

UNITED RENTALS INC /DE
Form S-3/A
April 05, 2004
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As filed with the Securities and Exchange Commission on April 5, 2004

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

06-1522496

06-1493538

(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.

Ehrenreich Eilenberg & Krause LLP

11 East 44th Street

New York, NY 10017

(212) 986-9700

Malcolm E. Landau, Esq.

Weil Gotshal & Manges LLP

767 Fifth Avenue

New York, NY 10153

(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.

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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: "

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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.

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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 MARCH 31, 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

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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 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

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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.

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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. Our customers include construction and industrial companies, manufacturers, utilities, municipalities, homeowners and others. In 2003, we added 200,000 new customers, increasing our total customer base to 1.9 million, and generated revenues of approximately \$2.9 billion.

Our fleet of rental equipment, the largest in the world, includes over 500,000 units having a total original purchase price of approximately \$3.5 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 pressure washers, water pumps, heaters and hand tools;

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

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.

In addition to renting equipment, we sell used rental equipment, act as a dealer for new equipment and sell related merchandise and 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.

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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;

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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 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

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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 Holdings' common stock on such date.

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 December 31, 2003, as adjusted to give effect to the transactions described under Recent Financing Transactions :

URI had outstanding an aggregate of approximately \$1,903.5 million of senior indebtedness that is senior to the notes, including approximately \$877.5 million of secured indebtedness;

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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 \$171 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 \$2,760 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.

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.

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Listing	<p>The notes are currently eligible for trading on The PORTALSM 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.</p> <p>The common stock of Holdings is traded on the New York Stock Exchange under the symbol URI.</p>
Governing Law	<p>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.</p>

RECENT FINANCING TRANSACTIONS

In the first quarter of 2004, we refinanced approximately \$2.1 billion of our debt. 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

called for redemption \$250 million principal amount of our outstanding 9% Senior Subordinated Notes due 2009 at an aggregate redemption price of \$261 million (with such redemption scheduled to be completed 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.

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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 December 31, 2003, as adjusted to give effect to the transactions described under **Recent Financing Transactions**, we would have had \$3 billion of indebtedness. 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 agreements 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

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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.

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 December 31, 2003, as adjusted to give effect to the transactions described under Recent Financing Transactions and taking into account our interest rate swap agreements, we had \$2,042.4 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;

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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

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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 December 31, 2003, as adjusted to give effect to the transactions described under "Recent Financing Transactions" :

URI had outstanding an aggregate of approximately \$1,903.5 million of senior indebtedness that is senior to the notes, including approximately \$877.5 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 \$171 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 \$2,760 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.

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,

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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 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

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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.

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.

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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.

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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.

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.

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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;

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completion of acquisitions;

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 tends 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, the buy-out of equipment leases or the accelerated vesting of restricted stock awards.

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

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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 and 2003 as described in our Annual Report on Form 10-K for 2003.

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;

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

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 have the depth of senior management resources required to efficiently manage our business and execute our strategy. We do not maintain key man life insurance on the lives of members of senior management.

Our industry is highly competitive, and competitive pressures could lead to a decrease in our market share or in the prices that we can charge.

The equipment rental industry is highly fragmented and competitive. Our competitors primarily include small, independent businesses with one or two rental locations, regional competitors which operate in one or more states, public companies or divisions of public companies, and equipment vendors and dealers who both sell and rent equipment directly to customers. We may in the future encounter increased competition from our existing competitors or from new companies. Competitive pressures could adversely affect our revenues and operating results by decreasing our market share or depressing the prices that we can charge.

We have made acquisitions, which entails certain risks. It is possible that we will not realize the expected benefits from our acquisitions or that our existing operations will be harmed as a result of acquisitions.

We have grown in part through acquisitions and may continue to do so. We will consider potential acquisitions of varying sizes and may, on a selective basis, pursue acquisitions or consolidation opportunities involving other public companies or large privately-held companies. We expect to pay for future acquisitions using cash, capital stock, notes and/or assumption of indebtedness. To the extent that our existing sources of cash are not sufficient to fund future acquisitions, we will require additional debt or equity financing and, consequently, our

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indebtedness may increase as we implement our growth strategy. The making of acquisitions entails certain risks, including:

unrecorded liabilities of acquired companies that we fail to discover during our due diligence investigations;

difficulty in assimilating the operations and personnel of the acquired company with our existing operations or in maintaining uniform standards; and

loss of key employees of the acquired company.

Goodwill related to acquisitions represents a substantial portion of our total assets. If the fair value of the goodwill should drop below the recorded value, we would be required to write off the excess goodwill. Any write-off would reduce our total assets and stockholders equity and be a charge against income.

On December 31, 2003, we had on our balance sheet goodwill in the amount of \$1,437.8 million, which represented approximately 30% of our total assets at such date. This goodwill is an intangible asset and represents the excess of the purchase price that we paid for acquired businesses over the estimated fair value of the net assets of those businesses. We are required to test our goodwill for impairment at least annually. In general, this means that we must determine whether the fair value of the goodwill, calculated in accordance with applicable accounting standards, is at least equal to the recorded value shown on our balance sheet. If the fair value of the goodwill is less than the recorded value, we are required to write off the excess goodwill as an expense. Any write-off would reduce our total assets and stockholders equity and be a charge against income.

We test for goodwill impairment on a branch-by-branch basis rather than on an aggregate basis. This means that a goodwill write-off is required even if only one or a limited number of our branches has impairment as of the annual date of testing or at any other date when an indicator of impairment may exist and even if there is no impairment for all our branches on an aggregate basis. In addition, we assess impairment solely on the basis of recent historical performance and without reference to expected future performance. This means that, if the historical data for a branch indicates impairment, a goodwill write-off is required even when we believe that branch's future performance will be significantly better. The fact that we test for impairment on a branch-by-branch basis and use only historical financial data in assessing impairment increases the likelihood that we will be required to take additional non-cash goodwill write-offs in the future.

Disruptions in our information technology systems could adversely affect our operating results by limiting our capacity to effectively monitor and control our operations.

Our information technology systems facilitate our ability to monitor and control our operations and adjust to changing market conditions. Any disruptions in these systems or the failure of these systems to operate as expected could, depending on the magnitude of the problem, adversely affect our operating results by limiting our capacity to effectively monitor and control our operations and adjust to changing market conditions.

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We are exposed to various possible claims relating to our business, and our insurance may not fully protect us.

