AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION JUNE 25, 1999

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K/A

AMENDMENT NO. 1
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998 COMMISSION FILE NUMBER 0-13292

MCGRATH RENTCORP
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

CALIFORNIA	94-2579843
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

5700 LAS POSITAS ROAD, LIVERMORE, CA 94550
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)
REGISTRANT'S TELEPHONE NUMBER: (925) 606-9200

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
NONE	NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

TITLE OF CLASS

COMMON STOCK

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
Yes X No _____

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

State the aggregate market value of voting stock, held by nonaffiliates of the registrant: $177,777,794 as of March 18, 1999.

At March 18, 1999, 13,576,448 shares of Registrant's Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

McGrath RentCorp's definitive Proxy Statement with respect to its Annual Shareholders' Meeting to be held June 3, 1999, 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.

The following items appearing in the Annual Report on Form 10-K for McGrath RentCorp (the Company), as originally filed March 31, 1999, are hereby amended.

ITEM 6. SELECTED FINANCIAL DATA.

The following item amends the original filing as to the Selected Financial Data Table by deleting Cash Flow from Operating Activities and Cash Flow Per Common Share for Basic and Diluted.

The following table summarizes the Company's selected financial data for the five years ended December 31, 1998 and should be read in conjunction with the more detailed Consolidated Financial Statements and related notes reported in Item 8.

SELECTED CONSOLIDATED FINANCIAL DATA

(dollar and share amounts in thousands, except per share data)	YEAR ENDED DECEMBER 31,				
	1998	1997	1996	1995	1994
Operations Data					
Revenues					
Rental	$ 71,967	$ 61,688	$ 48,986	$ 46,063	$ 46,149
Rental Related Services	11,528	10,278	8,718	7,795	8,158
Rental Operations	83,495	71,966	57,704	53,858	54,307
Sales	51,044	62,021	30,175	15,839	12,700
Other	889	989	1,126	1,576	1,288
Total Revenues	135,428	134,976	89,005	71,273	68,295
Costs and Expenses					
Direct Costs of Rental Operations					
Depreciation	16,862	14,358	12,456	11,539	11,018
Rental Related Services	6,531	6,287	5,515	5,024	5,707
Other	13,390	10,375	8,703	7,370	7,544
Total Direct Costs of Rental Operations	36,783	31,020	26,674	23,933	24,269
Cost of Sales	35,189	42,550	20,532	10,735	8,634
Total Costs	71,972	73,570	47,206	34,668	32,903
Gross Margin	63,456	61,406	41,799	36,605	35,392
Selling and Administrative	16,220	15,957	13,147	10,459	10,747
Income from Operations	47,236	45,449	28,652	26,146	24,645
Interest	6,326	4,070	2,887	2,831	2,166
Income before Provision for Income Taxes	40,910	41,379	25,765	23,315	22,479
Provision for Income Taxes	16,010	16,323	9,885	9,375	9,475
Income before Minority Interest	24,900	25,056	15,880	13,940	13,004
Minority Interest in Income of Subsidiary	1,005	1,011	358	97	--
Net Income	$ 23,895	$ 24,045	$ 15,522	$ 13,843	$ 13,004
Net Income Per Common Share:					
Basic	$ 1.69	$ 1.60	$ 1.03	$ 0.87	$ 0.79
Diluted	$ 1.67	$ 1.58	$ 1.01	$ 0.86	$ 0.77
Shares Used in Per Share Calculation:					
Basic	14,163	14,982	15,102	15,949	16,559
Diluted	14,349	15,181	15,306	16,168	16,831
Cash Dividends Declared Per Common Share(1)	$ 0.40	$ 0.32	$ 0.28	$ 0.24	$ 0.22

(1) Dividends for 1994 includes $0.055 per share declared in January 1995.

