UNITED RENTALS NORTH AMERICA INC
Form POS AM
June 23, 2004
Table of Contents

As filed with the Securities and Exchange Commission on June 23, 2004

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Post-Effective Amendment No. 1

to

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

United Rentals, Inc.

United Rentals (North America), Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**06-1522496**
Delaware	**06-1493538**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

Five Greenwich Office Park

Greenwich, Connecticut 06830

(203) 622-3131

(Address, Including Zip Code, and Telephone Number, Including Area Code,

of Registrant s Principal Executive Offices)

John N. Milne

Five Greenwich Office Park

Greenwich, Connecticut 06830

(203) 622-3131

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code,

of Agent For Service)

A copy of all communications, including communications sent to the agent for service,

should be sent to:

Joseph Ehrenreich, Esq.	**Malcolm E. Landau, Esq.**
Ehrenreich Eilenberg & Krause LLP	**Weil Gotshal & Manges LLP**
11 East 44th Street	**767 Fifth Avenue**
New York, NY 10017	**New York, NY 10153**
(212) 986-9700	**(212) 310-8000**

Approximate date of commencement of proposed sale to the public: from time to time after the effective date of this registration statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, check the following box. ¨

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box: ¨

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JUNE 23, 2004

PROSPECTUS

UNITED RENTALS (NORTH AMERICA), INC.

UNITED RENTALS, INC.

United Rentals (North America), Inc., previously issued $143,750,000 aggregate principal amount of 1- $^{7}/8$% Convertible Senior Subordinated Notes due October 15, 2023. United Rentals, Inc., the parent company of the issuer, guaranteed the notes on a senior subordinated basis. The notes are convertible, under specified circumstances, into the common stock of United Rentals, Inc.

The selling security holders identified herein may, from time to time, use this prospectus to resell the notes and/or any shares of common stock acquired upon conversion of the notes. Neither United Rentals (North America), Inc. nor United Rentals, Inc. will sell any securities under this prospectus or receive any of the proceeds from any securities sold under this prospectus.

The issuer of the notes will pay interest on the notes on April 15 and October 15 of each year, commencing with April 15, 2004. On or after October 20, 2010, the issuer will have the option to redeem all or any portion of the notes that have not been previously converted or repurchased at a redemption price of 100% of the principal amount of the notes plus accrued interest to the redemption date. If you hold notes, you will have the option, subject to certain conditions, to require the issuer to repurchase your notes on each of October 15, 2010, October 15, 2013 and October 15, 2018 or upon a fundamental change as described herein, a price of 100% of the principal amount of the notes plus accrued interest to the date of repurchase.

The notes rank equally with all of the issuers existing and future unsecured senior subordinated debt, rank junior to all of the issuers senior debt and are effectively subordinated to all liabilities of the issuer s subsidiaries.

The common stock of United Rentals, Inc., is traded on the New York Stock Exchange under the symbol URI.

Investing in our securities involves certain risks. See "Risk Factors" beginning on page 10.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is __________, 2004

Table of Contents

TABLE OF CONTENTS

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS	3
WHERE YOU CAN FIND MORE INFORMATION	3
INCORPORATION BY REFERENCE	3
PROSPECTUS SUMMARY	4
RECENT FINANCING TRANSACTIONS	9
RISK FACTORS	10
USE OF PROCEEDS	20
RATIO OF EARNINGS TO FIXED CHARGES	20
DESCRIPTION OF NOTES	20
DESCRIPTION OF CAPITAL STOCK	47
MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS	55
SELLING SECURITY HOLDERS	61
PLAN OF DISTRIBUTION	65
LEGAL MATTERS	65
EXPERTS	66

Table of Contents

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in, or incorporated by reference in, this prospectus are forward-looking in nature. Such statements can be identified by the use of forward-looking terminology such as believe, expect, may, will, should, seek, on-track, plan, intend, or anticipate thereof or comparable terminology, or by discussions of strategy. You are cautioned that our business and operations are subject to a variety of risks and uncertainties and, consequently, our actual results may materially differ from those projected by any forward-looking statements. Certain of such risks and uncertainties are discussed below under Risk Factors. We make no commitment to revise or update any forward-looking statements in order to reflect events or circumstances after the date any such statement is made.

WHERE YOU CAN FIND MORE INFORMATION

We file reports, proxy statements, and other information with the SEC. Such reports, proxy statements, and other information can be read and copied at the SEC s Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC, including our company. We make available on our internet website free of charge our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to such reports as soon as practicable after we electronically file such reports with the SEC. Our website address is *www.unitedrentals.com.* The information contained in our website is not incorporated by reference in this prospectus.