We are exposed to various possible claims relating to our business. These possible claims include those relating to (1) personal injury or death caused by equipment rented or sold by us, (2) motor vehicle accidents involving our delivery and service personnel and (3) employment related claims. We carry a broad range of insurance for the protection of our assets and operations. However, such insurance may not fully protect us for a number of reasons, including:

our coverage is subject to deductibles of \$2 million for general liability, \$2 million for workers compensation and \$3 million for automobile liability and limited to a maximum of \$100 million per occurrence;

we do not maintain coverage for environmental liability (other than legally required fuel storage tank coverage), since we believe that the cost for such coverage is high relative to the benefit that it provides; and

certain types of claims, such as claims for punitive damages or for damages arising from intentional misconduct, which are often alleged in third party lawsuits, might not be covered by our insurance.

If we are found liable for any significant claims that are not covered by insurance, our operating results could be adversely affected because our expenses related to claims would increase. It is possible that some or all of the insurance that is currently available to us will not be available in the future on economically reasonable terms or at all.

We are subject to numerous environmental and safety regulations. If we are required to incur compliance or remediation costs that are not currently anticipated our operating results could be hurt.

Our operations are subject to numerous laws governing environmental protection and occupational health and safety matters. These laws regulate such issues as wastewater, stormwater, solid and hazardous wastes and materials, and air quality. Under these laws, we may be liable for, among other things, (1) the costs of investigating and remediating contamination at our sites as well as sites to which we sent hazardous wastes for disposal or treatment regardless of fault and (2) fines and penalties for non-compliance. Our operations generally do not raise significant environmental risks, but we use hazardous materials to clean and maintain equipment, and dispose of solid and hazardous waste and wastewater from equipment washing, and store and dispense petroleum products from underground and above-ground storage tanks located at certain of our locations.

Based on the conditions currently known to us, we do not believe that any pending or likely remediation and compliance costs will have a material adverse effect on our business. We cannot be certain, however, as to the potential financial impact on our business if new adverse environmental conditions are discovered or environmental and safety requirements become more stringent. If we are required to incur environmental compliance or remediation costs that are not currently anticipated by us, our operating results could be adversely affected depending on the magnitude of the cost.

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Labor disputes could disrupt our ability to serve our customers or lead to higher labor costs.

We have approximately 1,200 employees that are represented by unions and covered by collective bargaining agreements. If we should experience a prolonged labor dispute involving a significant number of our employees, our ability to serve our customers could be adversely affected. Furthermore, our labor costs could increase as a result of the settlement of actual or threatened labor disputes.

We have estimated the maintenance costs of our fleet based on its weighted average age. If our estimates are wrong, our operating results could be adversely affected because our maintenance expenses would be higher than anticipated.

In determining the optimal age for our fleet, we have made estimates concerning the relationship between the age of our fleet and required maintenance costs. If our estimates are wrong, our operating results could be adversely affected because our maintenance expenses would be higher than anticipated.

We have operations outside the United States. As a result, we may incur losses from currency conversions and have higher costs than we otherwise would have due to the need to comply with foreign laws.

Our operations in Canada and Mexico are subject to the risks normally associated with international operations. These include (1) the need to convert currencies, which could result in a gain or loss depending on fluctuations in exchange rates, (2) the need to comply with foreign laws and (3) the possibility of political or economic instability in foreign countries.

Table of Contents**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.

RATIO OF EARNINGS TO FIXED CHARGES

The table below shows our company's ratio of earnings to fixed charges for each of the periods indicated. For purposes of calculating this ratio: (i) earnings consist of income before income taxes and extraordinary items plus fixed charges (but only to the extent that fixed charges were deducted in calculating income) and (ii) fixed charges consist of interest expensed and capitalized; amortized premiums, discounts and capitalized expenses related to indebtedness; and the Company's estimate of the interest portion of rental expense.

Year Ended December 31,				
1999	2000	2001	2002	2003
2.5x	2.0x	1.6x	(1)	(2)

(1) The ratio for 2002 was less than 1x. The amount of the deficiency was approximately \$101.4 million.

(2) The ratio for 2003 was less than 1x. The amount of the deficiency was approximately \$326.5 million.

DESCRIPTION OF NOTES

United Rentals (North America), Inc. (the *Company*) issued the 1-7/8% Convertible Senior Subordinated Notes due October 15, 2023 under an Indenture dated as of October 31, 2003 between the Company, United Rentals, Inc. (*Holdings*) and The Bank of New York, as Trustee (the *Indenture*). The terms of the notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act.

Certain terms used in this description are defined under the subheading *Certain Definitions*. In this description, (1) the words *Company*, *we*, *us*, and *our* refer only to United Rentals (North America), Inc. and not to any of its subsidiaries or Holdings and (2) the words *common stock* refer to the common stock, par value \$0.01 per share, of Holdings, the parent company of the Company.

The following description is only a summary of the material provisions of the agreements governing the notes. We urge you to read these agreements, which are filed as exhibits to the registration statement of which this prospectus forms a part, because they, not this description, define your rights as holders of these notes. You may request copies of these agreements by contacting us at: United Rentals (North America), Inc., Attention: Corporate Secretary, Five Greenwich Office Park, Greenwich, Connecticut 06830, telephone number: (203) 622-3131.

Brief Description of Notes

The notes:

are unsecured senior subordinated obligations of the Company;

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are subordinated in right of payment to all existing and future Senior Indebtedness of the Company;

are senior in right of payment to any future Subordinated Indebtedness of the Company;

are guaranteed on a senior subordinated basis by Holdings; and

are convertible into shares of common stock of Holdings.

As described below under **Conversion Rights** you may convert the notes into shares of Holdings common stock, subject to certain conditions, at the initial conversion rate of 38.9520 shares per each \$1,000 principal amount of notes, unless the notes have been previously redeemed, purchased or repurchased. The conversion rate may be adjusted as described below.

On or after October 20, 2010, we have the option to redeem all or any portion of the notes at 100% of the principal amount of the notes as described below under **Optional Redemption by the Company**.

You may require us to purchase all or a portion of your 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 as described below under **Purchase of Notes at the Option of the Holder**.

If we experience a **Fundamental Change** (as defined below), you will have the right to require us to repurchase your notes as described below under **Repurchase at Option of Holders Upon a Fundamental Change**. Holders of notes submitted for repurchase will be entitled to convert the notes up to and including the second Trading Day immediately preceding the date fixed to repurchase.

