

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1998

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

COMMISSION FILE NUMBER 1-14387
UNITED RENTALS, INC.

COMMISSION FILE NUMBER 1-13663
UNITED RENTALS (NORTH AMERICA), INC.

(Exact names of Registrants' as specified in their charters)

Delaware 06-1522496
Delaware 06-1493538

(State or other jurisdiction (I.R.S. Employer
of incorporation or organization) Identification Nos.)

Four Greenwich Office Park, Greenwich, Connecticut 06830

(Address of principal executive offices) (Zip Code)

Registrants' telephone number, including area code (203) 622-3131

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

X Yes No

As of August 10, 1998 there were 34,584,123 shares of the United Rentals, Inc. common stock, \$.01 par value outstanding.

There is no market for the common stock of United Rentals (North America), Inc., all outstanding shares of which are owned by United Rentals, Inc.

This combined Form 10-Q is separately filed by (i) United Rentals, Inc. and (ii) United Rentals (North America), Inc. (which is a wholly owned subsidiary of United Rentals, Inc.). United Rentals (North America), Inc. meets the conditions set forth in general instruction H(1)(A) and (B) of Form 10-Q and is therefore filing this form with the reduced disclosure format permitted by such instruction.

UNITED RENTALS, INC.
UNITED RENTALS (NORTH AMERICA), INC.

FORM 10-Q FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1998

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UNITED RENTALS, INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	JUNE 30	DECEMBER 31
	1998	1997
	----	----

ASSETS

Cash and cash equivalents	\$ 5,486,092	\$ 68,607,528
Accounts receivable, net of allowance for doubtful accounts of \$7,778,000 in 1998 and \$1,161,000 in 1997	67,202,625	7,494,636
Inventory	33,255,606	3,827,446
Prepaid expenses and other assets	22,887,178	2,966,822
Rental equipment, net	298,956,195	33,407,561
Property and equipment, net	32,349,116	2,272,683
Intangible assets, net of accumulated amortization of \$3,198,000 in 1998 and \$241,000 in 1997	429,027,657	50,533,736
	-----	-----
	\$889,164,469	\$169,110,412
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:		
Accounts payable	\$ 55,855,965	\$ 5,697,830
Debt	389,181,344	1,074,474
Deferred income taxes	2,375,648	198,249
Accrued expenses and other liabilities	23,357,346	4,409,828
	-----	-----
Total liabilities	470,770,303	11,380,381
Commitments and contingencies		
Stockholders' equity:		
Preferred stock--\$.01 par value, 5,000,000 shares authorized, no shares issued and outstanding	--	--
Common stock--\$.01 par value, 75,000,000 shares authorized in 1998 and 1997, 34,192,085 in 1998 and 23,899,119 in 1997 shares issued and outstanding	341,921	238,991
Additional paid-in capital	409,817,333	157,457,418
Retained earnings	8,253,698	33,622
Cumulative translation adjustments	(18,786)	--
	-----	-----
Total stockholders' equity	418,394,166	157,730,031
	-----	-----
	\$889,164,469	\$169,110,412
	=====	=====

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

UNITED RENTALS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	SIX MONTHS ENDED JUNE 30, 1998	THREE MONTHS ENDED JUNE 30, 1998
	-----	-----
Revenues:		
Equipment rentals	\$ 86,104,719	\$59,324,869
Sales of rental equipment	10,464,642	7,481,451
Sales of new equipment, merchandise and other revenues	30,781,919	21,354,794
	-----	-----
Total revenues	127,351,280	88,161,114
Cost of revenues:		
Cost of equipment rentals, excluding depreciation	35,608,405	24,386,901
Depreciation of rental equipment	14,565,250	9,981,418
Cost of rental equipment sales	5,828,280	4,188,849
Cost of new equipment and merchandise sales and other operating costs	24,110,542	16,518,651
	-----	-----
Total cost of revenues	80,112,477	55,075,819
	-----	-----
Gross profit	47,238,803	33,085,295
Selling, general and administrative expenses	25,101,187	17,294,256
Non-rental depreciation and amortization	3,815,236	2,728,812
	-----	-----
Operating income	18,322,380	13,062,227
Interest expense	4,936,708	3,763,990
Other (income) expense	(527,547)	(146,844)
	-----	-----
Income before provision for income taxes	13,913,219	9,445,081
Provision for income taxes	5,693,143	3,863,356
	-----	-----
Net income	\$ 8,220,076	\$ 5,581,725
	=====	=====
Basic earnings per share	\$ 0.27	\$ 0.17
	=====	=====
Diluted earnings per share	\$ 0.23	\$ 0.14
	=====	=====

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

UNITED RENTALS, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(UNAUDITED)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	CUMULATIVE TRANSLATION ADJUSTMENTS
	NUMBER OF SHARES	AMOUNT			
Balance, December 31, 1997	23,899,119	\$238,991	\$157,457,418	\$ 33,622	--
Issuance of common stock	10,415,752	104,158	252,158,687		
Translation adjustments					\$ (18,786)
Conversion of convertible note	14,814	148	199,852		
Cancellation of common stock	(137,600)	(1,376)	1,376		
Net income				8,220,076	
Balance, June 30, 1998	34,192,085	\$341,921	\$409,817,333	\$8,253,698	\$ (18,786)

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

UNITED RENTALS, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 1998
(UNAUDITED)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	\$ 8,220,076
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	18,380,486
Gain on sale of rental equipment	(4,636,362)
Deferred taxes	3,623,614
Changes in operating assets and liabilities:	
Accounts receivable	(7,175,089)
Inventory	(1,842,775)
Prepaid expenses and other assets	(6,694,037)
Accounts payable	21,489,836
Accrued expenses and other liabilities	(2,543,195)

Net cash provided by operating activities	28,822,554
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of rental equipment	(62,722,443)
Purchases of property and equipment	(11,519,846)
Proceeds from sales of rental equipment	10,464,642
In-process acquisition costs	(3,495,002)
Payment of contingent purchase price	(2,255,433)
Purchases of other companies	(369,534,206)

Net cash used in investing activities	(439,062,288)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from issuance of common stock, net of issuance costs	206,456,306
Proceeds from debt	623,776,408
Repayments of debt	(474,999,342)
Payment of debt financing costs	(8,115,074)

Net cash provided by financing activities	347,118,298

Net decrease in cash and cash equivalents	(63,121,436)
Cash and cash equivalents at beginning of period	68,607,528

Cash and cash equivalents at end of period	\$ 5,486,092
	=====

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

UNITED RENTALS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS - CON'T
SIX MONTHS ENDED JUNE 30, 1998
(UNAUDITED)

Supplemental disclosure of cash flow

information:

Cash paid during the period:

Interest	\$ 2,290,550 =====
Income taxes	\$ 2,946,000 =====

Supplemental disclosure of non cash
investing and financing activities:

During the six month period ended
June 30, 1998 a convertible note in the
principal amount of \$200,000 was converted
into 14,814 shares of common stock.

The Company acquired the net assets
and assumed certain liabilities of
other companies as follows:

Assets, net of cash acquired	681,724,845
Liabilities assumed	(264,655,908)
Less:	
Amounts paid in common stock and warrants	(47,534,731) -----
Net cash paid	\$369,534,206 =====

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

UNITED RENTALS, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1998

1. BASIS OF PRESENTATION

United Rentals, Inc. is principally a holding company ("Holdings") and conducts its operations principally through its wholly owned subsidiary United Rentals (North America), Inc. ("URI") and subsidiaries of URI. URI was incorporated in August 1997, initially capitalized in September 1997 and commenced equipment rental operations in October 1997. Holdings was incorporated in July 1998 and became the parent of URI on August 5, 1998, pursuant to the reorganization of the legal structure of URI described in Note 7. Prior to such reorganization, the name of URI was United Rentals, Inc. References herein to the "Company" refer to Holdings and its subsidiaries, with respect to periods following the reorganization, and to URI and its subsidiaries, with respect to periods prior to the reorganization. Separate consolidated financial statements of URI and its subsidiaries have not been presented as they are the same as those of the Company as of June 30, 1998 and for period then ended.

The Consolidated Financial Statements of the Company included herein are unaudited and, in the opinion of management, such financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to a fair statement of the results of the interim periods presented. Interim financial statements do not require all disclosures normally presented in year-end financial statements, and, accordingly, certain disclosures have been omitted. Results of operations for the six and three month periods ended June 30, 1998 are not necessarily indicative of the results that may be expected for the year ending December 31, 1998. The Consolidated Financial Statements included herein should be read in conjunction with the Company's Consolidated Financial Statements and related Notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1997.

Impact of Recently Issued Accounting Standards

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income," and SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components in a primary financial statement. The Company adopted SFAS No. 130 during the period ended March 31, 1998. The adoption of SFAS No. 130 did not have a material effect on the consolidated financial position, results of operations or cash flows of the Company.

SFAS No. 131 establishes a new method by which companies will report operating segment information. This method is based on the manner in which management organizes the segments within a company for making operating decisions and assessing performance. The Company continues to evaluate the provisions of SFAS No. 131 and, upon adoption, the Company may report operating segments. The Company is required to adopt SFAS No. 131 by December 31, 1998.

In February 1998, the Financial Accounting Standards Board issued SFAS No. 132, "Employers' Disclosures about Pensions and Other Post Retirement Benefits." SFAS No. 132 revises employers' disclosures about pension and other post retirement benefit plans but does not change the measurement or recognition of those plans. The Company is required to adopt SFAS No. 132 by December 31, 1998. The adoption of SFAS No. 132 is not expected to have a material effect on the Company's consolidated financial position or results of operations.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes a new model for accounting for derivatives and hedging activities. The Company will adopt SFAS No. 133 beginning January 1, 2000. The adoption of SFAS No. 133 is not expected to have a material effect on the Company's consolidated financial position or results of operations.

2. COMMON STOCK

On March 11, 1998, the Company completed a public offering of 8,625,000 shares of Common Stock (the "Offering"). The net proceeds to the Company from the Offering were approximately \$207.4 million (after deducting the underwriting discounts and

offering expenses). The Company used \$132.7 million of the net proceeds from the Offering to repay all of the then outstanding indebtedness under the Company's credit facility and used the balance of such net proceeds for acquisitions.

The purchase agreement relating to the acquisition of one company acquired provides that the stock consideration paid by the Company in connection with such acquisition is subject to adjustment based upon the trading prices of the common stock during the 60-day period which commenced December 18, 1997. In accordance with such provisions, the Company canceled 137,600 shares of common stock issued by the Company in connection with such acquisition.

3. 9 1/2% SENIOR SUBORDINATED NOTES

In May 1998, the Company issued \$200 million aggregate principal amount of 9 1/2 % Senior Subordinated Notes which are due June 1, 2008. The Company used \$102.8 million of the net proceeds from the sale of such notes to repay all of the then outstanding indebtedness under the Company's credit facility and used the balance of such net proceeds from this offering for acquisitions, capital expenditures and general corporate purposes.

4. ACQUISITIONS

During the six months ended June 30, 1998, the Company completed the acquisition of 45 equipment rental companies having an aggregate of 160 rental locations in 24 states and Canada.

The aggregate consideration paid by the Company for the acquisitions completed during the six months ended June 30, 1998 was \$429.7 million and consisted of approximately \$382.2 million in cash, 1,779,351 shares of Common Stock and warrants to purchase an aggregate of 30,000 shares of Common Stock. In addition, the Company repaid or assumed outstanding indebtedness of the companies acquired during the six months ended June 30, 1998 in the aggregate amount of \$216.4 million. The Company also agreed in connection with eight of the acquisitions completed during the six months ended June 30, 1998, to pay additional amounts to the former owners based upon specified future revenues (such amounts being limited to (i) \$10.0 million, \$2.0 million, \$0.8 million, \$0.5 million, \$0.5 million, \$0.4 million and Cdn. \$4.0 million, respectively, with respect to seven of such acquisitions and (ii) an amount based on the revenues of a single store with respect to the other acquisition).