INCORPORATION BY REFERENCE

The SEC allows us to incorporate by reference the documents that we file with the SEC. This means that we can disclose important information to you by referring you to those documents. Any information we incorporate in this manner is considered part of this prospectus; however, to the extent that there are any inconsistencies between information presented in this prospectus and information contained in incorporated documents filed with the SEC before the date of this prospectus, the information in this prospectus shall be deemed to supersede the earlier information. Any information we file with the SEC after the date of this prospectus will automatically update and supersede the information contained in this prospectus.

We incorporate by reference the documents listed below:

- our Annual Report on Form 10-K for the year ended December 31, 2003, filed by us on March 15, 2004;
- our Quarterly Report on Form 10-Q for the quarter ended March 31, 2004, filed by us on May 10, 2004;
- our Current Reports on Form 8-K filed by us on January 20, 2004, January 22, 2004, January 26, 2004, February 3, 2004 and February 23, 2004;
- the Registration Statements on Form 8-A of United Rentals, Inc. filed on December 3, 1997, August 6, 1998 and October 9, 2001; and

All documents subsequently filed by us pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 prior to the termination of the offering.

We will provide without charge, upon written or oral request, to each person, including a beneficial owner, to whom this prospectus shall be delivered, a copy of any or all of the documents which are incorporated by reference into this prospectus. Requests should be directed to: United Rentals (North America), Inc., Attention: Corporate Secretary, Five Greenwich Office Park, Greenwich, Connecticut 06830, telephone number: (203) 622-3131.

Table of Contents

PROSPECTUS SUMMARY

This summary may not contain all the information that may be important to you. You should read this entire prospectus and the information incorporated by reference in this prospectus, including the financial data and related notes, before making an investment decision.

See the section entitled Risk Factors for a discussion of certain factors to be considered in connection with making an investment in the notes and/or common stock being offered under this prospectus.

Unless otherwise indicated, (i) the term URI refers to United Rentals (North America), Inc., the issuer of the notes, (ii) the term Holdings refers to United Rentals, Inc., the parent company of URI and the guarantor of the notes, and (iii) the terms United Rentals, we, us, our, our company, or the company refer to Holdings and its subsidiaries.

The Company

United Rentals is the largest equipment rental company in North America. We offer for rent over 600 types of equipment everything from heavy machines to hand tools through our network of more than 730 rental locations in the United States, Canada and Mexico. We currently serve approximately 1.9 million customers including construction and industrial companies, manufacturers, utilities, municipalities, homeowners and others.

Our fleet of rental equipment, the largest in the world, includes over 500,000 units having an original purchase price of approximately $3.7 billion. The fleet includes:

General construction and industrial equipment, such as backhoes, skid-steer loaders, forklifts, earthmoving equipment, material handling equipment, compressors, pumps and generators;

Aerial work platforms, such as scissor lifts and boom lifts;

General tools and light equipment, such as power washers, water pumps, heaters and hand tools;

Trench safety equipment for below ground work, such as trench shields, aluminum hydraulic shoring systems, slide rails, crossing plates, construction lasers and line testing equipment; and

Traffic control equipment, such as barricades, cones, warning lights, message boards and pavement marking systems.

In addition to renting equipment, we sell used rental equipment, act as a dealer for new equipment and sell related contractor supplies, parts and service.

Our principal executive offices are located at Five Greenwich Office Park, Greenwich, Connecticut 06830, and our telephone number is (203) 622-3131.

Table of Contents

The Offering

Securities Offered Under This Prospectus

United Rentals (North America), Inc., previously issued $143,750,000 aggregate principal amount of 1- $^{7}/8$% Convertible Senior Subordinated Notes due October 15, 2023. The notes are convertible, under specified circumstances, into the common stock of United Rentals, Inc. The selling security holders may, from time to time, use this prospectus to resell the notes held by them and/or any shares of common stock acquired upon conversion of the notes.

Use of Proceeds

The notes and shares of common stock covered by this prospectus are being offered by certain selling security holders and not by our company. Consequently, our company will not receive any proceeds from the sale of these notes and shares.