Neither the Company nor Holdings is restricted from paying dividends, incurring debt, or issuing or repurchasing its securities under the Indenture. In addition, there are no financial covenants in the Indenture. You are not protected under the Indenture in the event of a highly leveraged transaction or a change of control of the Company or Holdings except to the extent described under **Repurchase at Option of Holders Upon a Fundamental Change**.

Maturity, Interest and Principal

The Company issued the notes in an aggregate principal amount of \$143.75 million, in denominations of \$1,000 and any integral multiple of \$1,000. The notes will mature on October 15, 2023.

Interest on the notes will accrue at the rate of 1-7/8% per annum and will be payable semi-annually in arrears on April 15 and October 15, commencing on April 15, 2004. Interest on the notes will accrue from the most recent date to which interest has been paid, or if no interest has been paid, from October 31, 2003. Interest will be computed on the basis of a 360-day year constituted of twelve 30-day months.

As described below under Registration Rights, additional interest may accrue on the notes in certain circumstances pursuant to the terms of a Registration Rights Agreement entered into in connection with the issuance of the notes. All references in the Indenture, in any context, to any interest or other amount payable on or with respect to the notes shall be deemed to include any additional interest pursuant to the Registration Rights Agreement.

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Form, Denomination, Transfer, Exchange and Book-Entry Procedures

The notes were issued:

only in fully registered form,

without interest coupons, and

in denominations of \$1,000 and integral multiples of \$1,000.

The notes are evidenced by one or more global notes, which have been deposited with the trustee as custodian for DTC and registered in the name of Cede & Co., or Cede, as nominee of DTC. The global note and any notes issued in exchange for the global note are subject to restrictions on transfer and will bear a legend regarding those restrictions. Except as set forth below, record ownership of the global note may be transferred, in whole or in part, only to another nominee of DTC or to a successor of DTC or its nominee.

The global note will not be registered in the name of any person, or exchanged for notes that are registered in the name of any person, other than DTC or its nominee unless one or more of the following events occurs:

DTC notifies us that it is unwilling, unable or no longer qualified to continue acting as the depository for the global note,

we, at our option, notify the trustee in writing that we elect to cause the issuance of the notes in certificated form, or

an event of default with respect to the notes represented by the global note has occurred and is continuing.

In those circumstances, DTC will determine in whose names any securities issued in exchange for the global note will be registered.

Unless we elect to cause the issuance of the notes in certificated form, DTC or its nominee will be considered the sole owner and holder of the global note for all purposes, and as a result:

you cannot get notes registered in your name if they are represented by the global note,

you cannot receive physical certificated notes in exchange for your beneficial interest in the global notes,

you will not be considered to be the owner or holder of the global note or any note it represents for any purpose, and

all payments on the global note will be made to DTC or its nominee.

The laws of some jurisdictions require that certain kinds of purchasers, such as insurance companies, can only own securities in definitive, certificated form. These laws may limit your ability to transfer your beneficial interests in the global note to these types of purchasers.

Only institutions, such as a securities broker or dealer, that have accounts with DTC or its nominee (called participants) and persons that may hold beneficial interests through participants can own a beneficial interest in the global note. The only place where the ownership of

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beneficial interests in the global note will appear and the only way the transfer of those interests can be made will be on the records kept by DTC (for their participants' interests) and the records kept by those participants (for interests of persons held by participants on their behalf).

Secondary trading in bonds and notes of corporate issuers is generally settled in clearinghouse (that is, next-day) funds. In contrast, beneficial interests in a global note usually trade in DTC's same-day funds settlement system, and settle in immediately available funds. We make no representations as to the effect that settlements in immediately available funds will have on trading activity in those beneficial interests.

We will make cash payments of interest on and principal of the redemption price, purchase price and the repurchase price of the global note, as well as any payment of additional interest, to Cede, the nominee for DTC, as the registered owner of the global note. We will make these payments by wire transfer of immediately available funds on each payment date.

We have been informed that DTC's practice is to credit participants' accounts on the payment date with payments in amounts proportionate to their respective beneficial interests in the notes represented by the global note as shown on DTC's records, unless DTC has reason to believe that it will not receive payment on that payment date. Payments by participants to owners of beneficial interests in notes represented by the global note held through participants will be the responsibility of those participants, as is now the case with securities held for the accounts of customers registered in street name.

We understand that neither DTC nor Cede will consent or vote with respect to the notes. We have been advised that under its usual procedures, DTC will mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns Cede's consenting or voting rights to those participants to whose accounts the notes are credited on the record date identified in a listing attached to the omnibus proxy.

Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having a beneficial interest in the principal amount represented by the global note to pledge the interest to persons or entities that do not participate in the DTC bookentry system, or otherwise take actions in respect of that interest, may be affected by the lack of a physical certificate evidencing its interest.

DTC has advised us that it will take any action permitted to be taken by a holder of notes, including the presentation of notes for exchange, only at the direction of one or more participants to whose account with DTC interests in the global note are credited and only in respect of such portion of the principal amount of the notes represented by the global note as to which such participant or participants has or have given such direction.

DTC has also advised us as follows:

DTC is a limited purpose trust company organized under the laws of the State of New York, member of the Federal Reserve System, clearing corporation within the meaning of the Uniform Commercial Code, as amended, and clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act,

DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants,

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participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations,

certain participants, or their representatives, together with other entities, own DTC, and

indirect access to the DTC System is available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

The policies and procedures of DTC, which may change periodically, will apply to payments, transfers, exchanges and other matters relating to beneficial interests in the global note. We, Holdings and the trustee have no responsibility or liability for any aspect of DTC's or any participants records relating to beneficial interests in the global note, including for payments made on the global note. Further, we, Holdings and the trustee are not responsible for maintaining, supervising or reviewing any of those records.

Conversion Rights

The conversion rate is 38.9520 shares per each \$1,000 principal amount of notes, subject to adjustment as specified below. The initial conversion rate is equivalent to a conversion price of approximately \$25.67. The conversion price is equal to \$1,000 principal amount of notes divided by the conversion rate.