These acquisitions have been accounted for as purchases and, accordingly, the results of their operations have been included in the Company's results of operations from their respective

acquisition dates. The purchase prices have been allocated to the assets acquired and liabilities assumed based on their respective fair values at their respective acquisition dates.

The Company has not completed its valuation on all of its purchases and the purchase price allocations are subject to change when additional information concerning asset and liability valuations are completed.

The following table summarizes, on an unaudited pro forma basis, the combined results of operations of the Company for the six months ended June 30, 1998 as though each acquisition described above was made on January 1, 1998.

	Six Months Ended June 30, 1998 -----
Revenues	\$160,026,542
Net income	9,493,852
Basic earnings per share	0.32
Diluted earnings per share	0.27

The unaudited pro forma results are based upon certain assumptions and estimates which are subject to change. These results are not necessarily indicative of the actual results of operations that might have occurred, nor are they necessarily indicative of expected results in the future.

5. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	SIX MONTHS ENDED JUNE 30, 1998 -----	THREE MONTHS ENDED JUNE 30, 1998 -----
Numerator:		
Net income	\$ 8,220,076 =====	\$ 5,581,725 =====
Denominator:		
Denominator for basic earnings per share weighted-average shares	29,970,357	33,702,126
Effect of dilutive securities:		
Employee stock options	903,311	1,705,898
Warrants	4,218,749 -----	4,554,411 -----
Dilutive potential common shares		
Denominator for diluted earnings per share-- adjusted weighted-average shares	35,092,417 =====	39,962,435 =====
Basic earnings per share	\$ 0.27 =====	\$ 0.17 =====
Diluted earnings per share	\$ 0.23 =====	\$ 0.14 =====

6. AGREEMENT AND PLAN OF MERGER

On June 15, 1998, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with U.S. Rentals, Inc., a Delaware corporation ("U.S. Rentals"). The Merger Agreement provides, subject to the terms and conditions set forth therein, for a subsidiary of the Company to be merged with and into U.S. Rentals (the "Merger"). Following the Merger, U.S. Rentals will become a wholly owned subsidiary of URI. At the effective time of the Merger, (i) each outstanding share of U.S. Rentals common stock will be converted into 0.9625 shares of Common Stock of the Company (the "Exchange Ratio") and (ii) all outstanding options to purchase shares of U.S. Rentals common stock will be assumed by the Company and converted into options to purchase Common Stock of United Rentals, Inc. subject to adjustment for the Exchange Ratio. The Merger is expected to be accounted for as a "pooling of interests" for financial accounting purposes. The Merger, which is subject to shareholder approvals and other customary conditions, is expected to close before the end of September 1998.

7. SUBSEQUENT EVENTS

Completed Acquisitions

Subsequent to June 30, 1998, the Company completed the acquisition of 19 equipment rental companies consisting of 66 rental sites. The aggregate consideration paid by the Company for these acquisitions was \$344.1 million and consisted of approximately \$331.4 million in cash, and 390,549 shares of Common Stock. The Company also agreed in connection with two of the acquisitions to pay additional amounts to the former owners based upon specified future revenues not to exceed \$0.5 million in each case. The Company funded a portion of the cash consideration for these acquisitions with cash on hand (including cash proceeds from debt and equity offerings) and the balance with borrowings under the Company's revolving credit facility.

Potential Acquisitions

The Company has entered into definitive agreements with respect to the acquisition (the "Pending Acquisitions") of the following companies (the "Pending Acquisition Companies"): Rental Tools and Equipment Co. International Inc.; and McClinch, Inc., McClinch Equipment Services, Inc. and Grey Fox Equipment, Inc. The Pending Acquisition Companies have an aggregate of 32 rental locations in nine states. Completion of the Pending Acquisitions is subject to various conditions, and no assurance can be given that the Pending Acquisitions will be consummated or that the Pending Acquisitions will be consummated on the terms contemplated by the definitive agreements.

The Company expects that the aggregate consideration for the Pending Acquisition Companies will consist of (i) up to 2,090,240 shares of Common Stock (subject to adjustment), (ii) cash of \$103.2 million (subject to adjustment) and (iii) warrants to purchase an aggregate of \$0.6 million worth of Common Stock at an exercise price per share based on the price of the Common Stock at the time the acquisition is completed. In addition, the Company will assume approximately \$77.8 million of indebtedness. The consideration for the Pending Acquisition Companies includes reimbursement to the shareholders of the Pending Acquisition Companies for certain expenditures to acquire equipment and businesses and payment for certain real estate used in the business.

Term Loan

In July 1998, URI obtained a \$250 million term loan from a group of financial institutions (the "Term Loan"). The Term Loan matures on June 30, 2005. URI used the net proceeds from the loan for acquisitions.

Holding Company Reorganization

URI was formerly named United Rentals, Inc. On August 5, 1998 a reorganization was effected pursuant to which (i) URI became a wholly owned subsidiary of Holdings, a newly formed holding company, (ii) the name of URI was changed from United Rentals, Inc. to United Rentals (North America), Inc., (iii) the name of Holdings became United Rentals, Inc., (iv) the outstanding common stock of URI was automatically converted, on a share-for-share basis, into Common Stock of Holdings and (v) the Common Stock of Holdings commenced trading on the New York Stock Exchange under the symbol "URI" instead of the common stock of URI. The purpose of the reorganization was to facilitate certain financings. The business operations of the Company will not change as a result of the new legal structure.

The stockholders of Holdings have the same rights, privileges and interests with respect to Holdings as they had with respect to URI immediately prior to the reorganization. Holdings has the same board of directors as URI and the certificate of incorporation and by-laws of Holdings is the same in all material respects as the certificate of incorporation and by-laws of URI in effect immediately prior to the reorganization.

Issuance of 6 1/2% Convertible Quarterly Income Preferred Securities

On August 5, 1998, a subsidiary trust (the "Trust") of Holdings issued and sold in a private offering (the "Preferred Securities Offering") \$300 million of 6 1/2% Convertible Quarterly Income Preferred Securities (the "Preferred Securities"). In addition, the Trust may sell up to an additional \$50 million of Preferred Securities pursuant to an over-allotment option granted to the initial purchasers of the Preferred Securities. The Preferred Securities have not been registered under the Securities Act of 1933 (the "Act") and, accordingly, may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements under the Act.

The net proceeds from the Preferred Securities Offering were approximately \$290.0 million. The Trust used the proceeds from the Preferred Securities Offering to purchase convertible subordinated debentures from Holdings which resulted in Holdings receiving all of the net proceeds of the Preferred Securities Offering. Holdings in turn contributed the net proceeds of the Preferred Securities Offering to URI. URI used approximately \$281 million of such net proceeds to repay the then outstanding indebtedness under the Company's credit facility and used the balance of such net proceeds for acquisitions.

8.80% Senior Subordinated Notes

In August 1998, URI issued \$205 million aggregate principal amount of 8.80% Senior Subordinated Notes which are due August 15, 2008. URI used \$90.3 million of the net proceeds from the sale of such notes to repay outstanding indebtedness under the Company's credit facility and expects to use the balance of such net proceeds to repay borrowings under the credit facility and expects to use the remaining net proceeds for future acquisitions, capital expenditures and general corporate purposes.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion reviews the Company's operations for the six and three months ended June 30, 1998 and should be read in conjunction with the unaudited Consolidated Financial Statements and related Notes thereto of the Company included herein and the Consolidated Financial Statements and related Notes thereto included in the Company's 1997 Annual Report on Form 10-K.

The following discussion includes statements that are forward-looking in nature. These statements are generally identified by the inclusion of phrases such as "the Company expects," "the Company anticipates," "the Company believes," "the Company estimates," and other phrases of similar meaning. Whether such statements ultimately prove to be accurate depends upon a variety of factors that may affect the business and operations of the Company. Certain of these factors are discussed under the caption Item 1 - "Business-Factors that May Influence Results and Accuracy of Forward-Looking Statements" included in the Company's 1997 Annual Report of Form 10-K. The information in such Annual Report under such caption is incorporated by reference herein.

Unless otherwise indicated, (i) the term "Holdings" refers to United Rentals, Inc., (ii) the term "URI" refers to United Rentals (North America), Inc., a wholly owned subsidiary of Holdings, and (iii) the term "the Company" refers to Holdings and its subsidiaries. (URI and its subsidiaries with respect to periods prior to the reorganization described in Note 7 to the Unaudited Consolidated Financial Statements included elsewhere in this Report)

GENERAL

The Company commenced equipment rental operations in October 1997 by acquiring six established equipment rental companies and acquired 64 additional companies in the first eight months of 1998 (through August 14, 1998). Of such acquisitions, 19 were completed in the first quarter of 1998, 26 were completed in the second quarter of 1998 and 19 thereafter. Each of the acquisitions completed by the Company to date has been accounted for as a purchase.

The Company primarily derives revenues from the following sources: (i) equipment rental (including additional fees that may be charged for equipment delivery, fuel, repair of rental equipment, and damage waivers), (ii) the sale of rental equipment, (iii) the sale of new equipment, and (iv) the sale of related merchandise and parts.

Cost of operations consists primarily of depreciation costs associated with rental equipment, the cost of repairing and maintaining rental equipment, the cost of rental and new equipment sold, personnel costs, occupancy costs, supplies, and expenses related to information systems. The Company records rental equipment expenditures at cost and depreciates equipment using the straight-line method over the estimated useful life (which ranges from 2 to 10 years), after giving effect to an estimated salvage value of 0% to 10% of cost.

Selling, general and administrative expense includes advertising and marketing expenses, management salaries, and clerical and administrative overhead.

Non-rental depreciation and amortization includes (i) depreciation expense associated with equipment that is not offered for rent (such as vehicles, computers and office equipment) and amortization expense associated with leasehold improvements and (ii) the amortization of intangible assets. The Company's intangible assets include goodwill, which represents the excess of the purchase price of acquired companies over the estimated fair market value of the assets acquired.

CONSIDERATION PAID FOR ACQUISITIONS DURING FIRST SIX MONTHS OF 1998

The aggregate consideration paid by the Company for the acquisitions completed during the six months ended June 30, 1998 was \$429.7 million and consisted of approximately \$382.2 million in cash, 1,779,351 shares of Common Stock and warrants to purchase an aggregate of 30,000 shares of Common Stock. In addition, the Company repaid or assumed outstanding indebtedness of the companies acquired during the six months ended June 30, 1998 in the aggregate amount of \$216.4 million. The Company also agreed in connection with eight of the acquisitions completed during the six months ended June 30, 1998, to pay additional amounts to the former owners based upon specified future revenues (such amounts being limited to (i) \$10.0 million, \$2.0 million, \$0.8 million, \$0.5 million, \$0.5 million, \$0.4 million and Cdn. \$4.0 million, respectively, with respect to seven of such acquisitions and (ii) an amount based on the revenues of a single store with respect to the other acquisition).

RESULTS OF OPERATIONS

Six months ended June 30, 1998

Revenues. Total revenues were \$127.4 million for the six months ended June 30, 1998. Equipment rental revenues accounted for 67.6% of such revenues.

Gross Profits. For the six months ended June 30, 1998 the gross profit margin was (i) 41.7% from equipment rentals, (ii) 44.3% from sales of rental equipment and (iii) 21.7% from sales of new equipment, merchandise and other revenues.

Selling, General and Administrative Expense. For the six months ended June 30, 1998, selling, general and administrative expense was \$25.1 million or 19.7% of total revenues.

Non-rental Depreciation and Amortization. For the six months ended June 30, 1998, non-rental depreciation and amortization was \$3.8 million or 3.0% of total revenues.