Summary of Terms of the Notes

Interest	The notes bear interest at the rate of 1- $^{7}/8$% per annum. We will pay interest on the notes on April 15 and October 15 of each year, commencing April 15, 2004.
Maturity	The notes will mature on October 15, 2023.
Conversion	Unless we have previously redeemed or repurchased the notes, you will have the right, at your option, to convert your notes, in whole or in part, into shares of common stock of Holdings prior to maturity, subject to adjustments described herein, at a rate of 38.9520 shares of common stock per $1,000 principal amount of notes (which is equivalent to a conversion price of approximately $25.67 per share) as follows:

- if, on or prior to October 15, 2022, the closing price of Holdings common stock for at least 20 trading days in the period of the 30 consecutive trading days ending on the last trading day of any fiscal quarter is more than 125% of the then current conversion price of the notes, then you will have such conversion right in the following fiscal quarter;

- if, on any date after October 15, 2022, the closing price of Holdings common stock is more than 125% of the then current conversion price of the notes, then you will have such conversion right at all times thereafter;

- if we elect to call the notes for redemption on or after October 20, 2010, you will have the right to convert the notes (or the portion of the notes called for redemption, if less than all) until the close of business on the trading day prior to the redemption date;

if Holdings distributes to all or substantially all holders of its common stock rights, options or warrants entitling them to purchase its common stock at less than the closing sale price of

Table of Contents

its common stock on the day preceding the declaration of such distribution, then, once Holdings has given notice of such distribution, you will have such conversion right until a specified date unless you may participate in the distribution without converting;

if Holdings distributes to all or substantially all holders of its common stock cash, assets, debt securities or capital stock, which distribution has a per share value as determined by the board of directors of Holdings exceeding 5% of the closing sale price of Holdings common stock on the day preceding the declaration of such distribution, then, once Holdings has given notice of such distribution, you will have such conversion right until a specified date unless you may participate in the distribution without converting; or

if URI or Holdings becomes a party to a consolidation, merger or sale of all or substantially all of our or its assets that constitutes a fundamental change as defined in Description of Notes Repurchase at Option of Holders Upon a Fundamental Change, or such an event occurs that would have been a fundamental change but for certain exceptions to the definition of fundamental change as specified in Description of Notes Conversion Rights, then you will have such conversion right beginning 15 days prior to the anticipated effective date of the transaction until 15 days following its effective date.

You may also convert your notes for the five business day period after any five consecutive trading-day period in which the average trading prices for the notes for such five trading day period is less than 95% of the average conversion value (as defined below) for the notes during that period. However, the conversion right under this paragraph is subject to the following limitation. If, at the time of conversion, the closing sale price of a share of Holdings common stock is greater than the then current conversion price of the notes and less than or equal to 125% of the then current conversion price of the notes, you will not be entitled to receive the shares into which the notes are convertible. Instead, we will at our option pay you cash or common stock with a value equal to the principal amount of your notes on such conversion date, provided that for a conversion on or after October 20, 2010 we will not have the option to pay you in common stock. If we elect to pay you in common stock, the common stock will be valued at 100% of the average closing sale price for the five trading days ending on the third trading day preceding the conversion date. For purposes of the foregoing, the conversion value as of a given day equals the number of shares of common stock that would be received upon conversion of a note in the principal amount of $1,000 at the conversion rate then in effect *multiplied* by the closing price of Holding s common stock on such date.

6

Table of Contents

Guarantee	The notes are guaranteed on a senior unsecured subordinated basis by Holdings.
Ranking	The notes are unsecured senior subordinated obligations of URI. The ranking of the notes is as follows: the notes are junior to any existing and future senior indebtedness of URI, and the guarantee is junior to any existing and future senior indebtedness of the guarantor; the notes rank equally with all existing and future unsecured senior subordinated indebtedness of URI, and the guarantee ranks equally with all unsecured senior subordinated indebtedness of the guarantor; the notes rank senior to any existing and future subordinated indebtedness of URI, and the guarantee ranks senior to any existing and future subordinated indebtedness of the guarantor; and the notes are effectively junior to all indebtedness and other obligations, including trade payables, of all our subsidiaries. As of March 31, 2004, as adjusted to give effect to the transactions described under Recent Financing Transactions : URI had outstanding an aggregate of approximately $1,809 million of senior indebtedness that is senior to the notes, including approximately $779 million of secured indebtedness; Holdings had guaranteed on a senior unsecured basis substantially all of URI s outstanding senior indebtedness; URI s subsidiaries (i) had outstanding an aggregate of approximately $272 million of indebtedness and other obligations that are effectively senior to the notes (excluding obligations to URI and excluding guaranties) and (ii) had guaranteed approximately $2,665 million of URI s obligations; URI had outstanding an aggregate of approximately $900 million of unsecured indebtedness (other than the notes) that ranks equally with the notes.
Optional Redemption by URI	On or after October 20, 2010, we have the option to redeem all or a portion of the notes at 100% of the principal amount of the notes plus accrued interest to the redemption date.
Purchase of the Notes at the Option of the Holder	You may require us to repurchase all or a portion of the notes in cash on each of October 15, 2010, October 15, 2013 and October 15, 2018 at 100% of the principal amount of the notes to be repurchased plus accrued and unpaid interest to the date of repurchase.