You will have the right to convert any portion of the principal amount of any note that is an integral multiple of \$1,000 into shares of Holdings common stock 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 Price of its common stock on the day preceding the declaration for such distribution, except with respect to existing or future stockholders rights plans, you will have such conversion right in the period described below,

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 Price

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of Holdings common stock on the day preceding the declaration of such distribution, then you will have such conversion right in the period described below, or

if the Company or Holdings becomes a party to a consolidation, merger or sale of all or substantially all of its assets that constitutes a Fundamental Change as defined below under the heading Repurchase at Option of Holders Upon a Fundamental Change or such an event occurs that would have been a Fundamental Change but for the exceptions to the definition of Fundamental Change described below under the same heading in the two bullet point clauses immediately following paragraph (5).

In the case of the fourth and fifth bullet points above, we must notify holders of notes at least 20 days prior to the ex-dividend date for such distribution. Once we have given such notice, holders may surrender their notes for conversion at any time until the earlier of the close of business on the business day prior to the ex-dividend date or our announcement that such distribution will not take place. If in the future Holdings adopts another stockholder rights plan, or amends or issues additional rights under its existing stockholder rights plan, you will not have any conversion right pursuant to the fourth bullet point above or otherwise, solely as a result of the issuance of rights pursuant to the stockholder rights plan. In the case of a distribution identified in the fourth or fifth bullets above, the ability of a holder of notes to convert would not be triggered if the holder may participate in the distribution without converting. In the case of the sixth bullet point above, a holder may surrender notes for conversion at any time from and after the date which is 15 days prior to the anticipated effective date of the transaction until 15 days after the actual date of the transaction.

You also may 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 was less than 95% of the average conversion value (as defined below) for the notes during that period; *provided, however*, that, if, at the time of the conversion, the Closing Price of shares 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 surrender your notes for conversion and the notes are not otherwise convertible, you will receive at our option through October 19, 2010, cash or common stock with a value equal to the principal amount of your notes on such conversion date. If we elect to pay you in common stock, Holdings common stock will be valued at 100% of the average Closing Price for the five Trading Days ending on the third Trading Day preceding the conversion date. If you convert notes pursuant to this paragraph and the conversion date occurs on or after October 20, 2010, then you will receive cash equal to the principal amount of the notes on such conversion date and we will not have the option to pay you in common stock.

We define conversion value in the Indenture to be equal to the product of the Closing Price of the shares of Holdings common stock on a given day multiplied by the then current conversion rate, which is the number of shares of common stock into which each \$1,000 principal amount of the notes is convertible.

You may convert all or part of any note by delivering the note at the Corporate Trust Office of the trustee in the Borough of Manhattan, The City of New York, accompanied by a duly signed and completed conversion notice, a copy of which may be obtained by the trustee, and any applicable payments, including interest payments and payments in respect of taxes, if

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any. The conversion date will be the date on which the note and the duly signed and completed conversion notice are so delivered.

As promptly as practicable on or after the conversion date, Holdings will issue and deliver to the trustee a certificate or certificates for the number of full shares of Holdings common stock issuable upon conversion, together with payment in lieu of any fraction of a share. The certificate will then be sent by the trustee to the conversion agent for delivery to the holder. The shares of Holdings common stock issuable upon conversion of the notes will be fully paid and nonassessable and will rank equally with the other shares of Holdings common stock.

If you surrender a note for conversion on a date that is not an interest payment date, you will not be entitled to receive any interest for the period from the immediately preceding interest payment date to the conversion date, except as described below in this paragraph. In the case of any note that has been surrendered for conversion after any regular record date but before the next succeeding interest payment date:

notwithstanding such conversion, interest payable on such interest payment date shall be payable on such interest payment date, and such interest shall be paid to the holder of such note as of such regular record date; and

except for notes, or portions thereof, called for redemption or to be purchased or repurchased, such notes surrendered for conversion must be accompanied by payment of an amount equal to the interest payable on such interest payment date on the principal amount of notes being surrendered for conversion.

No other payment or adjustment for interest, or any dividends in respect of Holdings common stock, will be made upon conversion. Holders of Holdings common stock issued upon conversion will not be entitled to receive any dividends payable to holders of Holdings common stock as of any record time or date before the close of business on the conversion date. We will not issue fractional shares upon conversion. Instead, we will pay cash based on the closing sale price of Holdings common stock at the close of business on the conversion date.

Our delivery to you of the full number of shares of Holdings common stock into which a note is convertible, together with any cash payment for any fractional share, will be deemed to satisfy our obligation to pay:

the principal amount of the note; and

accrued but unpaid interest (including additional interest, if any) to, but excluding, the conversion date.

As a result, accrued but unpaid interest (including additional interest, if any) to, but excluding, the conversion date will be deemed to be paid in full rather than cancelled, extinguished or forfeited. For a discussion of your tax treatment upon receipt of Holdings common stock upon conversion, see Material United States Federal Income Tax Considerations.

You will not be required to pay any taxes or duties relating to the issue or delivery of Holdings common stock on conversion, but you will be required to pay any tax with respect to cash received in lieu of fractional shares and any tax or duty relating to any transfer involved in the issue or delivery of Holdings common stock in a name other than yours. Certificates

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representing shares of common stock will not be issued or delivered unless all taxes and duties, if any, payable by you have been paid.

The conversion rate will be subject to adjustment for, among other things:

- 1) dividends and other distributions payable in Holdings common stock on shares of Holdings common stock,
- 2) the issuance to all holders of Holdings common stock of rights (other than pursuant to a stockholders rights plan), options or warrants entitling them to subscribe for or purchase Holdings common stock at less than the current market price of such common stock on the record date for stockholders entitled to receive such rights, options or warrants,
- 3) subdivisions, combinations, splits, reverse splits and reclassifications of Holdings common stock,
- 4) distributions to all holders of Holdings common stock of evidences of Holdings indebtedness, shares of capital stock, cash or assets (if Holdings distributes shares of capital stock of one of its Subsidiaries, the conversion rate will be adjusted, if at all, based on the market value of the subsidiary stock so distributed relative to the market value of Holdings common stock, in each case over a measurement period following the distribution), including securities, but excluding:
 - those dividends, rights, options, warrants and distributions referred to above,
 - dividends and distributions paid exclusively in cash, and
 - distributions upon mergers or consolidations discussed below,
- 5) if Holdings or one of its Subsidiaries purchases Holdings common stock pursuant to a tender or exchange offer for Holdings common stock to the extent that the cash and value of any other consideration included in the payment per share of common stock in such offer exceeds the Closing Price of Holdings common stock on the Trading Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer, then the conversion rate will be adjusted, and
- 6) if Holdings makes a distribution consisting exclusively of cash to all holders of its common stock, the conversion rate will be adjusted to a new conversion rate equal to the then existing conversion rate multiplied by a fraction, the numerator of which is the current market price of Holdings common stock plus the amount per share of such dividend or distribution and the denominator of which will be the current market price of Holdings common stock, where the current market price of Holdings common stock is the average closing sale price of Holdings common stock for the first 10 Trading Days from, and including, the first ex-distribution day that the common stock trades.