Interest Expense. For the six months ended June 30, 1998 interest expense was \$4.9 million.

Income Taxes. The Company's effective income tax rate for the six months ended June 30, 1998 was 40.9%.

Three months ended June 30, 1998

Revenues. Total revenues were \$88.2 million for the three months ended June 30, 1998. Equipment rental revenues accounted for 67.3% of such revenues.

Gross Profits. For the three months ended June 30, 1998, the gross profit margin was (i) 42.1% from equipment rentals, (ii) 44.0% from sales of rental equipment and (iii) 22.6% from sales of new equipment, merchandise and other revenues.

Selling, General and Administrative Expense. For the three months ended June 30, 1998, selling, general and administrative expense was \$17.3 million or 19.6% of total revenues.

Non-rental Depreciation and Amortization. For the three months ended June 30, 1998 non-rental depreciation and amortization was \$2.7 million or 3.1% of total revenues.

Interest Expense. For the three months ended June 30, 1998 interest expense was \$3.8 million.

Income Taxes. The Company's effective income tax rate for

the three months ended June 30, 1998 was 40.9%.

LIQUIDITY AND CAPITAL RESOURCES

General

The Company has funded its cash requirements to date from (i) the sale of Common Stock and warrants in private placements to the officers and directors of the Company for aggregate consideration of \$46.8 million, (ii) other sales of Common Stock in private placements for aggregate consideration of \$7.9 million, (iii) the sale of Common Stock in the Company's initial public offering in December 1997 and in an additional public offering in March 1998 for aggregate consideration of \$307.0 million (after deducting the underwriting discounts and estimated offering expenses), (iv) borrowings under the Company's \$300 million revolving credit facility (the "Credit Facility"), (v) the sale of \$200 million aggregate principal amount of 9 1/2% senior subordinated notes (the "9 1/2% Notes") in May 1998 for aggregate consideration of \$194.5 million (after deducting the initial purchasers' discount), (vi) the proceeds of a \$250 million term Loan that the Company received in July 1998, (vii) the sale by a subsidiary trust of 6 1/2% convertible quarterly income preferred securities in August 1998 for aggregate consideration of \$290.0 million (after deducting the initial purchasers' discount), (viii) the sale of \$205 million aggregate principal amount of 8.80% senior subordinated notes (the "8.8% Notes") in August 1998 for aggregate consideration of \$197.5 million (after deducting the initial purchaser's discount) and (ix) cash generated from operations and from the sale of equipment. For additional information concerning certain of the financings described above, see "Certain Information Concerning Preferred Securities" and "Certain Information Concerning the Credit Facility and Other Indebtedness."

The Company's principal existing sources of cash are (i) borrowings available under the Credit Facility, (ii) the portion of the net proceeds from the sale of the 8.8% Notes that was not used for repayment of indebtedness (approximately \$105.7 million) and (iii) cash generated from operations. The Company will require additional financing in connection with the pending merger with U.S. Rentals as described below under "Cash Requirements Relating to the Merger."

The Company had cash-on-hand at the beginning of 1998 of approximately \$68.6 million, representing the net proceeds of the Company's initial public offering not used to repay indebtedness. During the first six months of 1998, the Company (i) generated cash from operations of approximately \$28.8 million, (ii)

generated cash from the sales of rental equipment of approximately \$10.5 million and (iii) had net cash from financing activities of approximately \$347.1 million. The Company used cash during the first six months of 1998 principally for acquisitions (approximately \$369.5 million), to purchase rental equipment (approximately \$62.7 million) and to purchase property and equipment for the Company's information technology system and other purposes (approximately \$11.5 million). These acquisitions and purchases (and the financing thereof) were the principal reasons for (a) the increase in accounts receivable, inventory, rental equipment, property and equipment, and intangible assets at June 30, 1998 compared with December 31, 1997, (b) the increase in accounts payable, debt and accrued expenses and other liabilities at June 30, 1998 compared with December 31, 1997 and (c) the decrease in cash at June 30, 1998 compared with December 31, 1997.

The increase in prepaid expenses and other assets at June 30, 1998 compared with December 31, 1997 primarily reflected (i) an increase in prepaid expenses relating to the Company's operations, (ii) deferred tax assets recorded in connection with acquisitions and (iii) certain direct costs relating to potential or pending acquisitions that were capitalized.

The increase in stockholders' equity at June 30, 1998 compared with December 31, 1997, primarily reflects (i) the public offering of Common Stock completed by the Company in March 1998 and (ii) the issuance of an aggregate of 1,779,351 shares of Common Stock during the six months ended June 30, 1998 as part of the consideration for acquisitions.

CASH REQUIREMENTS RELATING TO THE MERGER

On June 15, 1998, the Company entered into an Agreement and Plan of Merger with U.S. Rentals, Inc., a Delaware corporation ("U.S. Rentals"). The Merger Agreement provides, subject to the terms and conditions set forth therein, for a subsidiary of the Company to be merged with and into U.S. Rentals (the "Merger"). Following the Merger, U.S. Rentals will become a wholly owned subsidiary of URI. For additional information concerning the Merger, see Note 6 to the Unaudited Consolidated Financial Statements included elsewhere in this Report.

The Company estimates that it will require additional financing, in the range of \$500 million to \$600 million, in order to fund the cash outlays that will be required in connection with the Merger (as described below) and to support the Company's operations following the Merger. Accordingly, the Company will seek to obtain a new revolving credit facility that will provide the requisite additional financing. In addition, the Company may pursue other financing alternatives.

The principal cash outlays that will be required in connection with the Merger are discussed below.

Repayment of U.S. Rentals' Credit Facility. Upon completion of the Merger, U.S. Rentals' \$300 million credit facility will terminate and U.S. Rentals will be required to immediately repay all outstanding indebtedness thereunder. As of August 14, 1998, there was approximately \$120.0 million of indebtedness outstanding under such credit facility.

Prepayment of U.S. Rentals' Senior Notes. There is currently outstanding \$252 million of senior unsecured notes that were issued by U.S. Rentals. Pursuant to the terms of such notes, U.S. Rentals may not consummate the Merger unless it first offers to prepay such notes and, to the extent that such offer is accepted, prepays such notes concurrently with the closing of the Merger. The Company and U.S. Rentals are seeking to obtain waivers, which would relieve U.S. Rentals of its obligation to make such prepayment offer and enable the Company to assume such notes. There can be no assurance, however, that such waivers

will be obtained.

Other Cash Expenditures. The Company estimates that other cash expenditures in connection with the Merger will be in the range of \$50 million to \$70 million (excluding non-cash charges of \$10 million to \$20 million). These include expenditures for (i) accelerated deferred compensation for certain employees of U.S. Rentals, (ii) severance for certain employees of U.S. Rentals and (iii) professional fees and investment banking fees.

CASH REQUIREMENTS RELATING TO PENDING ACQUISITIONS

The Company has entered into definitive agreements with respect to the acquisition (the "Pending Acquisitions") of the following companies (the "Pending Acquisition Companies"): Rental Tools and Equipment Co. International Inc.; and McClinch, Inc., McClinch Equipment Services, Inc. and Grey Fox Equipment, Inc. For additional information concerning the Pending Acquisitions, see Note 7 to the Unaudited Consolidated Financial Statements included elsewhere in this Report.

The Company estimates that the cash expenditures that will be required in order to complete the Pending Acquisitions will be approximately \$177.9 million. The Company expects to fund such expenditures through borrowings under the Credit Facility.

GENERAL CASH REQUIREMENTS RELATED TO OPERATIONS

The Company is seeking to obtain a new credit facility (as described above) that will provide the additional financing that the Company will require as a result of the Merger. Assuming that the Company obtains this new credit facility, the Company estimates that its available sources of cash (consisting of borrowings available under such credit facility, the proceeds from the sale of the 8.80% Notes that were not used for repayment of indebtedness and cash generated from operations) will be sufficient for at least 12 months to fund the cash required for (i) the existing operations of the Company (ii) the existing operations of U.S. Rentals to be acquired in the Merger and (iii) the operations to be acquired upon completion of the Pending Acquisitions. However, new acquisitions (other than the Pending Acquisitions) and start-up locations that are not currently under development may require additional financing as discussed below.

The Company expects its principal needs for cash relating to its operations will be to fund (i) operating activities and

working capital, (ii) the purchase of rental equipment on an ongoing basis to maintain the quality and competitiveness of its existing rental equipment, (iii) the purchase of equipment required to expand and modernize the rental equipment at certain locations, (iv) the purchase of equipment and other items required to maintain sufficient inventory of the new equipment and related merchandise and parts that the Company offers for sale and (v) interest expense.

The Company estimates that equipment expenditures over the next 12 months will be in the range of \$365 million to \$415 million for (i) the existing operations of the Company, (ii) the existing operations of U.S. Rentals to be acquired in the Merger and (iii) the operations to be acquired upon completion of the Pending Acquisitions. In addition, the Company expects that it will be required to make equipment expenditures in connection with new acquisitions. The Company cannot quantify at this time the amount of equipment expenditures that will be required in connection with new acquisitions.

Principal elements of the Company's strategy include continued expansion through a disciplined acquisition program and the opening of new rental locations. The Company expects to pay for future acquisitions using cash, capital stock, notes and/or assumption of indebtedness. The Company expects that it will require additional financing for future acquisitions and, consequently, the Company's indebtedness may increase as the Company implements its growth strategy. There can be no assurance, however, that any additional financing will be available or, if available, will be on terms satisfactory to the Company.

The Company is in the process of developing four start-up locations. In addition, U.S. Rentals is in the process of developing two start-up locations. The Company estimates that the aggregate costs associated with such start-up locations will be in the range of \$5 million to \$9 million (including expenditures of approximately \$0.5 million incurred to date).

The Company has recently installed a new integrated information technology system. The cost of installing such system was approximately \$7.4 million. The Company estimates that the cost of extending the system to the locations to be acquired

through the Merger with U.S. Rentals and completion of the Pending Acquisitions will be approximately \$4.8 million. The Company's software vendors have advised the Company that the system is year 2000 compliant.

Based upon the terms of the Company's currently outstanding indebtedness (including currently outstanding indebtedness of U.S. Rentals that will be assumed in the Merger), the Company is scheduled to repay approximately \$1.2 million of indebtedness during the balance of 1998 and \$3.7 million during 1999. (Such amounts are in addition to the amounts that the Company will be required to repay in connection with the Merger). In addition, the Company may be required at any time to repay a \$21 million demand note that the Company will assume in connection with the Merger.

CERTAIN INFORMATION CONCERNING PREFERRED SECURITIES

On August 5, 1998, a subsidiary trust (the "Trust") of Holdings sold in a private offering (the "Preferred Securities Offering") \$300 million of 6 1/2% Convertible Quarterly Income Preferred Securities (the "Preferred Securities"). In addition, the Trust may sell up to an additional \$50 million of Preferred Securities pursuant to an over-allotment option granted to the initial purchasers of the Preferred Securities. The Preferred Securities have not been registered under the Act and, accordingly, may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements under the Act.

The net proceeds from the Preferred Securities Offering were approximately \$290.0 million. The Trust used the proceeds from the Preferred Securities Offering to purchase convertible subordinated debentures from Holdings which resulted in Holdings receiving all of the proceeds of the Preferred Securities Offering. Holdings in turn contributed the net proceeds of the Preferred Securities Offering to its wholly owned subsidiary URI. URI has used approximately \$281 million of such net proceeds to repay outstanding indebtedness under the Credit Facility and has used the balance of such net proceeds for acquisitions.

The preferred securities are convertible into Common Stock of the Company at a conversion price equivalent to \$43.63 per share.