Table of Contents

Repurchase at the Option of the Holders Upon a Fundamental Change	Upon a fundamental change (as defined in this prospectus), you will have the right, subject to conditions and restrictions, to require us to repurchase some or all of your notes at a price equal to 100% of the principal amount plus accrued and unpaid interest to the repurchase date.
U.S. Federal Income Taxation	Because the notes are convertible into the common stock of Holdings, rather than that of the issuer, URI, holders will recognize gain or loss upon conversion. See Material United States Federal Income Tax Considerations.
Global Notes; Book-Entry System	We have issued the notes in fully registered form in minimum denominations of $1,000. The notes are evidenced by one or more global notes deposited with the trustee for the notes, as custodian for DTC. Beneficial interests in the global notes will be shown on, and transfers of those beneficial interests can only be made through, records maintained by DTC and its participants.
Listing	The notes are currently eligible for trading on The PORTAL^{SM} Market of the National Association of Securities Dealers, Inc. However, the notes sold by selling security holders pursuant to this prospectus are not expected to remain eligible for trading on The Portal Market. We have not applied, and do not intend to apply, for listing of the notes on any securities exchange or for inclusion of the notes on any automated quotation system.

The common stock of Holdings is traded on the New York Stock Exchange under the symbol URI.

Governing Law	The indenture and the notes are governed by the laws of the State of New York, without regard to the principles of conflicts of law.

8

Table of Contents

RECENT FINANCING TRANSACTIONS

We recently refinanced approximately $2.1 billion of our debt. This refinancing was completed in the first quarter of 2004, except as described below. The purpose of this refinancing was to reduce our interest expense and extend the maturities on a substantial amount of our debt. As part of this refinancing, we:

- obtained a new senior secured credit facility to replace the senior secured credit facility we previously had in place;
- sold $375 million of 7% Senior Subordinated Notes Due 2014;
- sold $1 billion of new 6 $^{1}/2$% Senior Notes Due 2012;
- repaid $639 million of term loans and $52 million of borrowings that were outstanding under our old credit facility;
- repurchased $845 million principal amount of our 10 $^{3}/4$% Senior Notes due 2008, pursuant to a tender offer, for aggregate consideration of $970 million;
- redeemed $300 million principal amount of our outstanding 9 $^{1}/4$% Senior Subordinated Notes due 2009 at an aggregate redemption price of $314 million; and
- redeemed $250 million principal amount of our outstanding 9% Senior Subordinated Notes due 2009 at an aggregate redemption price of $261 million.

The refinancing described above was completed during the first quarter of 2004, except that (i) the redemption of the 9% Senior Subordinated Notes Due 2009 was completed on April 1, 2004 and (ii) a portion of the term loan that is part of the new senior secured credit facility was drawn on April 1, 2004.

The new notes described above were issued by URI and guaranteed by Holdings and, subject to limited exceptions, our domestic subsidiaries.

Table of Contents

RISK FACTORS

In addition to the other information in this document, you should carefully consider the following factors before making an investment decision.

Risks Related to Our Indebtedness

Our substantial indebtedness will require us to devote a substantial portion of our cash flow to debt service and could, among other things, constrain our ability to obtain additional financing and make it more difficult for us to cope with a downturn in our business.

We have a substantial amount of indebtedness. As of March 31, 2004, as adjusted to give effect to the transactions described under Recent Financing Transactions , our total indebtedness was approximately $3,175 million, which includes $222 million in subordinated convertible debentures. Our substantial indebtedness has the potential to affect us adversely in a number of ways. For example, it will or could:

- require us to devote a substantial portion of our cash flow to debt service, reducing the funds available for other purposes;
- constrain our ability to obtain additional financing, particularly since substantially all of our assets are subject to security interests relating to existing indebtedness; or
- make it difficult for us to cope with a downturn in our business or a decrease in our cash flow.