SELECTED CONSOLIDATED FINANCIAL DATA (continued)

(dollar and share amounts in thousands, except per share data)	YEAR ENDED DECEMBER 31, 1998	1997	1996	1995	1994
Balance Sheet Data (at period end)					
Rental Equipment, net	$200,028	$174,086	$137,292	$127,608	$127,244
Total Assets	$278,676	$252,392	$200,035	$175,130	$169,923
Notes Payable	$ 97,000	$ 82,000	$ 53,850	$ 37,080	$ 35,950
Shareholders' Equity	$105,394	$ 98,646	$ 88,808	$ 85,893	$ 83,839
Shares Outstanding	13,970	14,522	14,820	15,540	16,137
Book Value Per Share	$ 7.54	$ 6.79	$ 5.99	$ 5.53	$ 5.14
Debt (Notes Payable) to Equity	0.92	0.83	0.61	0.43	0.43
Return on Average Equity	24.0%	24.5%	18.0%	16.4%	16.1%

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The following item amends the original filing as to the Consolidated Statements of Cash Flows by reclassifying the Proceeds from Sale of Rental Equipment from Cash Flows from Operating Activities to Cash Flow from Investing Activities and changing the respective subtotals.

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, 1998 and 1997, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1998. 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, 1998 and 1997, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

San Francisco, California ARTHUR ANDERSEN LLP
February 17, 1999

MCGRATH RENTCORP
CONSOLIDATED STATEMENTS OF INCOME

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	YEAR ENDED DECEMBER 31, 1998	1997	1996
REVENUES			
Rental	$ 71,967	$ 61,688	$48,986
Rental Related Services	11,528	10,278	8,718
Rental Operations	83,495	71,966	57,704
Sales	51,044	62,021	30,175
Other	889	989	1,126
Total Revenues	135,428	134,976	89,005
COSTS AND EXPENSES			
Direct Costs of Rental Operations			
Depreciation	16,862	14,358	12,456
Rental Related Services	6,531	6,287	5,515
Other	13,390	10,375	8,703
Total Direct Costs of Rental Operations	36,783	31,020	26,674
Cost of Sales	35,189	42,550	20,532
Total Costs	71,972	73,570	47,206
Gross Margin	63,456	61,406	41,799
Selling and Administrative	16,220	15,957	13,147
Income from Operations	47,236	45,449	28,652
Interest	6,326	4,070	2,887
Income before Provision for Income Taxes	40,910	41,379	25,765
Provision for Income Taxes	16,010	16,323	9,885
Income before Minority Interest	24,900	25,056	15,880
Minority Interest in Income of Subsidiary	1,005	1,011	358
Net Income	$ 23,895	$ 24,045	$15,522
Earnings Per Share:			
Basic	$ 1.69	$ 1.60	$ 1.03
Diluted	$ 1.67	$ 1.58	$ 1.01
Shares Used in Per Share Calculation:			
Basic	14,163	14,982	15,102
Diluted	14,349	15,181	15,306

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

MCGRATH RENTCORP
CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS)	DECEMBER 31, 1998	1997
ASSETS		
Cash	$ 857	$ 538
Accounts Receivable, less allowance for doubtful accounts of $650 in 1998 and 1997	21,811	21,794
Rental Equipment, at cost:		
Relocatable Modular Offices	216,414	196,133
Electronic Test Instruments	66,573	50,351
	282,987	246,484
Less Accumulated Depreciation	(82,959)	(72,398)
Rental Equipment, net	200,028	174,086
Land, at cost	18,953	20,496
Buildings, Land Improvements, Equipment and Furniture, at cost, less accumulated depreciation of $3,858 in 1998 and $3,177 in 1997	31,460	28,922
Prepaid Expenses and Other Assets	5,567	6,556
Total Assets	$278,676	$252,392
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Notes Payable	$ 97,000	$ 82,000
Accounts Payable and Accrued Liabilities	22,964	27,046
Deferred Income	5,574	6,929
Minority Interest in Subsidiary	2,584	1,523
Deferred Income Taxes	45,160	36,248
Total Liabilities	173,282	153,746
Shareholders' Equity:		
Common Stock, no par value -- Authorized -- 40,000 shares Outstanding -- 13,970 shares in 1998 and 14,522 shares in 1997	8,138	7,757
Retained Earnings	97,256	90,889
Total Shareholders' Equity	105,394	98,646
Total Liabilities and Shareholders' Equity	$278,676	$252,392