If in the future Holdings adopts another stockholders rights plan, or amends or issues additional rights under its existing stockholders rights plan, while any notes remain outstanding, we will be required under the Indenture to provide that the holders of notes will be entitled to receive upon conversion of the notes, in addition to Holdings common stock, rights under the

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plan, whether or not such rights have separated from Holdings' common stock, unless prior to conversion, the rights have expired or been terminated or redeemed.

We will compute all adjustments to the conversion rate and will give notice by mail to holders of the registered notes of any adjustments.

In the event that Holdings consolidates or merges with or into another entity or another entity is merged into Holdings, or in case of any sale or transfer of all or substantially all of Holdings' assets, each note then outstanding will become convertible only into the kind and amount of securities, cash and other property receivable upon such consolidation, merger, sale or transfer by a holder of the number of shares of common stock into which the notes were convertible immediately prior to the consolidation or merger or sale or transfer. The preceding sentence will not apply to a merger or sale of all or substantially all of Holdings' assets that does not result in any reclassification, conversion, exchange or cancellation of Holdings' common stock.

In addition to the above adjustments, Holdings may increase the conversion rate as its Board of Directors deems advisable to avoid or diminish any income tax to holders of its common stock resulting from any dividend or distribution of capital stock (or rights to acquire capital stock) or from any event treated as such for U.S. federal income tax purposes.

We may increase the conversion rate for any period of at least 20 days, upon at least 15 days' notice, if our Board of Directors determines that the increase would be in our or Holdings' best interest. The Board of Directors' determination in this regard will be conclusive. We will give holders of notes at least 15 days' notice of such an increase in the conversion rate. Any increase, however, will not be taken into account for purposes of determining whether the Closing Price of Holdings' common stock equals or exceeds the conversion price by 105% in connection with an event which otherwise would be a Fundamental Change.

If at any time Holdings makes a distribution of property to its stockholders that would be taxable to such stockholders as a dividend for U.S. federal income tax purposes (such as distributions of evidences of indebtedness or assets by Holdings, but generally not stock dividends on its common stock or rights to subscribe for common stock) and, pursuant to the anti-dilution provisions of the Indenture, the number of shares of Holdings' common stock into which notes are convertible is increased, that increase may be deemed for U.S. federal income tax purposes to be the payment of a taxable dividend to holders of notes. See Material United States Federal Income Tax Considerations.

Optional Redemption by the Company

On or after October 20, 2010, we may redeem the notes, in whole or in part, at 100% of the principal amount of the notes, plus accrued and unpaid interest to, but excluding, the redemption date. If we elect to redeem all or part of the notes, we will give at least 30, but no more than 60, days' prior notice to you.

If we do not redeem all of the notes, the trustee will select the notes to be redeemed in principal amounts of \$1,000 or whole multiples of \$1,000 by lot, on a pro rata basis or otherwise in accordance with the applicable procedures of the depositary. If any notes are to be redeemed in part only, we will issue a new note or notes in principal amount equal to the unredeemed principal portion thereof.

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No sinking fund is provided for the notes, which means that the Indenture does not require us to redeem or retire the notes periodically.

Purchase of Notes at the Option of the Holder

On each of October 15, 2010, October 15, 2013 and October 15, 2018 (each, a *purchase date*), we will, at the option of the holder, be required to purchase for cash any outstanding note for which a written purchase notice has been properly delivered by the holder and not withdrawn, subject to certain additional conditions. Holders may submit their notes for purchase to the paying agent at any time from the opening of business on the date that is 20 business days prior to the applicable purchase date until the close of business on such purchase date. The purchase price of a note will be 100% of the principal amount of the note, plus accrued and unpaid interest to, but excluding, the applicable repurchase date. Interest will be paid to the record holder as of the related record date.

We will be required to give notice on a date not less than 20 business days prior to the applicable purchase date to all holders at their addresses shown in the register of the registrar, and to beneficial owners as required by applicable law, stating among other things, the procedures that holders must follow to require us to purchase their notes.

The purchase notice given by each holder electing to require us to purchase notes shall state:

if certificated notes have been issued, the certificate numbers of the holder's notes to be delivered for purchase or, if not, such information as may be required under applicable DTC procedures and the Indenture;

the portion of the principal amount of notes to be purchased, which must be \$1,000 or an integral multiple of \$1,000; and

that the notes are to be purchased by us pursuant to the applicable provisions of the notes and the Indenture.

Any purchase notice may be withdrawn by the holder by a written notice of withdrawal delivered to the paying agent prior to the close of business on the purchase date.

The notice of withdrawal shall state:

the principal amount being withdrawn;

if certificated notes have been issued, the certificate numbers of the notes being withdrawn or, if not, such information as may be required under applicable DTC procedures and the Indenture; and

the principal amount, if any, of the notes that remains subject to the purchase notice.

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Payment of the purchase price for a note for which a purchase notice has been delivered and not validly withdrawn is conditioned upon delivery (including by book entry transfer) of the note, together with necessary endorsements, to the paying agent at any time after delivery of the purchase notice. Payment of the purchase price for the note will be made promptly following the later of the purchase date or the time of delivery of the note.

If the paying agent holds money or securities sufficient to pay the purchase price of the note on the business day following the applicable purchase date in accordance with the terms of

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the Indenture, then, immediately after the purchase date, the note will cease to be outstanding whether or not the note has been delivered to the paying agent. Thereafter, all other rights of the holder shall terminate, other than the right to receive the purchase price upon delivery of the note.

Our ability to purchase notes with cash may be limited by the terms of our then existing Indebtedness.

Payment and Conversion

We will make all payments of principal and interest on the notes by dollar check drawn on an account maintained at a bank in The City of New York or by wire transfer. Payment of any interest on the notes will be made to the person in whose name the note, or any predecessor note, is registered at the close of business on April 1 or October 1, whether or not a business day, immediately preceding the relevant interest payment date (a *regular record date*). If you hold registered notes with a face value in excess of \$2,000,000 and you would like to receive payments by wire transfer, you will be required to provide the trustee with wire transfer instructions at least 15 days prior to the relevant payment date. Payments made to DTC as holder of one or more global notes will be made by wire transfer.