Furthermore, if we are unable to service our indebtedness and fund our business, we will be forced to adopt an alternative strategy that may include:

- reducing or delaying capital expenditures;
- limiting our growth;
- seeking additional capital;
- selling assets; or
- restructuring or refinancing our indebtedness.

Even if we adopt an alternative strategy, the strategy may not be successful and we may continue to be unable to service our indebtedness and fund our business.

Our business could be hurt if we are unable to satisfy the financial tests required by our credit facility and term loan. Furthermore, restrictive covenants could adversely affect our operating results by limiting our flexibility.

Under the agreement governing our senior secured credit facility, we are required to, among other things, satisfy certain financial tests relating to: (a) the interest coverage ratio; (b) the ratio of funded debt to cash flow; (c) the ratio of senior secured debt to tangible assets; and (d) the ratio of senior secured debt to cash flow. If we are unable to satisfy any of these covenants, the lenders could elect to terminate the credit facility and require us to repay the outstanding borrowings under the credit facility. In such event, unless we are able to refinance the indebtedness coming due and replace the credit facility, we would likely not have sufficient liquidity for our business needs and be forced to adopt an alternative strategy as described above under the risk factor that begins Our substantial indebtedness will require us .. . . Even if we adopt an alternative strategy, the strategy may not be successful and we may not have sufficient liquidity for our business.

Table of Contents

We are also subject to various other covenants under the agreements governing our credit facility and other indebtedness. These covenants limit or prohibit, among other things, our ability to incur indebtedness, make prepayments of certain indebtedness, pay dividends, make investments, create liens, make acquisitions, sell assets and engage in mergers and acquisitions. These covenants could adversely affect our operating results by significantly limiting our operating and financial flexibility.

An increase in market interest rates would increase our interest expense and our debt service obligations because some of our debt bears interest at variable rates.

A portion of our indebtedness bears interest at variable rates that are linked to changing market interest rates. As a result, an increase in market interest rates would increase our interest expense and our debt service obligations. At March 31, 2004, as adjusted to give effect to the transactions described under Recent Financing Transactions and taking into account our interest rate swap agreements, we had $2,188.9 million of variable rate indebtedness.

Risks Related to the Notes

The notes and the guarantee are subordinated to URI s and Holdings senior indebtedness. Furthermore, because URI s subsidiaries are not guarantors, the notes are effectively subordinated to all indebtedness and other obligations, including trade payables, of all URI s subsidiaries.

The notes are general unsecured obligations of URI and will be subordinated in right of payment to the prior payment of all current and future senior indebtedness of URI. Likewise, the guarantee of the notes is the general unsecured obligation of Holdings and will be subordinated in right of payment to the prior payment of all current and future senior indebtedness of Holdings. Finally, our subsidiaries are not guarantors of the notes and, as a result, the notes are effectively subordinated to all indebtedness and other obligations, including trade payables, of all our subsidiaries.

The effect of this subordination is that:

- if URI were to undergo a bankruptcy, liquidation, dissolution, reorganization or similar proceeding, URI s assets would be available to pay its obligations on the notes only after all of its senior indebtedness is paid;

- if Holdings were to undergo one of those types of proceedings, its assets would be available to pay its obligations on the guarantee of the notes only after all of its senior indebtedness is paid;

- if any of our subsidiaries were to undergo one of those types of proceedings, its assets would be available to pay the notes only after all its obligations are paid; and

- no cash payments with respect to the notes may be made if a payment default exists with respect to any of URI s senior indebtedness and, under certain circumstances, no cash payments with respect to the notes may be made for a period of up to 179 days (during each period of 360 days) if a non-payment default exists with respect to any of URI s designated senior indebtedness.

As of March 31, 2004, as adjusted to give effect to the transactions described under Recent Financing Transactions :

URI had outstanding an aggregate of approximately $1,809 million of senior indebtedness that is senior to the notes, including approximately $779 million of secured indebtedness;

Holdings had guaranteed on a senior unsecured basis substantially all of URI s outstanding senior indebtedness;

URI s subsidiaries (i) had outstanding an aggregate of approximately $272 million of indebtedness and other obligations that are effectively senior to the notes (excluding obligations to URI and excluding guaranties) and (ii) had guaranteed approximately $2,665 million of URI s obligations;

Table of Contents

URI had outstanding an aggregate of approximately $900 million of unsecured indebtedness (other than the notes) that ranks equally with the notes.

The indenture governing the notes does not limit our ability to incur additional debt. Any new indebtedness (including borrowings under our revolving credit facility) would be treated as senior indebtedness, except for indebtedness that specifically provides that it ranks equal with, or junior to, the notes and the guarantee, as applicable.

