consultant

Joan M. McGrath
McGrath RentCorp

Robert P. McGrath
Chairman of The Board
And Chief Executive Officer
McGrath RentCorp

Delight Saxton
Vice-President of Administration,
Chief Financial Officer and Secretary
McGrath RentCorp

Ronald H. Zech
President and Chief Executive Officer
GATX Corporation

SPECIAL CONSULTANT
TO THE BOARD OF DIRECTORS

Claude N. Rosenberg, Jr.
Senior Partner
Rosenberg Capital Management
Chairman, RREEF Corporation

OFFICES

San Francisco (Corporate Office)
Modular and Electronic Inventory Centers
2500 Grant Avenue
San Lorenzo, CA 94580
(510) 276-2626
Modular Manager - Scott Alexander
Electronic Manager - Nanci Clifton

Los Angeles
Modular Inventory Center
11450 Mission Boulevard
Mira Loma, CA 91752
(909) 360-6600
Modular Manager - Tom Sanders

Houston
Modular Inventory Center
4445 East Sam Houston Parkway South
Pasadena, TX 77505
(713) 487-9222
Modular Manager - Doylton Davis

Dallas
RenTelco -- Electronic Inventory Center
1901 North Glenville Drive
Richardson, TX 75081
(214) 234-2422
Electronic Manager - Bill Chapman

Enviroplex, Inc. (Majority Owned Subsidiary)
Manufacturer of Classrooms
4777 E. Carpenter Road
Stockton, CA 95215
(209) 466-8000
President - Joe Sublett

P.S. "HERE ARE OUR GREAT PEOPLE!"

PETER ABREUS
JOANNE ACEVES
ROBERTO AGUILAR
ESDRAS ALDANA
SCOTT ALEXANDER
NORMA ALLEN
JUAN DE LEON ALVARADO
DAVID ALVAREZ
CARL ANDERS
EMILIOAN ANDRADE
MAX ANDREWS
RUSSELL ANDREWS
ARTHUR ARREDONDO
CELSO ARROYO
DEBORAH ABRAMS
JOSE AVALOS-CALZADA
JOSE AVALOS-GAMEZ
JESUS AVILA
OBED AVILA
JACKIE BANKS
JOHN BARNETT
RICARDO BARRON
MARLYS BARSKEY
DONALD BEEBE
MATT BENAS
ROBERT BENNETT
VINCENT BINO
JOHN BOEHM
JEFFREY BOOGAARD
FRANK BOSSI
TARA BRANDOW
MIKE BREMERTHON
JONATHAN BRILL
DINA BROWN
RICHARD BROWN
MARIO BUENROSTRO
DIANA BURTON
KELLY CALLIHAN
GRACE CAMP
ROSEMARY CAMPOS
ERNESTINA CANTU
AIDA CARMONA
JON CARR
URBANO CARRILLO
FRANCISCO CARRILLO
MANUEL CEBREROS
CLAUDIA CELOTTI
RAMON CERDA
JUAN CERNA-VERDUSCO
BENITO CERVANTES
WILLIAM CHAPMAN
JAIME CHAVEZ
EDUARDO CHIN-HERNANDEZ

LAURA CISSELL
NANCI CLIFTON
LONA COLBY
ROBERT COMBS
CHRIS CONARD
MIGUEL CONTRERAS
URIEL CONTRERAS
ROBERT COOK
JEFFREY COOPER
VICTOR CORONA-RAMIREZ
JOSE COTTO
JENNIFER COUCH
STEVEN COWLES
KEVIN COX
MARIA CRAIG
RANDY CROOKS
RHONDA CROUSE
DONALD CURTIS
GRACE DAQUINAG
ANNE DAVIS
DOYLTON DAVIS
JUANITA DEFOREST
ANTHONY DE LA RIVA
DAVID DELEON
JOSE DELGADO
MATTHEW DERRING
ED DIAZ
ALLEN DIXON
MICHAEL DOWD
JAMES DUNN
JEFF EMERSON
PAUL ESCARCEGA
ROBERT ESQUIVEL
LUIS ESTRADA
JAIME FABIAN
MARK FAGLEY
MIGUEL FAVIAN
LYNNETTE FLANAGAN
DAVID FLIN
JOSE FLORES
MARIO LUIS FLORES
LYNNETTE FORSTER
DIANE FRESE
DAVID FRUECHTING
ISIDRO FRUTOS
VICTOR GAMEZ
FRANCISCO GARCIA
JOSE GARCIA
JULIAN GARCIA
JUAN GARZA
RUBEN GASPAR
MICHAEL GASTON
DENNIS GEORGE
LUCIUS GETWOOD