Payments on any global note registered in the name of DTC or its nominee will be payable by the trustee to DTC or its nominee in its capacity as the registered holder under the Indenture. Under the terms of the Indenture, we and the trustee will treat the persons in whose names the notes, including any global note, are registered as the owners for the purpose of receiving payments and for all other purposes. Consequently, neither we, Holdings, the trustee nor any of our agents or the trustee's agents has or will have any responsibility or liability for:

any aspect of DTC's records or any participant's or indirect participant's records relating to or payments made on account of beneficial ownership interests in the global note, or for maintaining, supervising or reviewing any of DTC's records or any participant's or indirect participant's records relating to the beneficial ownership interests in the global note, or

any other matter relating to the actions and practices of DTC or any of its participants or indirect participants.

We will not be required to make any payment on the notes due on any day which is not a business day until the next succeeding business day. The payment made on the next succeeding business day will be treated as though it were paid on the original due date and no interest will accrue on the payment for the additional period of time.

Notes may be surrendered for conversion at the Corporate Trust Office of the trustee in the Borough of Manhattan in The City of New York. Notes surrendered for conversion must be accompanied by appropriate notices and any applicable payments, including interest payments and payments in respect of taxes, if any.

We have initially appointed the trustee as paying agent and conversion agent. We may terminate the appointment of any paying agent or conversion agent and appoint additional or other paying agents and conversion agents. However, until the notes have been delivered to the trustee for cancellation, or moneys sufficient to pay the principal of and interest and liquidated damages, if any, on the notes have been made available for payment and either paid or returned

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to us as provided in the Indenture, the trustee will maintain an office or agency in the Borough of Manhattan in The City of New York for surrender of notes for conversion.

All moneys deposited with the trustee or any paying agent, or then held by us, in trust for the payment of principal of, or interest and liquidated damages, if any, on any notes which remain unclaimed at the end of two years after the payment has become due and payable will be repaid to us, and you will then look only to us for payment.

Ranking

Senior Indebtedness versus Notes

The payment of the principal of, premium, if any, and interest on, the notes and the payment of the guarantee of the notes by Holdings will be subordinate in right of payment to the prior payment in full of all Senior Indebtedness of the Company or Holdings, as the case may be, including the obligations of the Company and Holdings under the Credit Agreement, the 10¾% Notes, the 2002 10¾% Notes and the 6½% senior notes due 2012.

As of December 31, 2003, as adjusted to give effect to the transactions described under *Recent Financing Transactions*, the Senior Indebtedness of the Company and Holdings would have been approximately \$1,903.5 million, including \$877.5 million of secured indebtedness.

Virtually all of the Senior Indebtedness of Holdings consists of its guarantee of Senior Indebtedness of the Company under the Credit Agreement and with respect to the 10¾% Notes, the 2002 10¾% Notes and the 6½% senior notes due 2012.

Other Senior Subordinated Indebtedness versus Notes

Only Indebtedness of the Company or Holdings that is Senior Indebtedness will rank senior to the notes and the guarantee of the notes by Holdings for purposes of the provisions of the Indenture. The notes and the guarantee of the notes by Holdings will in all respects rank pari passu with all other Senior Subordinated Indebtedness of the Company and Holdings, respectively.

As of December 31, 2003, as adjusted to give effect to the transactions described under *Recent Financing Transactions*, the Company and Holdings would have had approximately \$900 million of unsecured indebtedness that ranks equally with the notes.

Liabilities of Subsidiaries versus Notes

A substantial portion of our operations are conducted through our subsidiaries. None of our subsidiaries are guaranteeing the notes. Claims of creditors of our subsidiaries, including trade creditors and creditors holding indebtedness or guarantees issued by our subsidiaries, and claims of preferred stockholders of our subsidiaries generally will have priority with respect to the assets and earnings of our subsidiaries over the claims of our creditors, including holders of the notes, even if such claims do not constitute Senior Indebtedness. Accordingly, the notes will

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be effectively subordinated to creditors (including trade creditors) and preferred stockholders, if any, of our subsidiaries.

At December 31, 2003, as adjusted to give effect to the transactions described under *Recent Financing Transactions* our subsidiaries (i) had outstanding an aggregate of approximately \$171 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 \$2,760 million of URI's obligations. Neither the Company nor any of its subsidiaries are prohibited from incurring senior indebtedness, secured indebtedness or any other indebtedness or liabilities under the Indenture.

Subordination

The indebtedness evidenced by the notes is subordinated in right of payment to the prior payment in full in cash of all Senior Indebtedness. The notes are Senior Subordinated Indebtedness of the Company ranking senior to all existing and future Subordinated Indebtedness of the Company.

The Indenture provides that in the event of any insolvency or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding in connection therewith, relating to the Company or its assets, or any liquidation, dissolution or other winding-up of the Company, whether voluntary or involuntary, or any assignment for the benefit of creditors or other marshalling of assets or liabilities of the Company, all Senior Indebtedness (including, in the case of Designated Senior Indebtedness, any interest accruing subsequent to the filing of a petition for bankruptcy, regardless of whether such interest is an allowed claim in the bankruptcy proceeding) must be paid in full in cash before any payment (excluding certain permitted equity or subordinated securities) is made on account of the principal of, premium, if any, or interest on the notes.

During the continuance of any default in the payment of principal, premium, if any, or interest on any Senior Indebtedness, when the same becomes due, and after receipt by the Trustee and the Company from representatives of holders of such Senior Indebtedness of written notice of such default, no direct or indirect payment by or on behalf of the Company of any kind of character (excluding certain permitted equity or subordinated securities) may be made on account of the principal of, premium, if any, or interest on, or the purchase, redemption or other acquisition of, the notes unless and until such default has been cured or waived or has ceased to exist or such Senior Indebtedness shall have been discharged or paid in full in cash, after which the Company shall resume making any and all required payments in respect of the notes, including any missed payments.