The notes and guarantee are unsecured. As a result, holders of our secured indebtedness will have a prior claim on our assets, in addition to the priority that they have by virtue of the subordination provisions described above.

The indenture governing the notes does not limit our ability to incur secured indebtedness. Our secured indebtedness includes all borrowings under our revolving credit facility and our outstanding term loans. If an event of default occurs under our secured indebtedness, the lenders thereunder will have the right to exercise the remedies (such as foreclosure) available to a secured lender under applicable law and the agreements governing such secured indebtedness. Since the notes and the guarantee are unsecured, the effect of such security interest is to give the lenders under such secured indebtedness a prior claim on our assets, in addition to the priority that they have by virtue of the subordination provisions described above.

We cannot assure you that an active trading market will develop for the notes.

We cannot assure you that an active or sustained trading market for the notes will develop or that you will be able to sell your notes.

The trading price of the notes may be volatile.

The trading price of the notes could be subject to significant fluctuation and future trading prices of the notes will depend on many factors, including, among other things, prevailing interest rates, our operating results, the price of Holdings common stock, the market for similar securities, securities analysts recommendations regarding our securities and general economic conditions. Additionally, it is possible that the market for the notes will be subject to disruptions which may have a negative effect on the holders of the notes, regardless of our prospects or financial performance.

URI has a holding company structure and will depend on distributions from its subsidiaries in order to pay the notes and certain provisions of law or contractual restrictions could limit distributions from its subsidiaries.

URI derives substantially all its operating income from, and holds substantially all its assets through, its subsidiaries. The effect of this structure is that URI will depend on the earnings of its subsidiaries, and the payment or other distribution to URI of these earnings, in order to meet its obligations under the notes and other outstanding debt. Provisions of law, such as those requiring that dividends be only paid from surplus, could limit the ability of URI s subsidiaries to make payments or other distributions to URI. Furthermore, these subsidiaries could agree to contractual restrictions on their ability to make distributions.

The guarantee of the notes by Holdings does not give noteholders a claim to significant assets other than those to which they already have a claim as direct creditors of URI. Furthermore, substantially all of Holdings assets are subject to an existing security interest, which gives certain of our lenders a priority claim to such assets.

The notes are guaranteed by Holdings. However, substantially all of Holdings net worth is attributable to the stock of URI owned by Holdings. Consequently, the Holdings guarantee does not give noteholders a claim to

Table of Contents

significant assets other than those to which they already have a claim as direct creditors of URI. Furthermore, substantially all of Holdings assets are subject to a security interest in favor of the lenders that have provided our credit facilities, which give these lenders a priority claim to such assets.

The notes are convertible into Holdings common stock only upon the occurrence of certain conditions. Accordingly, you may not be able to receive the value of Holdings common stock into which the notes are convertible.

The notes are convertible into Holdings common stock only if specified conditions are met. If the specified conditions for conversion are not met, you may not be able to receive the value of Holdings common stock into which the notes would otherwise be convertible.

We will be required to make an offer to repurchase the notes on specified dates and upon the occurrence of specified fundamental changes. However, we may be unable to do so due to lack of funds or covenant restrictions.

We will be required to make an offer to repurchase the notes on each of October 15, 2010, October 15, 2013 and October 15, 2018. In addition, we will be required to make an offer to repurchase the notes upon the occurrence of certain specific kinds of fundamental changes. However, we may be unable to repurchase the notes because:

- we might not have enough available funds, particularly since a fundamental change could cause part or all of our other indebtedness to become due; and

- the agreements governing our credit facilities and other senior indebtedness would prohibit us from repurchasing the notes, unless we were able to obtain a waiver or refinance such indebtedness.

Certain important corporate events will not constitute a fundamental change for purposes of the notes. Upon the occurrence of such events, we will not be required to offer to repurchase your notes.

Certain important corporate events, such as a leveraged recapitalization, that would increase our indebtedness will not constitute a fundamental change for purposes of the notes and, upon the occurrence of such events, we will not be required to make an offer to repurchase the notes.

The fundamental change provision of the indenture governing the notes may deter potential acquirers and will restrict our ability to effect certain types of recapitalization transactions.

Under the indenture governing the notes, we are required to offer to purchase all of the outstanding notes for cash upon the occurrence of certain fundamental changes. This provision could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, us. For example, a potential acquirer could not issue a combination of stock and cash in exchange for all of our outstanding shares of our common stock without triggering the fundamental change provision. In addition, this fundamental change provision will limit our ability to effect certain types of recapitalization structures.