CERTAIN INFORMATION CONCERNING CREDIT FACILITY AND OTHER INDEBTEDNESS

Set forth below is certain information concerning the Credit Facility and certain other indebtedness of URI. The Credit Facility contains certain covenants that require URI to, among other things, satisfy certain financial tests relating to: (a) maintenance of minimum net worth, (b) the ratio of funded debt to net worth, (c) interest coverage ratio (d) funded debt to cash flow, (e) the ratio of funded debt to cash flow, and (f) the ratio of senior debt to tangible assets. The agreements governing the Credit Facility and such other indebtedness contain various other covenants (which vary from agreement to agreement) that restrict URI's ability to, among other things, (i) incur additional indebtedness, (ii) permit liens to attach to its assets, (iii) pay dividends or make other restricted payments on its common stock and certain other securities and (iv) make acquisitions unless certain financial conditions are satisfied. In addition, the agreement governing the Credit Facility and the agreement governing the Term Loan described below (a) require URI to maintain certain financial ratios and (b) provide that failure by any two of Messrs. Jacobs, Milne, Nolan and Miner to continue to hold executive positions with URI for a period of 30 consecutive days constitutes an event of default unless replacement officers satisfactory to the lenders are appointed.

Existing Credit Facility. The Credit Facility is with a group of financial institutions, for which Bank of America National Trust and Savings Association acts as U.S. agent and Bank of America Canada acts as Canadian agent. Set forth below is certain information concerning the terms of the Credit Facility. As described above, the Company is seeking to obtain a new credit facility that will increase the Company's borrowing capacity. The terms of such new credit facility may be different than the terms of the existing Credit Facility.

The Credit Facility enables URI to borrow up to \$300 million on a revolving basis and permits the Canadian Subsidiary to directly borrow up to \$40 million under the Credit Facility (provided that the aggregate borrowings of the Company and the Canadian Subsidiary do not exceed \$300 million). Up to \$10 million of the Credit Facility is available in the form of letters of credit. The Credit Facility terminates on March 30, 2001, at which time all outstanding indebtedness is due. The amount of indebtedness outstanding under the Credit Facility was \$173.0 million at June 30, 1998, and there was no outstanding indebtedness at August 14, 1998(not including undrawn outstanding letters of credit in the amount of \$1.4 million).

Borrowings by URI under the Credit Facility accrue interest at URI's option, at either (a) the Base Rate (which is equal to the greater of (i) the Federal Funds Rate plus 0.5% and (ii) Bank of America's reference rate) or (b) the Eurodollar Rate (which for borrowings by URI is equal to Bank of America's reserve adjusted eurodollar rate) plus a margin ranging from 0.950% to 1.625% per annum. Borrowings by the Canadian Subsidiary under the Credit Facility accrue interest, at such subsidiary's option, at either (x) the Prime Rate (which is equal to Bank of America Canada's prime rate), (y) the BA Rate (which is equal to Bank of America Canada's BA Rate) plus a margin ranging from 0.950% to 1.625% per annum or (z) the Eurodollar Rate (which for borrowing by the Canadian Subsidiary is equal to Bank of America Canada's reserve adjusted Eurodollar Rate) plus a margin ranging from 0.95% to 1.625% per annum. If at any time an event of default (as defined in the agreement governing the Credit Facility) exists, the interest rate applicable to each loan will increase by 2% per annum. The Company is also required to pay the banks an annual facility fee equal to 0.375% of the banks' \$300 million aggregate lending commitment under the Credit Facility (which fee may be reduced to 0.300% for periods during which the Company maintains a specified funded debt to cash flow ratio).

The obligations of URI under the Credit Facility are secured by substantially all of its assets, the stock of its United States subsidiaries and a portion of the stock of the Company's Canadian subsidiaries. The obligations of the Canadian

Subsidiary under the Credit Facility are guaranteed by URI and secured by substantially all of the assets of the Canadian Subsidiary and the stock of the subsidiaries of the Canadian Subsidiary.

Term Loan. In July 1998, URI obtained a \$250 million term loan from a group of financial institutions. The Term Loan matures on June 30, 2005. Prior to maturity, quarterly installments of principal in the amount of \$625,000 are due on the last day of each calendar quarter, commencing September 30, 1999. The amount due at maturity is \$235,625,000. The Term Loan accrues interest, at URI's option, at either (a) the Base Rate (as defined above with respect to the Credit Facility) plus a margin ranging from 0% to 0.5% per annum, or (b) the Eurodollar Rate (as defined above with respect to the Credit Facility for borrowings by URI) plus a margin ranging from 1.875% to 2.375% per annum. The Term Loan is secured pari passu with the Credit Facility. The agreement governing the Term Loan contains restrictive covenants substantially similar to those provided by the Credit Facility.

9 1/2% Senior Subordinated Notes. In May 1998, the Company issued \$200 million aggregate principal amount of 9 1/2% Notes which are due June 1, 2008.

8.80% Senior Subordinated Notes. In August 1998, URI issued \$205 million aggregate principal amount of 8.80% Notes which are due August 15, 2008. URI expects to use the net proceeds for future acquisitions, capital expenditures and general corporate purposes. The agreement governing the 8.80% Senior Subordinated Notes contain restrictions substantially similar to those of the 9 1/2% Senior Subordinated Notes.

The 9 1/2% Notes and 8.80% Notes have not been registered under the Act and, accordingly, may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Act.

FLUCTUATIONS IN OPERATING RESULTS

The Company expects that its revenues and operating results may fluctuate from quarter to quarter due to a number of factors,

including: seasonal rental patterns of the Company's customers (with rental activity tending to be lower in the winter); changes in general economic conditions in the Company's markets; the timing of acquisitions and the opening of start-up locations and related costs; the effect of the integration of acquired businesses and start-up locations; the timing of expenditures for new equipment and the disposition of used equipment; and price changes in response to competitive factors.

The Company is continually involved in the investigation and evaluation of potential acquisitions. In accordance with generally accepted accounting principles, the Company capitalizes certain direct out-of-pocket expenditures (such as legal and accounting fees) relating to potential or pending acquisitions. Indirect acquisition costs, such as executive salaries, general corporate overhead, public affairs and other corporate services, are expensed as incurred. The Company's policy is to charge against earnings any capitalized expenditures relating to any potential or pending acquisition that the Company determines will not be consummated. There can be no assurance that the Company in future periods will not be required to incur a charge against earnings in accordance with such policy, which charge, depending upon the magnitude thereof, could adversely affect the Company's results of operations.

The Company will be required to incur significant start-up expenses in connection with establishing each start-up location. Such expenses may include, among others, pre-opening expenses related to setting up the facility, training employees, installing information systems and marketing. The Company expects that in general start-up locations will initially operate at a loss or at less than normalized profit levels. Consequently, the opening of a start-up location may negatively impact the Company's margins until the location achieves normalized profitability.

There may be a lag between the time that the Company purchases new equipment and begins to incur the related depreciation and interest expenses and the time that the equipment begins to generate revenues at normalized rates. As a result, the purchase of new equipment, particularly equipment purchased in connection with expanding and diversifying the Company's rental equipment, may periodically reduce margins.

GENERAL ECONOMIC CONDITIONS AND INFLATION

The Company's operating results may be adversely affected by (i) changes in general economic conditions, including national, regional and local changes in construction and industrial activity, (ii) increases in interest rates that may result in a higher cost of capital to the Company, or (iii) adverse weather conditions that may decrease construction and other industrial activity. Although the Company cannot accurately anticipate the effect of inflation on its operations, the Company believes that inflation has not had, and is not likely in the foreseeable future to have, a material impact on its results of operations.

RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1997, the Financial Accounting Standards Board Issued Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income," and SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components in a primary financial statement. The Company adopted SFAS No. 130 during the period ended March 31, 1998. The adoption of SFAS No. 130 did not have a material effect on the consolidated financial position results of operations or cash flows of the Company. SFAS No. 131 establishes a new method by which companies will report operating segment information. This method is based on the manner in which management organizes the segments within a company for making operating decisions and assessing performance. The Company continues to evaluate the provisions of SFAS No. 131 and, upon adoption, the Company may report operating segments. The Company is required to adopt SFAS No. 131 by December 31, 1998.

In February 1998, the Financial Accounting Standards Board issued SFAS No. 132, "Employers' Disclosures about Pensions and Other Post Retirement Benefits." SFAS No. 132 revises employers' disclosures about pension and other post retirement benefit plans but does not change the measurement or recognition of those plans. The Company is required to adopt SFAS No. 132 by December 31, 1998. The adoption of SFAS No. 132 is not expected to have a material effect on the Company's consolidated financial position or results of operations.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes a new model for accounting for derivatives and hedging activities. The Company will adopt SFAS No. 133 beginning January 1, 2000. The adoption of SFAS No. 133 is not expected to have a material effect on the Company's consolidated financial position or results of operations.

PART II OTHER INFORMATION

ITEM 2 CHANGES IN SECURITIES

Sale of Unregistered Securities

Set forth below is certain information concerning sales by the Company of unregistered securities during the second quarter of 1998. The issuances by the Company of the securities sold in the transaction referenced below were not registered under the Securities Act of 1933, pursuant to the exemption contemplated by Section 4(2) thereof for transactions not involving a public offering.

MONTH - - - - -	SHARES ISSUED - - - - -
April	322,721
May	49,916
June	505,740
	- - - - -
Total	878,377 =====

Of the shares indicated above, (i) 866,976 shares were issued as partial consideration in connection with nine acquisitions, (ii) 9,299 shares were issued pursuant to a consulting agreement with a former owner and (iii) 2,102 shares were issued pursuant to an employment agreement with an executive officer.

(a) Exhibits:

- 1.1 Agreement and Plan of Merger dated as of June 15, 1998, among the Company, UL Acquisition Corporation and U.S. Rentals, Inc. (incorporated by reference to exhibit 2(a) to the Company's Registration Statement on Form S-4, Registration No. 333-60467).
- 2.2 Amendment No. 1, dated as of July 31, 1998, to the Agreement and Plan of Merger filed as Exhibit 1.1 hereto.
- 2.3 Agreement and Plan of Merger, dated as of August 5, 1998, among United Rentals, Inc., United Rentals Holdings, Inc. and United Rentals Merger Co., Inc.
- 3.1 Amended and Restated Certificate of Incorporation of United Rentals, Inc., in effect as of the date hereof.
- 3.2 By-laws of United Rentals, Inc., in effect as of the date hereof.
- 3.3 Amended and Restated Certificate of Incorporation of United Rentals (North America), Inc., in effect as of the date hereof.
- 3.4 By-laws of United Rentals (North America), Inc., in effect as of the date hereof.
- 4.1 Indenture dated May 22, 1998, among the Company, the Guarantors named therein and State Street Bank and Trust Company, as trustee (incorporated by reference to exhibit 4(b) to the Company's Registration Statement on Form S-4, Registration No. 333-60467).
- 4.2 Notes Registration Rights Agreement dated as of May 22, 1998, among the Company, Merrill Lynch & Co. and the other initial purchasers named therein (incorporated by reference to exhibit 4(c) to the Company's Registration Statement on

Form S-4, Registration No. 333-60467).