RAMIRO GONZAELS
MARCOS GONZALES
ROBERT GONZALES
CARLOS GONZALEZ
ROGELIO GRANADOS
CYNTHIA GRAVES
LISA GRAY
VENA GROSS
JANICE GUERRERO
JAVIER GUZMAN
JIM HALL
BETH HAMILTON
WESLEY HAMILTON
ALBERT HAMMONS
LORI HANRAHAN
DANA HANSON
JOHN HARTUNG
ROBERT HEHMAN
HUGO HERNANDEZ
JAIME HERNANDEZ
SANTIAGO HERNANDEZ
ROBERT HERRERA
JAMES HILL
FREDRICK HOWE
CATHERINE HUNT
THOMAS JACKSON
JESSICA JALLORINA
EVARARDO JARAMILLO
BRIAN JENSEN
RONALD JENSEN
JOSE JIMENEZ JR.
MARLIN JOHNSON
LINDA JONES
DIANA KAKOS
DENNIS KAKURES
LYDIA KATEN
THERESA KERR
JOYCE KETRON
PATRICIA KINGCAID
RICK KINNEAR
CATHRYN KLEIN
FRANCISCO LANDIN
JOSE LARA
LUIS LARIOS
CYNTHIA LAWIN
EDWARD LAWSON
LAURIE LEAHY
JAIME LEON
ROGELIO LEON
WILLIAM LIGHTFOOT
MOISES LLANOS
ROBERT LIMON
GUADALUPE LOMELI
EMILIO LOPEZ
PEDRO LOPEZ

RUDY LOPEZ
JOSEPH LUNA
ROSEMARY MACEDO
MARIA MACIAS
SERGIO MAGANA-GUTIERREZ
JOSE MALDONADO
MANUAL MANCERA
KIM MANTEUFEL
TOMMY MARTINEZ
JOSEPH MASSAH
VICKIE MASSOLA
DENIS MAXSON
MARTIN MAYERS
JOAN MCGRATH
ROBERT MCGRATH
EFREN MEDINA
JOSE MENDEZ
CATE MESMER
DORIE METTLER
WARREN MEYER
ANTONIO MEZA-ARMENDARIS
MICHAEL MISEMER
LUCIANO MONTES-ARIZMENDIZ
GABRIEL MONTANEZ
JAMES MONTOYA
DARREN MOORE
CLAUDIO MORENO
JEANNE MORFORD
SHARON MORRISON
SANTOS MORROW
GREGORY MOSS
TONY MOTON
MARK MURRELL
DANIEL NAVA
FELIX NAVARRO
TIMOTHY NEEL
BOB NICHOLSON
EDWARD NORIEGA
SALLY NUNES
ELADIO OLVERA
KIMBERLY ONEAL
MICHAEL ORONA
JUAN OROZCO
RAFAEL ORTIZ
SHANE OVERSTREET
DELORISE OWENS
BARRY OXENRIDER
IVETTE PACHECO
JAMES PALTJON
TONI PANIAGUA
KALYANI PARULKAR
DAWN PASCALE