In addition, during the continuance of any other default with respect to any Designated Senior Indebtedness that permits, or would permit with the passage of time or the giving of notice or both, the maturity thereof to be accelerated (a *Non-payment Default*) and upon the earlier to occur of (a) receipt by the Trustee and the Company from the representatives of holders of such Designated Senior Indebtedness of a written notice of such Non-payment Default or (b) if such Non-payment Default results from the acceleration of the maturity of the notes, the date of such acceleration, no payment of any kind or character (excluding certain permitted equity or subordinated securities) may be made by the Company on account of the principal of, premium, if any, or interest on, or the purchase, redemption, or other acquisition of, the notes for the period specified below (the *Payment Blockage Period*).

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The Payment Blockage Period shall commence upon the receipt of notice of a Non-payment Default by the Trustee and the Company from the representatives of holders of Designated Senior Indebtedness or the date of the acceleration referred to in clause (b) of the preceding paragraph, as the case may be, and shall end on the earliest to occur of the following events: (i) 179 days have elapsed since the receipt of such notice or the date of the acceleration referred to in clause (b) of the preceding paragraph (provided the maturity of such Designated Senior Indebtedness shall not theretofore have been accelerated), (ii) such default is cured or waived or ceases to exist or such Designated Senior Indebtedness is discharged or paid in full in cash, or (iii) such Payment Blockage Period shall have been terminated by written notice to the Company or the Trustee from the representatives of holders of Designated Senior Indebtedness initiating such Payment Blockage Period, after which the Company shall promptly resume making any and all required payments in respect of the notes, including any missed payments. Only one Payment Blockage Period with respect to the notes may be commenced within any 360 consecutive day period. No Non-payment Default with respect to Designated Senior Indebtedness that existed or was continuing on the date of the commencement of any Payment Blockage Period will be, or can be, made the basis for the commencement of a second Payment Blockage Period, whether or not within a period of 360 consecutive days, unless such default has been cured or waived for a period of not less than 90 consecutive days. In no event will a Payment Blockage Period extend beyond 179 days from the date of the receipt by the Trustee of the notice or the date of the acceleration initiating such Payment Blockage Period and there must be a 180 consecutive day period in any 360-day period during which no Payment Blockage Period is in effect.

If the Company fails to make any payment on the notes when due on account of the payment blockage provisions referred to above, such failure would constitute an Event of Default under the Indenture and would enable the holders of the notes to accelerate the maturity thereof. See Events Of Default.

By reason of such subordination, in the event of liquidation or insolvency, creditors of the Company who are holders of Senior Indebtedness may recover more, ratably, than the holders of the notes, and funds which would be otherwise payable to the holders of the notes will be paid to the holders of Senior Indebtedness to the extent necessary to pay the Senior Indebtedness in full, and the Company may be unable to meet its obligations fully with respect to the notes.

Guarantee of Holdings

Holdings will fully and unconditionally guarantee, on a senior subordinated basis, to each holder and the Trustee, the full and prompt performance of the Company's obligations under the Indenture and the notes, including the payment of principal of and interest on the notes. The guarantee of the notes by Holdings is subordinated to Senior Indebtedness of Holdings on the same basis as the notes are subordinated to Senior Indebtedness of the Company.

Certain Definitions

8.80% Indenture means the indenture under which the 8.80% Notes were issued.

8.80% Notes means the \$205.0 million aggregate principal amount of 8.80% Senior Subordinated Notes due 2008 issued by the Company under the Indenture, dated as of August

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12, 1998, as supplemented on January 27, 2003, among the Company, as issuer, certain of its United States subsidiaries, as guarantors, and State Street Bank and Trust Company, as trustee.

9% Indenture means the indenture under which the 9% Notes were issued.

9% Notes means the \$250.0 million aggregate principal amount of 9% Senior Subordinated Notes due 2009 issued by the Company under the Indenture dated as of March 23, 1999, as supplemented on January 27, 2003, among the Company, as issuer, certain of its United States subsidiaries, as guarantors, and The Bank of New York, as trustee.

9¼% Indenture means the indenture under which the 9¼% Notes were issued.

9¼% Notes means the \$300.0 million aggregate principal amount of 9¼% Senior Subordinated Notes due 2009 issued by the Company under the Indenture, dated as of December 15, 1998, as supplemented on January 27, 2003, among the Company, as issuer, certain of its United States subsidiaries, as guarantors, and State Street Bank and Trust Company, as trustee.

9½% Indenture means the indenture under which the 9½% Notes were issued.

9½% Notes means the \$200.0 million aggregate principal amount of 9½% Senior Subordinated Notes due 2008 issued by the Company under the Indenture, dated as of May 22, 1998, as supplemented on January 27, 2003, among the Company, as issuer, certain of its United States subsidiaries, as guarantors, and State Street Bank and Trust Company, as trustee.

10¾% Indenture means the indenture under which the 10¾% Notes were issued.

10¾% Notes means the \$650.0 million aggregate principal amount of 10¾% Senior Notes due 2008 issued by the Company under the Indenture, dated as of April 20, 2001, as supplemented on January 27, 2003, among the Company, as issuer, Holdings and certain of the Company's United States subsidiaries, as guarantors, and The Bank of New York, as trustee.

2002 10¾% Indenture means the indenture under which the 2002 10¾% Notes were issued.

2002 10¾% Notes means the \$210.0 million aggregate principal amount of 10¾% Senior Notes due 2008 issued by the Company under the Indenture, dated as of December 24, 2002, as supplemented on January 27, 2003, among the Company, as issuer, Holdings and certain of the Company's United States subsidiaries, as guarantors, and The Bank of New York, as trustee.

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Affiliate means, with respect to any specified person:

(i) any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person;

(ii) any other person that owns, directly or indirectly, 10% or more of such specified person's Capital Stock; or

(iii) any officer or director of:

(A) any such specified person;

(B) any Subsidiary of such specified person; or

(C) any person described in clauses (i) or (ii) above.

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Board of Directors means the board of directors of a company or its equivalent, including managers of a limited liability company, general partners of a partnership or trustees of a business trust, or any duly authorized committee thereof.

Capital Stock means, with respect to any person, any and all shares, interests, participations, rights in or other equivalents (however designated) of such person's capital stock or equity participations, and any rights (other than debt securities convertible into capital stock), warrants or options exchangeable for or convertible into such capital stock and, including, without limitation, with respect to partnerships, limited liability companies or business trusts, ownership interests (whether general or limited) and any other interest or participation that confers on a person the right to receive a share of the profits and losses of, or distributions of assets of, such partnerships, limited liability companies or business trusts.