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

MCGRATH RENTCORP
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	COMMON STOCK SHARES	COMMON STOCK AMOUNT	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
BALANCE AT DECEMBER 31, 1995>	15,540	$8,913	$76,980	$ 85,893
Net Income	--	--	15,522	15,522
Repurchase of Common Stock	(841)	(2,111)	(6,668)	(8,779)
Common Stock Issued or Reserved Under Long-Term Stock Bonus Plan	21	198	--	198
Repurchase of Common Stock in Connection with the Exercise of Stock Options	(28)	(298)	--	(298)
Exercise of Stock Options	128	459	--	459
Dividends Declared of $0.28 Per Share	--	--	(4,187)	(4,187)
BALANCE AT DECEMBER 31, 1996	14,820	7,161	81,647	88,808
Net Income	--	--	24,045	24,045
Repurchase of Common Stock	(502)	(507)	(10,038)	(10,545)
Common Stock Issued or Reserved Under Long-Term Stock Bonus Plan	28	497	--	497
Exercise of Stock Options	176	606	--	606
Dividends Declared of $0.32 Per Share	--	--	(4,765)	(4,765)
BALANCE AT DECEMBER 31, 1997	14,522	7,757	90,889	98,646
Net Income	--	--	23,895	23,895
Repurchase of Common Stock	(620)	(340)	(11,907)	(12,247)
Common Stock Issued or Reserved Under Long-Term Stock Bonus Plan	37	485	--	485
Exercise of Stock Options	31	236	--	236
Dividends Declared of $0.40 Per Share	--	--	(5,621)	(5,621)
BALANCE AT DECEMBER 31, 1998	13,970	$8,138	$97,256	$105,394

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

MCGRATH RENTCORP
CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)	YEAR ENDED DECEMBER 31, 1998	1997	1996
Cash Flows from Operating Activities:			
Net Income	$ 23,895	$ 24,045	$ 15,522
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	18,794	15,771	13,483
Gain on Sale of Rental Equipment	(5,404)	(6,622)	(4,816)
Change In:			
Accounts Receivable	(17)	(1,874)	(6,719)
Prepaid Expenses and Other Assets	991	(4,161)	(499)
Accounts Payable and Accrued Liabilities	(3,850)	13,166	3,477
Deferred Income	(1,354)	1,702	(740)
Deferred Income Taxes	8,912	(622)	2,381
Net Cash Provided by Operating Activities	41,967	41,405	22,089
Cash Flow from Investing Activities:			
Purchase of Rental Equipment	(51,159)	(62,277)	(29,925)
Purchase of Land, Buildings, Land Improvements, Equipment and Furniture	(4,041)	(10,594)	(8,366)
Proceeds from Sale of Land, Buildings and Land Improvements	2,190	--	--
Proceeds from Sale of Rental Equipment	13,759	17,748	12,599
Net Cash Used in Investing Activities	(39,251)	(55,123)	(25,692)
Cash Flow from Financing Activities:			
Net Borrowings under Bank Lines of Credit	(25,000)	28,150	16,770
Borrowings under Private Placement	40,000	--	--
Net Proceeds from the Exercise of Stock Options	236	606	161
Repurchase of Common Stock	(12,247)	(10,545)	(8,779)
Payment of Dividends	(5,386)	(4,641)	(4,084)
Net Cash Provided by (Used in) Financing Activities	(2,397)	13,570	4,068
Net Increase (Decrease) in Cash	319	(148)	465
Cash Balance, Beginning of Period	538	686	221
Cash Balance, End of Period	$ 857	$ 538	$ 686
Interest Paid During the Period	$ 5,407	$ 4,010	$ 2,833
Income Taxes Paid During the Period	$ 7,098	$ 16,945	$ 7,540
Dividends Declared but not yet Paid	$ 1,397	$ 1,162	$ 1,038

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

MCGRATH RENTCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND BUSINESS

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

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

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

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

The rental and sale of modulars to public school districts for use as portable classrooms, restroom buildings and administrative offices for kindergarten through grade twelve (K-12) are a significant portion of the Company's revenues. School business comprised approximately 45%, 52% and 37% of the Company's consolidated rental and sales revenues for 1998, 1997 and 1996, respectively. The increase in the Company's sales revenues in 1997 was attributed to the Class Size Reduction Program implemented by the state of California in 1996.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

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

REVENUES

Rental revenue is recognized under the "operating method" of accounting for the majority of leases. 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, and return delivery and dismantle. Revenue related to these services is recognized in the period the services are performed and accepted.