The value of the conversion rights associated with the notes may be substantially lessened or eliminated if Holdings is a party to a merger, consolidation or other similar transaction.

If Holdings is a party to a consolidation, merger or transfer or lease of all or substantially all of its assets pursuant to which its common stock would be converted into cash, securities or other assets, the notes would become convertible solely into such cash, securities or other assets. As a result, the value of the conversion rights associated with the notes may be substantially lessened or eliminated because you would no longer be able to convert your notes into shares of Holdings common stock in the future.

Table of Contents

Our reported earnings per share may be more volatile because of the contingent conversion provision of the notes.

Holders of the notes are generally entitled to convert the notes into common stock, if:

- the price of Holdings common stock issuable upon conversion of a note reaches a specified threshold;
- specified corporate transactions occur; or
- the trading price of the notes falls below certain thresholds.

Until one of these contingencies is met, the shares underlying the notes are not included in the calculation of our basic or fully diluted earnings per share. Should a contingency be met, fully diluted earnings per share would be expected to decrease as a result of the inclusion of the underlying shares in the calculation of fully diluted earnings per share. Volatility in Holdings stock price could cause this contingency to be met in one quarter and not in a subsequent quarter, increasing the volatility of our fully diluted earnings per share.

Risks Related to the Common Stock of Holdings

Conversion of the notes would dilute the ownership interest of Holdings existing stockholders. Furthermore, the sale of shares of common stock issued upon conversion of the notes could adversely affect the market price of the common stock.

The conversion of some or all of the notes would dilute the ownership interests of Holdings existing stockholders. Any sales in the public market of Holdings common stock issuable upon such conversion could adversely affect the prevailing market prices of Holdings common stock. In addition, the existence of the notes may encourage short selling by market participants because the conversion of the notes could depress the price of Holdings common stock.

Absence of dividends could reduce Holdings attractiveness to investors.

Holdings has never paid any dividends on its common stock and has no plans to pay any such dividends in the foreseeable future. Furthermore, certain of the agreements governing Holdings outstanding indebtedness prohibit Holdings from paying dividends on the common stock of Holdings or restrict our ability to pay such dividends. As a result, the stock of Holdings may be less attractive to certain investors than the stock of dividend-paying companies.

Possible volatility of the price of Holdings common stock increases the risk of your investment.

Numerous factors may significantly affect the market price for the common stock of Holdings. Such factors include the growth and expansion of our business, trends and uncertainties affecting the equipment rental industry as a whole, issuances and repurchases of common stock, quarterly variations in our operating results or the operation results of our competitors, investors expectations of our prospects, changes in earnings estimates by analysts or reported results that may vary materially from such estimates and general economic and other conditions, including the cyclical nature of our business. In addition, in recent years the stock market has experienced extreme price fluctuations. This volatility has had a substantial effect on the market prices of securities issued by many companies for reasons unrelated to the operating performance of the specific companies. These broad market fluctuations may adversely affect the market price of Holdings common stock.

In addition, the price of the common stock of Holdings could be affected by possible sales of Holdings common stock by investors who view the notes as a more attractive means of equity participation in our company

and by hedging or arbitrage trading activity that may develop involving Holdings common stock. This hedging or arbitrage could, in turn, affect the trading prices of the notes.

Table of Contents

Shares eligible for future sale could adversely affect the market price of Holdings common stock.

If the stockholders of Holdings sell substantial amounts of its common stock (including shares issued upon exercise of warrants, options or convertible securities), the market price of its common stock could fall. Subject to certain lock-up agreements entered into by our officers and directors, substantially all of the outstanding shares of Holdings common stock may be sold in the public market.

The stockholders rights plan of Holdings and anti-takeover provisions in its charter and bylaws could limit the share price of the common stock of Holdings and deter a third party from acquiring us.