- 10.1 Stock Purchase Agreement, dated as of June 9, 1998, among the Company and Shareholders of Power Rental Co., Inc. (incorporated by reference to exhibit 10 to the Company's Report on Form 8-K dated June 18, 1998).
- 10.2 The following agreements, (i) Third Amended and Restated Credit Agreement dated as of May 12, 1998, between the Company, various financial institutions, Bank of America Canada, as Canadian agent, and Bank of America National Trust and Savings Association, as U.S. agent and (ii) First Amendment to Third Amended and Restated Credit Agreement dated as of July 10, 1998 (incorporated by reference to exhibit 10(a) to the Company's Registration Statement on Form S-4, Registration No. 333-60467).
- 10.3 Purchase Agreement dated May 19, 1998 relating to the initial sale of 9 1/2% Notes (incorporated by reference to exhibit 10(bb) to the Company's Registration Statement on Form S-4, Registration No. 333-60467).
- 10.4 Term Loan Agreement dated as of July 10, 1998 among the Company, various financial institutions and Bank of America National Trust and Savings Association, as Agent(incorporated by reference to exhibit 10(cc) to the Company's Registration Statement on Form S-4, Registration No. 333-60467).
- 10.5 Agreement among the Company, United Rentals of New Jersey, Inc., HR Merger Corp., SMSV Acquisition Corp., Equipment Supply Company, Inc., High Reach Co., Inc., Space Maker of Va., Inc. and the Stockholders of Rylan, Inc., High Reach Co., Inc. and Space Maker Systems of Va., Inc., dated as of June 30, 1998 (incorporated by reference to exhibit 10(dd) to the Company's Registration Statement on Form S-4, Registration No. 333-60467)
- 27 Financial Data Schedule
- 99.1 Information that appears in the Company's Report on Form 10-K for the year ended December 31, 1997 under Item 1 - "Business -Factors that May Influence Future Results and

Accuracy of Forward-Looking Statements."

(b) Reports on Form 8-K:

(1) Form 8-K dated June 18, 1998 (earliest event reported June 9, 1998) as amended by a Form 8K/A dated July 21,1998; Items 2 and 7 were reported. The Form 8-K/A includes (a) The financial statements of Power Rental Co., Inc., and (b)Pro Forma consolidated financial statements of the Company.

(2) Form 8-K Dated June 19, 1998 (earliest event reported June 15, 1998); Item 5 was reported.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

UNITED RENTALS, INC.

Dated: August 14, 1998

By: Michael J. Nolan

Michael J. Nolan
Chief Financial Officer
(Principal Financial Officer)

Dated: August 14, 1998

By: Sandra E. Welwood

Sandra E. Welwood
Vice President,
Corporate Controller
(Chief Accounting Officer)

AMENDMENT No. 1 TO AGREEMENT AND PLAN OF MERGER

AMENDMENT No. 1, dated as of July 31, 1998 (this "Amendment"), to that

certain Agreement and Plan of Merger, dated as of June 15, 1998 (the
"Agreement"), among U.S. Rentals, Inc., a Delaware corporation ("USR"), United

Rentals, Inc., a Delaware corporation ("URI"), and UR Acquisition Corporation, a

Delaware corporation and a wholly-owned subsidiary of URI ("Merger Sub").

WHEREAS, the respective Boards of Directors of each of USR, URI and Merger Sub have previously approved the Merger contemplated by the Agreement; and

WHEREAS, pursuant to Section 7.4 of the Agreement, the respective Boards of Directors of USR, URI and Merger Sub have determined to amend certain provisions of the Agreement as set forth in this Amendment in order to allow for URI to effect a reorganization pursuant to which (i) URI will become a wholly-owned subsidiary of United Rentals Holdings, Inc., a Delaware corporation formed by URI for the purpose of becoming the holding company for URI ("Holdco"), (ii) the

name of Holdco will be changed to "United Rentals, Inc." and the name of URI will be changed to "United Rentals (North America), Inc." and (iii) the outstanding capital stock of URI will be automatically converted, on a share-for-share basis, into capital stock of Holdco (collectively, the "Reorganization").

NOW, THEREFORE, in consideration of the premises, and intending to be legally bound hereby, USR, URI and Merger Sub hereby agree as follows:

1. Defined Terms. Capitalized terms used and not otherwise defined in

this Amendment have the meanings ascribed to them in the Agreement.
2. Reorganization. Notwithstanding anything to the contrary in the

Agreement (including, without limitation, Sections 4.1, 5.7 and 8.7 thereof), USR hereby consents to the Reorganization. It is understood and agreed that the Reorganization shall not constitute an Acquisition Proposal with respect to URI.

3. Certain Terms Used in the Agreement. Commencing upon consummation of

the Reorganization, references in the Agreement to (a) "URI" shall be deemed references to Holdco, and (b) "URI Common Stock" shall be deemed references to the common stock, par value \$.01 per share, of Holdco.

4. Assignment. The parties to the Agreement hereby consent, pursuant to

Section 8.7 thereof, to (a) the assignment (i) by URI of its rights and obligations under the Agreement to Holdco and (ii) by Merger Sub of its rights and obligations under the Agreement to any wholly-owned subsidiary of Holdco, and (b) the transfer by URI of the capital stock of Merger Sub to Holdco. By its execution hereof, Holdco hereby agrees to be bound by the terms of the Agreement effective upon consummation of the Reorganization, and the parties to the Agreement hereby agree that upon consummation of the Reorganization all rights and benefits of URI under the Agreement shall inure to and be enforceable by Holdco. Upon any assignment described in the foregoing clause (a)(ii), the assignee shall execute a counterpart signature page to the Agreement and deliver the same to the other parties thereto, whereupon such assignee shall become a party to the Agreement and all rights and benefits of the assignor under the Agreement shall inure to and be enforceable by the assignee.

5. Representations. USR hereby represents and warrants to URI and Merger

Sub, and URI and Merger Sub each hereby represents and warrants to USR, that (a) it has all necessary corporate power and authority to execute and deliver this Amendment, (b) the execution and delivery of this Amendment have been duly and validly authorized by all requisite corporate proceedings, (c) it has duly and validly executed and delivered this Amendment and (d) this Amendment constitutes its valid, legal and binding agreement, enforceable against it in accordance with its terms, subject to the Bankruptcy and Equity Exception.

6. Effect of Amendment. As amended hereby, the Agreement shall remain

and continue in full force and effect pursuant to its terms, and USR, URI and Merger Sub hereby confirm all of the terms of the Agreement, as amended hereby. All references in the Agreement to representations, warranties, covenants, agreements, conditions and other provisions shall be deemed to reflect the modifications made by this Amendment.

7. Governing Law. This Amendment shall be governed by and construed in

accordance with the laws of the State of Delaware, without regard to the
principles of conflicts of law thereof.

8. Counterparts. This Amendment may be executed in one or more

counterparts, each of which shall be deemed to be an original, but all of which
taken together shall constitute one and the same instrument.

[signature page follows]

IN WITNESS WHEREOF, each of the parties has caused this Amendment to be duly executed on its behalf by the undersigned, thereunto duly authorized, as of the day and year first written above.

U.S. RENTALS, INC.

By: _____
Name:
Title:

UNITED RENTALS, INC. (to be renamed United Rentals
(North America), Inc. upon consummation of the
Reorganization described in this Amendment)

By: _____
Name:
Title:

UR ACQUISITION CORPORATION

By: _____
Name:
Title:

UNITED RENTALS HOLDINGS, INC. (to be renamed
United Rentals, Inc. upon consummation of the

Reorganization described in this Amendment)

By: _____
Name:
Title:

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER ("Agreement"), dated as of August 5, 1998, among United Rentals, Inc., a Delaware corporation (the "Company"), United Rentals Holdings, Inc., a Delaware corporation ("URH") and a direct, wholly-owned subsidiary of the Company, and United Rentals Merger Co., Inc., a Delaware corporation ("Mergeco") and a direct, wholly-owned subsidiary of URH.

RECITALS

WHEREAS, as of the close of business on August 4, 1998, the authorized capital stock of the Company consisted of (i) 75,000,000 shares of common stock, par value \$0.01 per share ("Company Common Stock"), of which 34,535,967 shares were issued and outstanding, 4,429,775 shares were reserved for issuance under the Company's 1997 Stock Option Plan, 6,519,058 shares were reserved for issuance in connection with the Company's outstanding warrants, 16,133 shares were reserved for issuance in connection with the Company's 7.0% convertible notes due October 2002, and no shares were held in treasury, and (ii) 5,000,000 shares of preferred stock, par value \$0.01 per share, of which none is outstanding.

WHEREAS, as of the date hereof, the authorized capital stock of URH consists of (i) 75,000,000 shares of common stock, par value \$0.01 per share ("URH Common Stock"), of which 1,000 shares are issued and outstanding and no shares are held in treasury, and (ii) 5,000,000 shares of preferred stock, par value \$0.01 per share, of which none is outstanding.

WHEREAS, the designations, rights, powers and preferences, and the qualifications, limitations and restrictions thereof, of the URH Common Stock are the same as those of the Company Common Stock.

WHEREAS, the Certificate of Incorporation and the By-laws of URH immediately after the Effective Time (as hereinafter defined) will contain provisions identical to

the Amended and Restated Certificate of Incorporation and By-laws of the Company immediately before the Effective Time (other than with respect to matters excepted by Section 251(g) of the General Corporation Law of the State of Delaware (the "DGCL")).

WHEREAS, the directors of the Company immediately prior to the Merger (as hereinafter defined) will be the directors of URH as of the Effective Time.

WHEREAS, URH and Mergeco are newly formed corporations organized for the purpose of participating in the transactions herein contemplated.

WHEREAS, the Company desires to create a new holding company structure by merging Mergeco with and into the Company with the Company being the surviving corporation (sometimes hereinafter referred to as the "Surviving Corporation"), and converting each outstanding share of Company Common Stock into one share of URH Common Stock, all in accordance with the terms of this Agreement.

WHEREAS, the Boards of Directors of URH, Mergeco and the Company have approved this Agreement and the merger of Mergeco with and into the Company upon the terms and subject to the conditions set forth in this Agreement (the "Merger").

NOW, THEREFORE, in consideration of the premises and the covenants and agreements contained in this Agreement, and intending to be legally bound hereby, the Company, URH and Mergeco hereby agree as follows:

ARTICLE I
THE MERGER

Section 1.1 The Merger. In accordance with Section 251(g) of the DGCL and subject to and upon the terms and conditions of this Agreement, Mergeco shall, at the Effective Time, be merged with and into the Company, the separate corporate existence of Mergeco shall cease and the Company shall continue as the surviving corporation. The Company as the surviving corporation after the Merger is hereinafter sometimes referred to as the "Surviving

Corporation." At the Effective Time, the effect of the Merger shall be as provided in Section 259 of the DGCL.

Section 1.2 Effective Time. The Merger shall become effective upon the filing, on or after the date hereof and on or before August 5, 1998, of a copy of this Agreement with the Secretary of State of the State of Delaware (the time of such filing being referred to herein as the "Effective Time").

Section 1.3 Amended and Restated Certificate of Incorporation of the Surviving Corporation. From and after the Effective Time, the Amended and Restated Certificate of Incorporation of the Company, as in effect immediately prior to the Effective Time, shall be the certificate of incorporation of the Surviving Corporation until thereafter amended as provided by law; provided, however, that, from and after the Effective Time:

(a) Article I thereof shall be amended so as to read in its entirety as follows:

"The name of the Corporation is United Rentals (North America), Inc."

(b) Article III thereof shall be amended so as to read in its entirety as follows:

"The aggregate number of shares which the Corporation shall have authority to issue shall be three thousand (3,000), consisting of three thousand (3,000) shares of Common Stock, par value \$0.01 per share."

(c) A new Article XI shall be added thereto which shall be and read in its entirety as follows:

"Any act or transaction by or involving the Corporation that requires for its adoption under the General Corporation Law of the State of Delaware or this certificate of incorporation the approval of the stockholders of the Corporation shall, by virtue of this reference to Section 251(g) of the General Corporation Law of the State of Delaware, require, in addition, the approval of the stockholders of United Rentals, Inc., a Delaware corporation, or any successor thereto by merger, by the same vote that is required by the General Corporation Law of the

State of Delaware and/or the certificate of incorporation of this Corporation."

Section 1.4 By-laws. From and after the Effective Time, the By-laws of the Company, as in effect immediately prior to the Effective Time, shall be the By-laws of the Surviving Corporation until thereafter amended as provided therein or by applicable law.