Sales revenue is recognized upon delivery of the equipment to the customer. Certain leases meeting the requirements of Statement of Financial Accounting Standards ("SFAS") No. 13, "Accounting for Leases", are accounted for as sales type leases. For these leases, sales revenue and the related accounts receivable are recognized upon execution of the 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 4).

DEPRECIATION AND MAINTENANCE

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

RENTAL EQUIPMENT:

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

Maintenance and repairs are expensed as incurred.

OTHER DIRECT COSTS OF RENTAL OPERATION

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

WARRANTY SERVICE COSTS

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

INCOME TAXES

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

USE OF ESTIMATES

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

EARNINGS PER SHARE

Basic earnings per share ("EPS") is computed as net income divided by the weighted average number of shares of common stock outstanding for the reported period, excluding the dilutive effects of stock options and other potentially dilutive securities. Diluted EPS is computed as net income divided by the weighted average number of shares outstanding of common stock and common stock equivalents for the reported period. Common stock equivalents result from dilutive stock options computed using the treasury stock method with the average share price for the reported period. The weighted average number of options outstanding at December 31, 1998, 1997 and 1996 were 186,624, 199,215 and 203,414, respectively.

NOTE 3. CONCENTRATION OF CREDIT RISK

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

NOTE 4. SALES TYPE LEASE RECEIVABLES

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

(in thousands)	December 31, 1998	December 31, 1997
Gross minimum lease payments receivable	$ 5,935	$ 5,339
Less -- unearned interest	(1,246)	(1,012)
Net investment in sales type lease receivables	$ 4,689	$ 4,327

As of December 31, 1998, the future minimum lease payments to be received in 1999 and thereafter are as follows:

(in thousands)	
YEAR ENDED DECEMBER 31,	
1999	$3,229
2000	1,377
2001	690
2002	362
2003	156
2004 and thereafter	121
Total minimum future lease payments	$5,935

NOTE 5. NOTES PAYABLE

On July 31, 1998, the Company completed a private placement of $40,000,000 of 6.44% Senior Notes due in 2005. Interest on the notes is due semi-annually in arrears and the principal is due in 5 equal installments commencing on July 15, 2001. The outstanding balance at December 31, 1998 was $40,000,000. Among other restrictions, the agreement requires (i) the Company to maintain a minimum net worth of $80,000,000 plus 25% of all net income generated subsequent to June 30, 1998, less a maximum of $15,000,000 paid by the Company to repurchase its common stock after June 30, 1998, (restricted equity at December 31, 1998 is $80,801,000), (ii) a fixed coverage charge of not less than 2.0 to 1.0, (iii) a rolling fixed charges coverage ratio of not less than 1.5 to 1.0, and (iv) senior debt not to exceed 275% of consolidated net worth and consolidated total debt not to exceed 300% of consolidated net worth.

The Company maintains an unsecured line of credit agreement, as amended, (the "Agreement") with its banks which expires on June 30, 1999 and permits it to borrow up to $75,000,000 of which $57,000,000 was outstanding as of December 31, 1998. The Agreement requires the Company to pay interest at prime or, at the

Company's election, other rate options available under the Agreement. In addition, the Company pays a commitment fee on the daily average unused portion of the available line. Among other restrictions, the Agreement requires (i) the Company to maintain shareholders' equity of not less than $77,800,000 plus 50% of all net income generated subsequent to June 30, 1997 plus 90% of any new stock issuance proceeds (restricted equity at December 31, 1998 is $96,269,000), (ii) a debt-to-equity ratio (excluding deferred income taxes) of not more than 3 to 1, (iii) interest coverage (income from operations compared to interest expense) of not less than 2 to 1 and (iv) debt service coverage (earnings before interest, taxes, depreciation and amortization compared to the following year's pro forma debt service) of not less than 1.15 to 1.0. If the Company does not amend or renegotiate the present Agreement for an additional time period prior to its expiration date, the principal amount outstanding at that time will be converted to a two-year term loan with principal due and payable in eight (8) consecutive quarterly installments.