JOE PASSANISI
EMILIANO PATINO
JOSE PATINO
DEBBIE PEEBLES
DONNA PEGUERO
ALFREDO PENAFOLOR
GERARDO PEREZ
GLORIA PEREZ
KELLY PETERSEN
TIMOTHY PETRIN
RICHARD PINEDA
STEVEN PINGEL
ARTHUR PORTOCARRERO
JOYCE PRASAD
CONRADO PULGO
SHARON QURAISHI
BRENDA RALSTON
ENRIQUE RAMIREZ
GILBERT RAMIREZ
LEONARDO RAMIREZ
LUIS RAMIREZ
OSCAR RAMIREZ
RICARDO RAMIREZ
RALPH RAMON
RYAN RANTZOW
JACK RAY
ENRIQUE RECIO
DONALD REED
GUSTAVO REYES
KRISTY REYES
PABLO REYES
JOSE RICO
SAM RIVERA
CHRISTINA RIZZO
CHERIE RODERICK
ALEJANDRO RODRIGUEZ
JESUS RODRIGUEZ
LEO RODRIGUEZ
NASARIO RODRIGUEZ
THOMAS ROMERO
GUSTAVO ROSALES
JESUS ROSALES
DEBORAH ROSE
SUSAN ROSEBERRY
TIMOTHY RUSSELL
ABDO SABA
MICHAEL SALAZAR
JUAN SALINAS
RAMIRO SALINAS
ALFONSO SANCHEZ
JOSE SANCHEZ
SARA SANCHEZ
SARA SANCHEZ
SAUL SANCHEZ
DIONICIO SANTOGO

MARTIN SANDE
JERI SANDERS
TOM SANDERS
TOM SAUER
DELIGHT SAXTON
WILLIAM SEABROOK
KEVIN SEYMOUR
CAROLE SILVA
JOHN SKENESKY
KENNETH SMITH
JAVIER SOLIS
ALVARO SOSA
KEN SPINK
STACI STREETER
JOE SUBLETT
PHILLIP SUBLETT
RITA SUBLETT
VANESSA SURRELL
ROGELIO TALAVERA
WILLIAM TAYLOR
KENNETH THOMAS
DAVID THOMPSON
BONNY THROWER
YAVONNE THROWER
CARMELO TORRES
GENARO TORRES
LUIS TORRES
MATILDE TORREZ
TAMMY TRICKEL
BRETT TURLEY
LAURA MOYER
MARCOS VALENZUELA
KRISSY VANTREASE
DAVID VANZANDT
JORGE VASQUEZ
JOSE VELASCO
ISIDORE VIGIL
VICTOR VILLA
EDUARDO VILLEGAS
ROBERT VIVEROS
SANDY WAGGONER
MANUEL WALDO
KARLA WALKER
GREGORY WENKER
DENNIS WHEELAND
KIMBERLY WHITE
TIFFANY WHITE
PATSY WILLIAMS
CRAIG WILSON
FRANCES WILSON
VANESSA WILSON
BRADLEY WOON
BILL YANDELL
FRANK ZARATE
ROBIN ZIRZOW

OUR CREDO
I will, as a team member of McGrath, embrace our customers' needs, and deliver exemplary service to earn customer loyalty.
I will do this by:
- focusing on doing things right the first time,
- providing the utmost attention to detail, and
- always doing what I say I am going to do, with integrity.

CUSTOMER SATISFACTION IS MY JOB!

[LOGO]
2500 GRANT AVENUE
SAN LORENZO, CA 94580
(510) 276-2626

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM MCGRATH
RENTCORP ANNUAL REPORT (10K) FOR THE YEAR ENDING DECEMBER 31, 1996 AND IS
QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

12-MOS
DEC-31-1996
JAN-01-1996
DEC-31-1996
686
0
20,525
(605)
0
0
244,829
(67,128)
200,035
0
0
0
0
7,161
81,647
200,035
89,005
89,005
47,206
47,206
13,641
0
2,887
25,272
9,750
15,522
0
0
0
15,522
2.03
0

Includes Rental Equipment, Land, Land Improvements, Furniture and Equipment
Accumulated Depreciation related to footnote 16 above