Section 1.5 Directors. The directors of the Company immediately prior to the Effective Time shall be the initial directors of the Surviving Corporation and will hold office from the Effective Time until their successors are duly elected or appointed and qualified in the manner provided in the Certificate of Incorporation and the By-laws of the Surviving Corporation or as otherwise provided by law.

Section 1.6 Officers. The officers of the Company immediately prior to the Effective Time shall be the initial officers of the Surviving Corporation and will hold office from the Effective Time until their successors are duly elected or appointed and qualified in the manner provided in the Certificate of Incorporation and the By-laws of the Surviving Corporation or as otherwise provided by law.

Section 1.7 Additional Actions. Subject to the terms of this Agreement, the parties hereto shall take all such reasonable and lawful action as may be necessary or appropriate in order to effectuate the Merger. If, at any time after the Effective Time, the Surviving Corporation shall consider or be advised that any deeds, bills of sale, assignments, assurances or any other actions or things are necessary or desirable to vest, perfect or confirm, of record or otherwise, in the Surviving Corporation its right, title or interest in, to or under any of the rights, properties or assets of either of Mergeco or the Company acquired or to be acquired by the Surviving Corporation as a result of, or in connection with, the Merger or otherwise to carry out this Agreement, the officers of the Surviving Corporation shall be authorized to execute and deliver, in the name and on behalf of each of Mergeco and the Company, all such deeds, bills of sale, assignments and assurances and to take and do, in the name and on behalf of each of Mergeco and the Company or otherwise, all such other actions

and things as may be necessary or desirable to vest, perfect or confirm any and all right, title and interest in, to and under such rights, properties or assets in the Surviving Corporation or otherwise to carry out this Agreement.

Section 1.8 Conversion of Securities. At the Effective Time, by virtue of the Merger and without any action on the part of URH, Mergeco, the Company or the holder of any of the following securities:

(a) Each issued and outstanding share of URH Common Stock owned of record by the Company immediately prior to the Effective Time shall be cancelled and retired without payment of any consideration therefor and shall cease to exist and no Company Common Stock or other consideration shall be delivered in exchange for any such URH Common Stock.

(b) Each share or fraction of a share of Company Common Stock issued and outstanding immediately prior to the Effective Time shall be converted into one, or an equal fraction of one, duly issued, fully paid and nonassessable share of URH Common Stock.

(c) Each share of common stock, par value \$0.01 per share, of Mergeco issued and outstanding immediately prior to the Effective Time shall be converted into and thereafter represent one duly issued, fully paid and nonassessable share of common stock, par value \$0.01 per share, of the Surviving Corporation.

(d) From and after the Effective Time, holders of certificates formerly evidencing Company Common Stock shall cease to have any rights as stockholders of the Company, except as provided by law; provided, however, that such holders shall have the rights set forth in Section 1.9 herein.

Section 1.9 No Surrender of Certificates; Stock Transfer Books. At the Effective Time, the designations, rights, powers and preferences, and qualifications, limitations and restrictions thereof, of the capital stock of URH, will, in each case, be identical with those of the Company immediately prior to the Effective Time. Accordingly, until thereafter surrendered for transfer or exchange in the ordinary course, each outstanding

certificate that, immediately prior to the Effective Time, evidenced Company Common Stock shall, from the Effective Time, be deemed and treated for all corporate purposes to evidence the ownership of the same number of shares of URH Common Stock.

Section 1.10 Certificate of Incorporation of URH. The Company hereby consents to the use of the name "United Rentals, Inc." by URH from and after the Effective Time. URH shall, at the Effective Time or immediately thereafter, file an Amendment to the Certificate of Incorporation with the Secretary of State of the State of Delaware changing the corporate name of URH to "United Rentals, Inc."

ARTICLE II
ACTIONS TO BE TAKEN IN
CONNECTION WITH THE MERGER

Section 2.1 Assumption of Plan. URH and the Company hereby agree that they will, at the Effective Time, execute, acknowledge and deliver an assumption agreement pursuant to which URH will, from and after the Effective Time, assume and agree to perform all obligations of the Company pursuant to (x) the Company's 1997 Stock Option Plan (the "Plan").

Section 2.2 Reservation of Shares. On or prior to the Effective Time, URH will reserve sufficient shares of URH Common Stock to provide for the issuance of URH Common Stock upon exercise of options outstanding under the Plan, exercise of all outstanding warrants, in connection with the acquisitions of U.S. Rentals, Inc., Rental Tools and Equipment Co. International, Inc., McClinch, Inc., McClinch Equipment Services, Inc. and Grey Fox Equipment, Inc., and in connection with the 7.0% convertible notes due October 2002.

ARTICLE III
CONDITIONS OF MERGER

Section 3.1 Conditions Precedent. The obligations of the parties to this Agreement to consummate the Merger and the transactions contemplated by this Agreement shall be subject to fulfillment or waiver by the parties hereto at or prior to the Effective Time of each of the following conditions:

(a) The URH Common Stock to be issued pursuant to the Merger shall have been approved for listing, upon official notice of issuance, by the New York Stock Exchange.

(b) No order, statute, rule, regulation, executive order, injunction, stay, decree, judgment or restraining order that is in effect shall have been enacted, entered, promulgated or enforced by any court or governmental or regulatory authority or instrumentality which prohibits or makes illegal the consummation of the Merger or the transactions contemplated hereby.

(c) Weil, Gotshal & Manges LLP, special tax counsel to the Company, shall not have withdrawn its opinion that holders of the Company Common Stock will not recognize gain or loss for United States federal income tax purposes as a result of the Merger.

ARTICLE IV
COVENANTS

Section 4.1 Election of Directors. Prior to the Effective Time, the Company, in its capacity as the sole stockholder of URH, will, if necessary to comply with Section 251(g) of the DGCL, remove each of the then directors of URH, cause the board of directors of URH to effect such amendments to the bylaws of URH as are necessary to increase the number of directors of URH to equal the number of directors of the Company immediately prior to the Effective Time, and elect each person who is then a member of the board of directors of the Company as a director of URH, each of whom shall serve until the next annual meeting of stockholders of URH and until his successor shall have been elected and qualified.

Section 4.2 Listing of URH Common Stock. URH will use its best efforts to obtain, at or before the Effective Time, authorization to list, upon official notice of issuance, on the New York Stock Exchange URH Common Stock issuable pursuant to the Merger.

Section 4.3 The Plan. The Company and URH will take or cause to be taken all actions necessary or desirable in order for URH to assume the Plan and to assume (or become a participating employer in) each other existing employee benefit plan and agreement of the Company, with or without amendments, or to adopt comparable plans, all to the extent deemed appropriate by the Company and URH and permitted under applicable law.

ARTICLE V TERMINATION AND AMENDMENT

Section 5.1 Termination. This Agreement may be terminated and the Merger contemplated hereby may be abandoned at any time prior to the Effective Time by action of the Board of Directors of the Company, the Board of Directors of URH or the Board of Directors of Mergeco if such Board of Directors should determine that for any reason the completion of the transactions provided for herein would be inadvisable or not in the best interest of such corporation or its stockholders. In the event of such termination and abandonment, this Agreement shall become void and neither the Company, URH or Mergeco nor their respective stockholders, directors or officers shall have any liability with respect to such termination and abandonment.

Section 5.2 Amendment. This Agreement may be supplemented, amended or modified by the mutual consent of the Boards of Directors of the parties to this Agreement to the fullest extent permitted by law.

ARTICLE VI
MISCELLANEOUS PROVISIONS

Section 6.1 Governing Law. This Agreement shall be governed by and construed and enforced under the laws of the State of Delaware.

Section 6.2 Counterparts. This Agreement may be executed in one or more counterparts, each of which when executed shall be deemed to be an original but all of which shall constitute one and the same agreement.

Section 6.3 Entire Agreement. This Agreement, including the documents and instruments referred to herein, constitutes the entire agreement and supersedes all other prior agreements and undertakings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof.

IN WITNESS WHEREOF, URH, Mergeco and the Company have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

UNITED RENTALS, INC.

By: /s/ Sandra E. Welwood

Name: Sandra E. Welwood
Title: Vice President

UNITED RENTALS HOLDINGS, INC.

By: /s/ Sandra E. Welwood

Name: Sandra E. Welwood
Title: Vice President

UNITED RENTALS MERGER CO., INC.

By: /s/ Sandra E. Welwood

Name: Sandra E. Welwood
Title: Vice President

CERTIFICATE OF THE SECRETARY
OF
UNITED RENTALS MERGER CO., INC.

I, John N. Milne, the Secretary of United Rentals Merger Co., Inc., hereby certify that the Agreement and Plan of Merger to which this certificate is attached, after having been first duly signed on behalf of the corporation by the Vice President under the corporate seal of said corporation, was duly approved and adopted by written consent of the sole shareholder of United Rentals Merger Co., Inc. on August 5, 1998.

Witness my hand and seal of said United Rentals Merger Co., Inc. on August 5, 1998.

/s/ John N. Milne

Name: John N. Milne
Secretary

CERTIFICATE OF THE SECRETARY
OF
UNITED RENTALS, INC.

I, John N. Milne, the Secretary of United Rentals, Inc., hereby certify that the Agreement and Plan of Merger to which this certificate is attached has been adopted pursuant to Section 251(g) of the General Corporation Law of the State of Delaware and that the conditions of the first sentence of such subsection have been met.

Witness my hand and seal of said United Rentals, Inc. on August 5, 1998.

/s/ John N. Milne

Name: John N. Milne
Secretary

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
UNITED RENTALS HOLDINGS, INC.

United Rentals Holdings, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

1. The name of the corporation is United Rentals Holdings, Inc. The original Certificate of Incorporation (the "Original Certificate") of the Corporation was filed with the Secretary of State of the State of Delaware on July 20, 1998.

2. Pursuant to Sections 242 and 245 of the Delaware General Corporation Law, this Amended and Restated Certificate of Incorporation restates and integrates and further amends the provisions of the Corporation's Certificate of Incorporation.

3. The terms and provisions of this Amended and Restated Certificate of Incorporation have been duly adopted pursuant to the provisions of Sections 242 and 245 of the Delaware General Corporation Law.

4. The text of the Original Certificate is hereby restated and further amended to read in its entirety as follows:

ARTICLE I.

The name of the Corporation is United Rentals, Inc.

ARTICLE II.

The address of the Corporation's registered office in the State of Delaware is United Corporate Services, Inc., 15 East North Street, Dover, Delaware 19901, County of Kent. The name of its registered agent at such address is United Corporate Services, Inc.

ARTICLE III.

A. The Corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and

"Preferred Stock". The amount of the total authorized capital stock of the Corporation is 80,000,000 shares, divided into (a) 75,000,000 shares of Common Stock having a par value of \$0.01 per share, and (b) 5,000,000 shares of Preferred Stock having a par value of \$0.01 per share.

B. The Preferred Stock may be issued from time to time in one or more series. Subject to the restrictions prescribed by law, the Board of Directors is authorized to fix by resolution or resolutions the number of shares of any series of Preferred Stock and to determine or alter the rights, preferences, privileges and restrictions granted to or imposed upon any wholly unissued series of Preferred Stock and, within the limits and restrictions stated in any resolution or resolutions of the Board of Directors originally fixing the number of shares constituting any series of Preferred Stock, to increase (but not above the total number of authorized shares of Preferred Stock) or decrease (but not below the number of shares of any such series then outstanding) the number of shares of any such series subsequent to the issue of shares of that series.