In addition to the $75,000,000 unsecured line of credit, the Company has a $3,000,000 committed line of credit facility (at prime rate) related to its cash management services of which none was outstanding as of December 31, 1998. This committed line related to its cash management services will expire on June 30, 1999.

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

(dollar amounts in thousands)	YEAR ENDED DECEMBER 31, 1998	1997
Maximum amount outstanding	$103,500	$82,000
Average amount outstanding	$ 79,326	$60,601
Weighted average interest rate	6.41%	6.50%
Effective interest rate at end of period	6.37%	6.70%
Prime interest rate at end of period	7.75%	8.50%

NOTE 6. INCOME TAXES

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

(in thousands)	CURRENT	DEFERRED	TOTAL
YEAR ENDED DECEMBER 31,			
1998			
Federal	$ 5,526	$7,736	$13,262
State	1,572	1,176	2,748
	$ 7,098	$8,912	$16,010
1997			
Federal	$14,075	$ (809)	$13,266
State	2,870	187	3,057
	$16,945	$ (622)	$16,323
1996			
Federal	$ 6,032	$2,219	$ 8,251
State	1,472	162	1,634
	$ 7,504	$2,381	$ 9,885

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

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
Federal statutory rate	35.00%	35.00%	35.00%
State taxes, net of federal benefit	4.37	4.80	4.12
Other	(0.24)	(0.35)	(0.75)
	39.13%	39.45%	38.37%

MCGRATH RENTCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

(in thousands)	YEAR ENDED DECEMBER 31, 1998	1997
Excess of tax over book depreciation	$51,417	$44,859
State income taxes	(3,245)	(3,095)
Accrued liabilities not currently deductible	(146)	(1,189)
Revenue deferred for financial reporting purposes	(1,598)	(1,733)
Other, net	(1,268)	(2,594)
	$45,160	$36,248

NOTE 7. COMMON STOCK AND STOCK OPTIONS

The Company adopted a 1998 Stock Option Plan (the "1998 Plan"), effective March 9, 1998, under which 2,000,000 shares are reserved for the grant of options to purchase common stock to directors, officers, key employees and advisors of the Company. The plan provides for the award of options at a price not less than the fair market value of the stock as determined by the Board of Directors on the date the options are granted. Under the 1998 Plan, 242,000 options have been granted with exercise prices ranging from $20.25 to $20.81. The options vest over 5 years and expire 10 years after grant.

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

Option activity and options exercisable including weighted average exercise price for the three years ended December 31, 1998 are as follows:

	Year Ended December 31,					
	1998		1997		1996	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding at January 1,	364,672	8.57	540,452	6.90	512,846	4.87
Options granted during the year	242,000	20.81	--	--	160,000	10.75
Options exercised during the year	(31,282)	7.55	(175,780)	3.44	(128,494)	3.58
Options terminated during the year	(34,268)	12.93	--	--	(3,900)	6.94
Options outstanding at December 31,	541,122	13.85	364,672	8.57	540,452	6.90
Options exercisable at December 31,	171,877	8.55	153,362	7.45	278,422	4.79

The weighted average remaining life of the 541,122 options outstanding at December 31, 1998, is 6.8 years. As of December 31, 1998, 1,758,000 options can be issued under the 1998 plan.

Statement of Financial Standards No. 123 "Accounting for Stock-Based Compensation" ("SFAS 123") became effective for the Company in 1996. As allowed by SFAS 123, the Company has elected to continue to follow Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" ("APB 25") in accounting for its stock option plans. Under APB 25, the Company does not recognize compensation expense on the issuance of stock options because the option terms are fixed and the exercise price equals the market price of the underlying stock on the grant date.

In accordance with SFAS 123, the fair value of each option grant is estimated at the date of grant using the Black-Scholes option pricing model. The assumptions used in the 1998 and 1996 grants are as follows:

	YEAR ENDED DECEMBER 31,	
	1998	1996
Risk-free interest rates	6.5%	8.5%
Expected dividend yields	2.0%	2.6%
Expected volatility	27.1%	17.2%
Expected option life (in years)	7.5	10.0

The fair value of the options granted in 1998 and 1996 are $2,182,000, $532,000 and $598,000 at December 31, 1998, 1997 and 1996, respectively.