The stockholders rights plan of Holdings, which is described under Description of Capital Stock Stockholders Rights Plan, could make it difficult for a third party to acquire Holdings without the consent of the incumbent board of directors. Furthermore, certain provisions of the Certificate of Incorporation and By-laws of Holdings, as well as applicable Delaware law, could also make it difficult for a third party to acquire Holdings without the consent of the incumbent board. These provisions provide, among other things, that:

- the directors of our company (other than directors elected by the holders of our outstanding preferred stock) are divided into three classes, with directors of each class serving for a staggered three-year period;
- directors may be removed only for cause and only upon the affirmative vote of at least $66\,^2/3\%$ of the voting power of all the then outstanding shares of stock entitled to vote;
- stockholders may not act by written consent;
- stockholder nominations and proposals may only be made if specified advance notice requirements are complied with;
- stockholders are precluded from calling a special meeting of stockholders;
- the board of directors has the authority to issue shares of preferred stock in one or more series and to fix the powers, preferences and rights of any such series without stockholder approval; and
- the holders of our Series C preferred stock would have the right, following completion of specified hostile change of control transactions, to elect a majority of our board of directors and the Series C Preferred Stock would begin to accrue significant dividends.

The stockholders rights plan and these provisions could:

- have the effect of delaying, deferring or preventing a change of control that may be in the best interests of the stockholders and that the stockholders may favor;
- discourage bids for the common stock of Holdings at a premium over the market price; and

impede the ability of the holders of the common stock of Holdings to change our management.

Risks Related to Our Business

Our operating results may fluctuate, which could affect the trading value of the notes or our common stock.

We expect that our revenues and operating results may fluctuate from quarter to quarter or over the longer term, which could adversely affect the trading value of the notes or our common stock. Factors that might cause such fluctuations, include:

seasonal rental patterns of our customers, with rental activity tending to be lower in the winter;

completion of acquisitions;

Table of Contents

- changes in the amount of revenue relating to renting traffic control equipment, since revenues from this equipment category tend to be more seasonal than the rest of our business;

- changes in the size of our rental fleet or in the rate at which we sell our used equipment;

- changes in government spending for infrastructure projects;

- changes in demand for our equipment or the prices thereof due to changes in economic conditions, competition or other factors;

- changes in the interest rates applicable to our floating rate debt;

- increases in costs (including the cost of fuel which has recently fluctuated significantly and which may continue to fluctuate significantly);

- if we determine that a potential acquisition will not be consummated, the need to charge against earnings any expenditures relating to such transaction (such as financing commitment fees, merger and acquisition advisory fees and professional fees) previously capitalized; and

- the possible need, from time to time, to take goodwill write-offs as described below or other write-offs or special charges due to a variety of occurrences such as the adoption of new accounting standards, store consolidations or closings, the refinancing of existing indebtedness, the impairment of assets or the buy-out of equipment leases.

If we are unable to obtain additional capital as required, we may be unable to fund the capital outlays required for the success of our business, including those relating to purchasing equipment, making acquisitions, opening new rental locations and refinancing existing indebtedness.

If the cash that we generate from our business, together with cash that we may borrow under our credit facility, is not sufficient to fund our capital requirements, we will require additional debt and/or equity financing. However, we may not succeed in obtaining the requisite additional financing on terms that are satisfactory to us or at all. If we are unable to obtain sufficient additional capital in the future, we may be unable to fund the capital outlays required for the success of our business, including those relating to purchasing equipment, making acquisitions, opening new rental locations and refinancing existing indebtedness.

Decreases in construction and industrial activities could adversely affect our revenues and operating results by decreasing the demand for our equipment or the prices that we can charge.

Our general rental equipment is principally used in connection with construction and industrial activities and our traffic control equipment is principally used in connection with the construction or repair of roads and bridges and similar infrastructure projects. Weakness in our end markets, such as a decline in construction or industrial activity or a reduction in infrastructure projects, may lead to a decrease in the demand for our equipment or the prices that we can charge. Any such decrease could adversely affect our operating results by decreasing revenues and gross profit margins. For example, there were significant declines in nonresidential construction activity in 2002 and 2003 and reductions in government spending on infrastructure projects in several key states. This weakness in our end markets adversely affected our results in 2002, 2003 and the first quarter of 2004 as described in our Annual Report on Form 10-K for 2003 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.

We have identified below certain factors that may cause further weakness in our end markets, either temporarily or long-term:

- continuation of weakness in the economy or the onset of a recession;
- an increase in the cost of construction materials;
- reductions in government spending for roads, bridges and other infrastructure projects;
- an increase in interest rates;
- adverse weather conditions which may temporarily affect a particular region; or

Table of Contents

terrorism or hostilities involving the United States.

If we lose any member of our senior management team and are unable to find a suitable replacement, we may not have the depth of senior management resources required to efficiently manage our business and execute our growth strategy.

Our success is highly dependent on the experience and skills of our senior management team. If we lose the services of any member of this team and are unable to find a suitable replacement, we may not ha