The authority of the Board of Directors with respect to each series of Preferred Stock shall include, but not be limited to, determination of the following: (a) the number of shares constituting that series and the distinctive designation of that series; (b) the dividend rate on the shares of that series, whether dividends shall be cumulative, and if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of that series; (c) whether that series shall have voting rights in addition to the voting rights provided by law, and if so, the terms of such voting rights; (d) whether that series shall have conversion privileges, and if so, the terms and conditions of such privileges, including provision for adjustment of the conversion rate in such events as the Board of Directors shall determine; (e) whether or not the shares of that series shall be redeemable, and if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates; (f) whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and if so, the terms and the amount of such sinking funds; (g) the rights of the shares of that series in the event of voluntary or involuntary

liquidation, dissolution or winding up of the Corporation, and the relative rights of priority, if any, of payment of shares of that series; and (h) any other relative rights, preferences and limitations of that series.

ARTICLE IV.

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may now or hereafter be organized under the Delaware General Corporation Law.

ARTICLE V.

A. By-Laws. In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, adopt, alter, amend or repeal the By-Laws of the Corporation. Any By-Laws made by the directors under the powers conferred hereby may be amended or repealed by the directors or by the stockholders. Notwithstanding the foregoing and anything contained in this Amended and Restated Certificate of Incorporation to the contrary, the By-Laws shall not be amended or repealed by the stockholders, and no provision inconsistent therewith shall be adopted by the stockholders, without the affirmative vote of the holders of at least 66-2/3% of the voting power of all shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

B. Amendment of Certificate of Incorporation. Notwithstanding any other provision contained in this Amended and Restated Certificate of Incorporation and notwithstanding that a lesser percentage may be specified by law, the By-Laws or otherwise, this Article V and Articles VI, VII, VIII and IX of this Amended and Restated Certificate of Incorporation shall not be amended or repealed, and no provision inconsistent therewith or providing for cumulative voting in the election of directors shall be adopted, unless such adoption, amendment or repeal is approved by the affirmative vote of holders of at least 66-2/3% of the voting power of all shares of capital stock of the Corporation entitled to vote generally for the election of directors.

ARTICLE VI.

The business and affairs of the Corporation shall be managed by and under the direction of the Board of Directors (the "Board"). The Board may exercise all such authority and powers of the Corporation and do all such lawful acts and things as are not by statute or this Amended and Restated Certificate of Incorporation directed or required to be exercised or done by the stockholders.

A. Number of Directors. The number of directors comprising the entire Board shall, subject to the right, if any, of holders of Preferred Stock to elect directors under specified circumstances, be such number as may be fixed from time to time exclusively by the Board by action of a majority of the directors then in office. If the number of directors at any time is fixed at three or greater, then thereafter in no event shall such number be fewer than three or greater than nine, unless approved by action of not less than two-thirds of the directors then in office. No director need be a stockholder.

B. Classes and Terms of Directors. The directors shall be divided into three classes (I, II and III). The number of directors comprising each class (assuming no vacancy in any class) shall be as nearly equal in number as possible based upon the number of directors comprising the entire Board. The Board shall, at or before the first meeting of the Board following the Effective Time (as that term is defined in the document titled "Amended and Restated Certificate of Incorporation of United System, Inc." filed with the Delaware Secretary of State on September 11, 1997), designate the class to which each director then serving shall be a member. The initial term of the directors in Class I shall extend until the first annual meeting of stockholders following the Effective Time; the initial term of the directors in Class II shall extend until the second annual meeting of stockholders following the Effective Time; and the initial term of the directors in Class III shall extend until the third annual meeting of stockholders following the Effective Time. At each annual meeting of stockholders, successors to directors of the class whose term expires at such meeting will be elected to serve for three-year terms and until their successors are elected and qualified.

C. Newly-Created Directorships and Vacancies. Subject to the rights of the holders of any class or series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the number of directors or any vacancies in the Board resulting from death, resignation, retirement, disqualification, removal from office or any other cause may be filled by the Board (and not by the stockholders unless there are no directors then in office), provided that a quorum is then in office and present, or by a majority of the directors then in office, if less than a quorum is then in office, or by the sole remaining director. A director elected to fill a newly created directorship or other vacancy shall hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor has been elected and qualified.

D. Removal of Directors. Subject to the rights of the holders of any class or series of Preferred Stock then outstanding, the directors or any director may be removed from office any time, but only for cause, at a meeting called for that purpose, and only by the affirmative vote of the holders of at least 66-2/3% of the voting power of all shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

E. Rights of Holders of Preferred Stock. Notwithstanding the foregoing provisions of this Article VI, whenever the holders of any one or more classes or series of Preferred Stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the rights and preferences of such Preferred Stock, and such directors so elected shall not be divided into classes pursuant to this Article VI unless expressly provided by such rights and preferences.

F. Written Ballot Not Required. The election of directors need not be by written ballot unless the By-Laws of the Corporation shall so provide.

ARTICLE VII.

The By-Laws of the Corporation may provide, without limitation, requirements relating to the notice and conduct of annual meetings, special meetings, and the nomination and election of directors of the Corporation.

ARTICLE VIII.

In furtherance and not in limitation of the powers conferred by law or in this Amended and Restated Certificate of Incorporation, the Board (and any committee of the Board) is expressly authorized, to the extent permitted by law, to take such action or actions as the Board or such committee may determine to be reasonably necessary or desirable to (a) encourage any person to enter into negotiations with the Board and management of the Corporation with respect to any transaction which may result in a change in control of the Corporation which is proposed or initiated by such person or (b) contest or oppose any such transaction which the Board or such committee determines to be unfair, abusive or otherwise undesirable with respect to the Corporation and its business, assets or properties or the stockholders of the Corporation, including, without limitation, the adoption of plans or the issuance of rights, options, capital stock, notes, debentures or other evidences of indebtedness or other securities of the Corporation, which rights, options, capital stock, notes, evidences of indebtedness and other securities (i) may be exchangeable for or convertible into cash or other securities on such terms and conditions as may be determined by the Board or such committee and (ii) may provide that any holder or class of holders thereof designated by the Board or any such committee will be treated differently than all other holders in respect of the terms, conditions, provisions and rights of such securities.

ARTICLE IX.

Subject to the rights, if any, of holders of any class or series of Preferred Stock then outstanding, (i) stockholders are not permitted to call a special meeting of stockholders or to require the Board or officers of the Corporation to call such a special meeting, (ii) a special meeting of stockholders may only be called by a majority of the Board or by the chief executive officer, (iii) the business permitted to be conducted at a

special meeting of stockholders shall be limited to matters properly brought before the meeting by or at the direction of the Board, and (iv) any action required or permitted to be taken by the stockholders must be taken at a duly called and convened annual meeting or special meeting of stockholders and cannot be taken by consent in writing.

Meetings of stockholders may be held within or without the State of Delaware, as the By-Laws may provide. The books of the Corporation may be kept (subject to any provision contained in the statute) outside the State of Delaware at such place or places as may be designated from time to time by the Board or in the By-Laws of the Corporation.

ARTICLE X.

A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law is amended after approval by the stockholders of this Article to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

IN WITNESS WHEREOF, the Corporation has caused this Amended and Restated Certificate of Incorporation to be duly executed this 5th day of August, 1998.

United Rentals Holdings, Inc.

By: /s/ Sandra E. Welwood

Name: Sandra E. Welwood

Title: Vice President

BY-LAWS
-OF-
UNITED RENTALS, INC.
(a Delaware corporation hereinafter called the "Corporation")

Effective as of July 20, 1998

ARTICLE I
Offices

SECTION 1.01. Offices. The Corporation may have offices both within and without the State of Delaware as the Board of Directors may from time to time determine.

ARTICLE II
Meetings of Stockholders

SECTION 2.01. Place of Meetings. Meetings of stockholders may be held at any place, either within or without the State of Delaware, designated by the Board of Directors.

SECTION 2.02. Annual Meeting. The annual meeting of stockholders for election of directors shall be held on such date and at such time as shall be designated by the Board of Directors. Any other proper business may be transacted at the annual meeting.

SECTION 2.03. Special Meetings. Stockholders are not permitted to call a special meeting of stockholders or to require the Board of Directors or officers of the Corporation to call such a special meeting. A special meeting of stockholders may only be called by a majority of the Board of Directors or by the chief executive officer. The business permitted to be conducted at a special meeting of stockholders shall be limited to matters properly brought before the meeting by or at the direction of the Board of Directors. Any action required or permitted to be taken by the stockholders must be taken at a duly called and convened annual meeting or special meeting of stockholders and cannot be taken by consent in writing.

SECTION 2.04. Quorum. The holders of a majority of the shares entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings

of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation.

SECTION 2.05. Organization. Meetings of stockholders shall be presided over by the Chairman, if any, or in his absence (or election not to preside) by the Vice Chairman, if any, or in his absence (or election not to preside) by the President, or in his absence (or election not to preside) by a Vice President, or in the absence of the foregoing persons by a chairman designated by the Board of Directors, or in the absence of such designation by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his absence (or election not to so act) the chairman of the meeting may appoint any person to act as secretary of the meeting.

SECTION 2.06. Conduct of Meetings. The Board of Directors may adopt such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of any meeting of stockholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

SECTION 2.07. Nomination of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors; provided, however,

that the following procedures shall not apply to the nomination of persons for election as directors by vote of any class or series of preferred stock of the Corporation. Nominations of persons for election to the Board of Directors of the Corporation at the annual meeting may be made at such meeting by or at the direction of the Board of Directors, by any committee appointed by the Board of Directors or by any common stockholder of the Corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 2.07. Such nominations, other than those made by or at the direction of the Board of Directors or by any committee appointed by the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 60 days nor more than 90 days prior to the meeting; provided, however, that in the event that less than 70 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the fifteenth day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. Such stockholder's notice to the Secretary shall set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class, series and number of shares of capital stock of the Corporation which are beneficially owned by the person and (iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to the Rules and Regulations of the Securities and Exchange Commission under Section 14 of the Securities Exchange Act of 1934, as amended; and (b) as to the stockholder giving the notice (i) the name and record address of the stockholder, (ii) the class, series and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder and (iii) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder. Such notice shall be accompanied by the executed consent of each nominee to serve as a director if so elected. The Corporation

may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation. No person shall be eligible for election as a director of the Corporation by the holders of Common Stock of the Corporation unless nominated in accordance with the procedures set forth herein. The officer of the Corporation presiding at an annual meeting shall, if the facts warrant, determine that a nomination was not made in accordance with the foregoing procedure and, if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

SECTION 2.08. Advance Notification of Business to be Transacted at Stockholder Meetings. To be properly brought before the annual or any special meeting of stockholders, business must be either (a) specified in the notice of meeting (or any supplement or amendment thereto) given by or at the direction of the Board of Directors or any committee appointed by the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before an annual meeting by a stockholder. In addition to any other applicable requirements, for business to be properly brought before any annual meeting of stockholders by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 60 days nor more than 90 days prior to the meeting; provided, however, that in the event that less than 70 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the fifteenth day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. Such stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the meeting (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (ii) the name and record address of the stockholder proposing such business, (iii) the class, series and number of shares of capital stock of the Corporation which are beneficially

owned by the stockholder and (iv) any material interest of the stockholder in such business.

No business shall be conducted at the annual or any special meeting of stockholders unless it is properly brought before the meeting in accordance with the procedures set forth in this Section 2.08, provided, however, that nothing in this Section 2.08 shall be deemed to preclude discussion by any stockholder of any business properly brought before the meeting in accordance with the procedures set forth in this Section 2.08. The officer of the Corporation presiding at the meeting shall, if the facts warrant, determine that business was not properly brought before the meeting in accordance with the provisions of this Section 2.08 and, if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

SECTION 2.09. Compliance with Securities and Exchange Act of 1934. Notwithstanding any other provision of these By-laws, the Corporation shall be under no obligation to include any stockholder proposal in its proxy statement materials or otherwise present any such proposal to stockholders at a special or annual meeting of stockholders if the Board of Directors reasonably believes that the proponents thereof have not complied with Sections 13 and 14 of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, and the Corporation shall not be required to include in its proxy statement material to stockholders any stockholder proposal not required to be included in its proxy material to stockholders in accordance with such Act, rules, or regulations.