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

(in thousands, except per share amounts)	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
Net Income	$23,895	$24,045	$15,522
Pro Forma net income	23,583	24,005	15,481
EPS			
Basic	1.69	1.60	1.03
Diluted	1.67	1.58	1.01
Pro Forma EPS			
Basic	1.67	1.60	1.03
Diluted	1.64	1.58	1.01

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 $750,000 was approved for 1998 and 1997 and $650,000 for 1996.

In 1991, the Board of Directors adopted a Long-Term Stock Bonus Plan (the "LTB Plan") under which 400,000 shares of common stock are reserved for grant to officers and key employees. The stock bonuses granted under the LTB Plan are evidenced by written Stock Bonus Agreements covering specified performance periods. The LTB Plan provides for the grant of stock bonuses upon achievement of certain financial goals during a specified period. Stock bonuses earned under the LTB Plan vest over 5 years from the grant date contingent on the employee's continued employment with the Company. As of December 31, 1998, 172,408 shares of common stock have been granted, of which 107,951 shares of common stock are vested. Future grants of 41,109 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 1998, 1997 and 1996 under these plans was $485,000, $497,000 and $198,000 respectively, and is based on a combination of the anticipated shares to be granted, the amount of vested shares previously issued and fluctuations in market price of the Company's common stock.

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

1996, the Company repurchased 841,100 shares of common stock for an aggregate repurchase price of $8,779,000 or an average price of $10.44 per share. In 1997, the Company repurchased 502,408 shares of common stock for an aggregate repurchase price of $10,545,000 or an average price of $20.99 per share. In 1998, the Company repurchased 619,550 shares of common stock for an aggregate repurchase price of $12,247,000 or an average price of $19.77 per share. As of December 31, 1998, 819,900 shares remain authorized for repurchase (see Note 10 below).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 8. BUSINESS SEGMENTS

As of January 1, 1998, the Company adopted Statement of Financial Accounting Standard No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131). The Company defined its business segments based on the nature of operations for the purpose of reporting under SFAS 131. The Company's three reportable segments are Mobile Modular Management Corporation (Modulars), McGrath-RenTelco (Electronics), and Enviroplex. The operations of each of these segments is described in Note 1, Organization and Business, and the accounting policies of the segments are described in Note 2, Significant Accounting Policies. As a separate corporate entity, Enviroplex revenues and expenses are separately maintained from Modulars and Electronics. Excluding interest expense, allocations of revenues and expenses not directly associated with Modulars or Electronics are generally allocated to these segments based on their pro-rata share of direct revenues. Interest expense is allocated between Modulars and Electronics based on their pro-rata share of average rental equipment, accounts receivable and customer security deposits. The Company does not report total assets by business segment. Summarized financial information for the years ended December 31, 1998, 1997, and 1996 for the Company's reportable segments is shown in the following table:

(in thousands)	MODULARS	ELECTRONICS	ENVIROPLEX	CONSOLIDATED
YEAR ENDED DECEMBER 31, 1998				
Rental Operation Revenues	$58,964	$24,531	$ --	$ 83,495
Sales and Other Revenues	23,619	7,642	20,672	51,933
Total Revenues	82,583	32,173	20,672	135,428
Depreciation on Rental Equipment	9,398	7,464	--	16,862
Interest Expense	4,802	1,505	19	6,326
Income before Income Taxes	23,133	11,875	5,902	40,910
Rental Equipment Acquisitions	28,970	22,189	--	51,159
Accounts Receivable, net (year-end)	10,765	6,900	4,146	21,811
Rental Equipment, at cost (year-end)	216,414	66,573	--	282,987
1997				
Rental Operation Revenues	$51,412	$20,554	$ --	$ 71,966
Sales and Other Revenues	34,178	7,545	21,287	63,010
Total Revenues	85,590	28,099	21,287	134,976
Depreciation on Rental Equipment	8,154	6,204	--	14,358
Interest Expense	3,148	880	42	4,070
Income before Income Taxes	24,708	10,723	5,948	41,379
Rental Equipment Acquisitions	49,303	12,974	--	62,277
Accounts Receivable, net (year-end)	10,449	6,567	4,778	21,794
Rental Equipment, at cost (year-end)	196,133	50,351	--	246,484
1996				
Rental Operation Revenues	$40,330	$17,374	$ --	$ 57,704
Sales and Other Revenues	15,244	5,851	10,206	31,301
Total Revenues	55,574	23,225	10,206	89,005
Depreciation on Rental Equipment	7,265	5,191	--	12,456
Interest Expense	2,221	580	86	2,887
Income before Income Taxes	15,026	8,700	2,039	25,765
Rental Equipment Acquisitions	16,246	13,679	--	29,925
Accounts Receivable, net (year-end)	11,678	5,220	3,022	19,920
Rental Equipment, at cost (year-end)	158,377	43,335	--	201,712