Capitalized Lease Obligation means any obligation under a lease of (or other agreement conveying the right to use) any property (whether real, personal or mixed) that is required to be classified and accounted for as a capital lease obligation under GAAP, and, for the purpose of the Indenture, the amount of such obligation at any date shall be the capitalized amount thereof at such date, determined in accordance with GAAP.

Closing Price on any Trading Day with respect to the per share price of common stock means the last reported sales price regular way or, in case no such reported sale takes place on such Trading Day, the average of the reported closing bid and asked prices regular way, in either case on The New York Stock Exchange or, if the common stock is not listed or admitted to trading on The New York Stock Exchange, on the principal national securities exchange on which the common stock is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, on the National Association of Securities Dealers Automated Quotations National Market System or, if the common stock is not listed or admitted to trading on any national securities exchange or quoted on such National Market System, the average of the closing bid and asked prices in the over-the-counter market as furnished by any New York Stock Exchange member firm that is selected from time to time by the Company for that purpose and is reasonably acceptable to the Trustee.

Credit Agreement means the Amended and Restated Credit Agreement by and among Holdings, the Company, certain Canadian subsidiaries, the lenders referred to therein, JPMorgan Chase Bank, as Administrative Agent, J.P. Morgan Bank Canada, as Canadian Administrative Agent, and Bank of America, N.A., as Syndication Agent, together with the related documents thereto (including the term loans and revolving loans thereunder, any guarantees and any security documents), as amended, extended, renewed, restated, supplemented or otherwise modified (in whole or in part, and without limitation as to amount, terms, conditions, covenants and other provisions) from time to time, and any agreement (and related documents) governing Indebtedness incurred to refinance or replace, in whole or in part, the borrowings and commitments at any time outstanding or permitted to be outstanding under such Credit Agreement or a successor Credit Agreement, whether by the same or any other lender or group of lenders and whether to the same borrower or different borrowers.

Default means any event which is, or after notice or passage of time or both would be, an Event of Default.

Designated Senior Indebtedness means (i) all Indebtedness under the Credit Agreement (including Holdings' guarantee of such Indebtedness) and (ii) any other issues of Senior

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Indebtedness which (a) at the time of the determination is equal to or greater than \$25 million in aggregate principal amount and (b) is specifically designated by the Company or Holdings in the instrument evidencing such Senior Indebtedness as Designated Senior Indebtedness.

Exchange Act means the Securities Exchange Act of 1934, as amended.

Fair Market Value means, with respect to any asset, the price which could be negotiated in an arm's length free market transaction, for cash, between a willing seller and a willing buyer, neither of which is under pressure or compulsion to complete the transaction. Fair Market Value shall be determined by the Board of Directors of the Company in good faith.

GAAP means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States of America, which are applicable at the Issue Date.

guarantee means, as applied to any obligation:

- (1) a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner, of any part or all of such obligation; and
- (2) an agreement, direct or indirect, contingent or otherwise, the practical effect of which is to assure in any way the payment or performance (or payment of damages in the event of nonperformance) of all or any part of such obligation, including, without limiting the foregoing, the payment of amounts available to be drawn down under letters of credit of another person.

The term *guarantee* used as a verb has a corresponding meaning.

Indebtedness means, with respect to any person, without duplication:

(a) all liabilities of such person for borrowed money or for the deferred purchase price of property or services, excluding any trade payables and other accrued current liabilities incurred in the ordinary course of business, but including, without limitation, all obligations, contingent or otherwise, of such person in connection with any letters of credit, banker's acceptance or other similar credit transaction;

(b) all obligations of such person evidenced by bonds, notes, debentures or other similar instruments;

(c) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of

such property), but excluding trade accounts payable arising in the ordinary course of business;

(d) all Capitalized Lease Obligations of such person;

(e) all Indebtedness referred to in the preceding clauses of other persons and all dividends of other persons, the payment of which is secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any

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Lien upon property (including, without limitation, accounts and contract rights) owned by such person, even though such person has not assumed or become liable for the payment of such Indebtedness (the amount of such obligation being deemed to be the lesser of the value of such property or asset or the amount of the obligation so secured);

(f) all guarantees of Indebtedness referred to in this definition by such person;

(g) all Redeemable Capital Stock of such person valued at the greater of its voluntary or involuntary maximum fixed repurchase price plus accrued dividends;

(h) all obligations under or in respect of Interest Rate Protection Obligations of such person, and

(i) any amendment, supplement, modification, deferral, renewal, extension, refinancing or refunding of any liability of the types referred to in clauses (a) through (h) above;

provided, however, that Indebtedness shall not include:

(x) any holdback or escrow of the purchase price of property, services, businesses or assets or

(y) any contingent payment obligations incurred in connection with the acquisition of assets or businesses, which are contingent on the performance of the assets or businesses so acquired.

For purposes hereof, the maximum fixed repurchase price of any Redeemable Capital Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Redeemable Capital Stock as if such Redeemable Capital Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Redeemable Capital Stock, such fair market value shall be approved in good faith by the board of directors of the issuer of such Redeemable Capital Stock. In the case of Indebtedness of other persons, the payment of which is secured by a Lien on property owned by a person as referred to in clause (e) above, the amount of the Indebtedness of such person attributable to such Lien at any date shall be the lesser of the Fair Market Value at such date of any asset subject to such Lien and the amount of the Indebtedness secured.

Interest Rate Protection Agreement means, with respect to any person, any arrangement with any other person whereby, directly or indirectly, such person is entitled to receive from time to time periodic payments calculated by applying either a floating or a fixed rate of interest on a stated notional amount in exchange for periodic payments made by such person calculated by applying a fixed or a floating rate of interest on the same notional amount and shall include without limitation, interest rate swaps, caps, floors, collars and similar agreements.

Interest Rate Protection Obligations means the obligations of any person pursuant to any Interest Rate Protection Agreements.

Issue Date means October 31, 2003.

Lien means any mortgage, charge, pledge, lien (statutory or other), security interest, hypothecation, assignment for security, claim, or preference or priority or other encumbrance

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upon or with respect to any property of any kind. A person shall be deemed to own subject to a Lien any property which such person has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement.

Other Indentures means the 8.80% Indenture, the 9% Indenture, the 9¼% Indenture, the 9½% Indenture, the 10¾% Indenture and the 2002 10¾% Indenture or any other indenture pursuant to which the Company or Holdings has issued senior or senior subordinated notes or other securities.