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 9. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Quarterly financial information for each of the two years ended December 31, 1998 is summarized below:

(in thousands, except per share amounts)	1998				
	FIRST	SECOND	THIRD	FOURTH	YEAR
OPERATIONS DATA					
Total revenues	$ 27,350	$ 33,475	$ 44,478	$ 30,125	$135,428
Gross margin	13,565	15,863	18,680	15,348	63,456
Income from operations	9,860	12,024	14,120	11,232	47,236
Income before income taxes	8,409	10,441	12,434	9,626	40,910
Net income	4,968	5,974	7,088	5,865	23,895
Earnings per share:					
Basic	$ 0.34	$ 0.42	$ 0.50	$ 0.42	$ 1.69
Diluted	$ 0.34	$ 0.42	$ 0.50	$ 0.41	$ 1.67
Dividends declared per share	$ 0.10	$ 0.10	$ 0.10	$ 0.10	$ 0.40
BALANCE SHEET DATA					
Rental equipment, net	$178,003	$186,883	$190,461	$200,028	$200,028
Total assets	256,968	266,575	274,932	278,676	278,676
Notes payable	97,747	103,500	100,000	97,000	97,000
Shareholders' equity	93,587	97,168	101,049	105,394	105,394

	1997				
	FIRST	SECOND	THIRD	FOURTH	YEAR
OPERATIONS DATA					
Total revenues	$ 26,842	$ 33,459	$ 45,352	$ 29,323	$134,976
Gross margin	12,591	15,084	19,537	14,194	61,406
Income from operations	9,233	11,396	14,574	10,246	45,449
Income before income taxes	8,360	10,407	13,531	9,081	41,379
Net income	4,919	6,082	7,702	5,342	24,045
Earnings per share:					
Basic	$ 0.33	$ 0.41	$ 0.51	$ 0.36	$ 1.60
Diluted	$ 0.33	$ 0.40	$ 0.51	$ 0.35	$ 1.58
Dividends declared per share	$ 0.08	$ 0.08	$ 0.08	$ 0.08	$ 0.32
BALANCE SHEET DATA					
Rental equipment, net	$141,821	$146,343	$158,693	$174,086	$174,086
Total assets	206,221	222,940	237,963	252,392	252,392
Notes payable	52,000	65,000	65,800	82,000	82,000
Shareholders' equity	93,005	97,922	104,465	98,646	98,646

NOTE 10. EVENTS SUBSEQUENT TO DATE OF AUDITORS' REPORT (UNAUDITED)

In February and March, 1999, the Company repurchased 427,400 shares of its outstanding common stock for an aggregate purchase price of $7,813,000 (or an average price of $18.28 per share). On March 18, 1999, the Company's Board of Directors authorized the repurchase of up to 1,000,000 shares of its common stock.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Amendment to the Annual Report on Form 10-K for the year ended December 31, 1998 to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: June 23, 1999

MCGRATH RENTCORP

by: /s/ Robert P. McGrath

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

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

NAME	TITLE	DATE
/s/ Robert P. McGrath - ----------------------------------- Robert P. McGrath	Chairman of the Board and Chief Executive Officer	June 23, 1999
/s/ Delight Saxton - ----------------------------------- Delight Saxton	Senior Vice President and Director	June 23, 1999
/s/ Thomas J. Sauer - ----------------------------------- Thomas J. Sauer	Vice President and Chief Financial Officer (Chief Accounting Officer)	June 23, 1999
/s/ Joan McGrath - ----------------------------------- Joan McGrath	Director	June 23, 1999