ARTICLE III Directors

SECTION 3.01. Number of Directors. The number of directors which shall constitute the entire Board of Directors shall be as set by the Board of Directors from time to time. No reduction in the number of directors constituting the entire Board of Directors shall have the effect of removing any director before that director's term of office expires.

SECTION 3.02. Term of Office. Subject to the provisions of the certificate of incorporation, each director, including a director elected to fill a vacancy, shall hold office

until such director's successor is elected and qualified or the earlier resignation or removal of such director.

SECTION 3.03. Meetings. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware. Regular meetings of the Board of Directors may be held without notice at such time and at such place as may from time to time be determined by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman, the Vice Chairman, the Chief Executive Officer, the President or the Secretary or by resolution of the Board of Directors. Unless waived, notice of the time and place of special meetings shall be delivered to each director either (i) personally (either orally or in writing), (ii) by telephone, (iii) by telex, telecopy or other facsimile transmission, or (iv) by first-class mail, postage prepaid, addressed to a director at that director's address as it is shown on the records of the Corporation. If the notice is mailed, it shall be deposited in the United States mail at least four days before the time of the holding of the meeting (ten days in the case of a director whose address as shown on the records of the Corporation is outside of the United States of America). If the notice to a director is delivered in any other manner it shall be delivered (which shall for this purpose mean received by the director) at least 24 hours before the time of the holding of the meeting.

SECTION 3.04. Quorum. At all meetings of the Board of Directors, a majority of the entire Board shall be necessary and sufficient to constitute a quorum for the transaction of business.

SECTION 3.05. Organization. Meetings of the Board of Directors shall be presided over by the Chairman, if any, or in his absence by the Vice Chairman, if any, or in the absence of the foregoing persons by a chairman chosen at the meeting.

SECTION 3.06. Meetings by Conference Telephone or Similar Device. Members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can

hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

SECTION 3.07. Board Action by Written Consent Without a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the board or committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the board or committee. Written consents representing actions taken by the board or committee may be executed by telex, telecopy or other facsimile transmission, and such facsimile shall be valid and binding to the same extent as if it were an original.

ARTICLE IV Officers

SECTION 4.01. General. The officers of the Corporation shall be chosen by the Board of Directors and shall be a Chairman, a Vice Chairman, a Chief Executive Officer, a President, a Chief Financial Officer, and a Secretary. The Board of Directors, in its discretion, may also choose one or more Vice Presidents, Assistant Secretaries, and other officers. Each such officer shall hold office until his resignation or removal. The Board of Directors may remove any officer with or without cause at any time, but such removal shall be without prejudice to the contractual rights of such officer, if any, with the Corporation.

SECTION 4.02. Powers and Duties of Officers. The chief executive officer of the Corporation shall have such powers in the management of the Corporation as may be prescribed in a resolution by the Board of Directors and, to the extent not so provided, as generally pertain to such office. The chief executive officer shall see that all orders and resolutions of the Board of Directors are carried into effect.

The other officers of the Corporation shall have such powers and duties in the management of the Corporation as may be prescribed in a resolution by the Board of Directors or delegated to them by the chief executive officer and, to the extent not so provided or delegated, as generally pertain to their respective offices, subject to the control of the Board of Directors and the chief executive officer. Without limiting the foregoing, the

Secretary shall have the duty to record the proceedings of the meetings of the stockholders and directors in a book to be kept for that purpose.

ARTICLE V
Miscellaneous

SECTION 5.01. Waivers of Notice. Whenever any notice is required by law, the Certificate of Incorporation or these By-laws, to be given to any director, member of a committee or stockholder, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, and, in the case of a waiver of notice of a meeting, whether or not the business to be transacted at or the purposes of such meeting is set forth in such waiver, shall be deemed equivalent thereto. The attendance of any person at any meeting, in person or, in the case of the meeting of stockholders, by proxy, shall constitute a waiver of notice of such meeting except where such person attends such meeting for the express purpose of objecting at the beginning of such meeting to the transaction of any business on the grounds that such meeting is not duly called or convened.

SECTION 5.02. Fiscal Year. The fiscal year of the Corporation shall be fixed from time to time by the Board of Directors.

SECTION 5.03. Seal. The corporate seal shall have inscribed thereon the name of the Corporation and shall be in such form as may be approved from time to time by the Board of Directors.

SECTION 5.04. Entire Board. As used in these By-laws, "entire Board of Directors" means the total number of directors which the Corporation would have if there were no vacancies in the Board of Directors.

RESTATED CERTIFICATE OF INCORPORATION
OF
UNITED RENTALS (NORTH AMERICA), INC.

United Rentals (North America), Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

1. The name of the corporation is United Rentals (North America), Inc. The original certificate of incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on August 14, 1997, under the name United System, Inc.

2. Pursuant to Section 245 of the Delaware General Corporation Law, this Restated Certificate of Incorporation only restates and integrates, and does not further amend, the provisions of the Corporation's certificate of incorporation as heretofore amended or supplemented (the "Certificate of Incorporation"), there being no discrepancy between those provisions and the provisions of this Restated Certificate of Incorporation.

3. The terms and provisions of this Restated Certificate of Incorporation have been duly adopted pursuant to the provisions of Section 245 of the Delaware General Corporation Law.

4. The text of the Certificate of Incorporation is hereby restated to read in its entirety as follows:

ARTICLE I.

The name of the Corporation is United Rentals (North America), Inc.

ARTICLE II.

The address of the Corporation's registered office in the State of Delaware is United Corporate Services, Inc., 15 East

North Street, Dover, Delaware 19901, County of Kent. The name of its registered agent at such address is United Corporate Services, Inc.

ARTICLE III.

The aggregate number of shares which the Corporation shall have authority to issue shall be three thousand (3,000), consisting of three thousand (3,000) shares of Common Stock, par value \$0.01 per share.

ARTICLE IV.

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may now or hereafter be organized under the Delaware General Corporation Law.

ARTICLE V.

A. By-Laws. In furtherance and not in limitation of the powers

conferred by statute, the Board of Directors is expressly authorized to make, adopt, alter, amend or repeal the By-Laws of the Corporation. Any By-Laws made by the directors under the powers conferred hereby may be amended or repealed by the directors or by the stockholders. Notwithstanding the foregoing and anything contained in this Restated Certificate of Incorporation to the contrary, the By-Laws shall not be amended or repealed by the stockholders, and no provision inconsistent therewith shall be adopted by the stockholders, without the affirmative vote of the holders of at least 66-2/3% of the voting power of all shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

B. Amendment of Certificate of Incorporation. Notwithstanding any

other provision contained in this Restated Certificate of Incorporation and notwithstanding that a lesser percentage may be specified by law, the By-Laws or otherwise, this Article V and Articles VI, VII, VIII and IX of this Restated Certificate of Incorporation shall not be amended or repealed, and no provision inconsistent therewith or providing for cumulative voting in the election of directors shall be adopted, unless such adoption, amendment or repeal is approved by the affirmative vote of holders of at least 66-2/3% of the voting

power of all shares of capital stock of the Corporation entitled to vote generally for the election of directors.

ARTICLE VI.

The business and affairs of the Corporation shall be managed by and under the direction of the Board of Directors (the "Board"). The Board may exercise all such authority and powers of the Corporation and do all such lawful acts and things as are not by statute or this Restated Certificate of Incorporation directed or required to be exercised or done by the stockholders.

A. Number of Directors. The number of directors comprising the

entire Board shall, subject to the right, if any, of holders of Preferred Stock to elect directors under specified circumstances, be such number as may be fixed from time to time exclusively by the Board by action of a majority of the directors then in office. If the number of directors at any time is fixed at three or greater, then thereafter in no event shall such number be fewer than three or greater than nine, unless approved by action of not less than two-thirds of the directors then in office. No director need be a stockholder.

B. Classes and Terms of Directors. The directors shall be divided

into three classes (I, II and III). The number of directors comprising each class (assuming no vacancy in any class) shall be as nearly equal in number as possible based upon the number of directors comprising the entire Board. The Board shall, at or before the first meeting of the Board following the Effective Time (as that term is defined in the document titled "Amended and Restated Certificate of Incorporation of United System, Inc." filed with the Delaware Secretary of State on September 11, 1997), designate the class to which each director then serving shall be a member. The initial term of the directors in Class I shall extend until the first annual meeting of stockholders following the Effective Time; the initial term of the directors in Class II shall extend until the second annual meeting of stockholders following the Effective Time; and the initial term of the directors in Class III shall extend until the third annual meeting of stockholders following the Effective Time. At each annual meeting of stockholders, successors to directors of the class whose term expires at such meeting will be elected to serve for three-year terms and until their successors are elected and qualified.

C. Newly-Created Directorships and Vacancies. Subject to the rights

of the holders of any class or series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the number of directors or any vacancies in the Board resulting from death, resignation, retirement, disqualification, removal from office or any other cause may be filled by the Board (and not by the stockholders unless there are no directors then in office), provided that a quorum is then in office and present, or by a majority of the directors then in office, if less than a quorum is then in office, or by the sole remaining director. A director elected to fill a newly created directorship or other vacancy shall hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor has been elected and qualified.

D. Removal of Directors. Subject to the rights of the holders of

any class or series of Preferred Stock then outstanding, the directors or any director may be removed from office any time, but only for cause, at a meeting called for that purpose, and only by the affirmative vote of the holders of at least 66-2/3% of the voting power of all shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

E. Rights of Holders of Preferred Stock. Notwithstanding the

foregoing provisions of this Article VI, whenever the holders of any one or more classes or series of Preferred Stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the rights and preferences of such Preferred Stock, and such directors so elected shall not be divided into classes pursuant to this Article VI unless expressly provided by such rights and preferences.

F. Written Ballot Not Required. The election of directors need not

be by written ballot unless the By-Laws of the Corporation shall so provide.

ARTICLE VII.

The By-Laws of the Corporation may provide, without limitation, requirements relating to the notice and conduct of annual meetings, special meetings, and the nomination and election of directors of the Corporation.

ARTICLE VIII.

In furtherance and not in limitation of the powers conferred by law or in this Restated Certificate of Incorporation, the Board (and any committee of the Board) is expressly authorized, to the extent permitted by law, to take such action or actions as the Board or such committee may determine to be reasonably necessary or desirable to (a) encourage any person to enter into negotiations with the Board and management of the Corporation with respect to any transaction which may result in a change in control of the Corporation which is proposed or initiated by such person or (b) contest or oppose any such transaction which the Board or such committee determines to be unfair, abusive or otherwise undesirable with respect to the Corporation and its business, assets or properties or the stockholders of the Corporation, including, without limitation, the adoption of plans or the issuance of rights, options, capital stock, notes, debentures or other evidences of indebtedness or other securities of the Corporation, which rights, options, capital stock, notes, evidences of indebtedness and other securities (i) may be exchangeable for or convertible into cash or other securities on such terms and conditions as may be determined by the Board or such committee and (ii) may provide that any holder or class of holders thereof designated by the Board or any such committee will be treated differently than all other holders in respect of the terms, conditions, provisions and rights of such securities.

ARTICLE IX.

Subject to the rights, if any, of holders of any class or series of Preferred Stock then outstanding, (i) stockholders are not permitted to call a special meeting of stockholders or to require the Board or officers of the Corporation to call such a special meeting, (ii) a special meeting of stockholders may only be called by a majority of the Board or by the chief executive officer, (iii) the business permitted to be conducted at a

special meeting of stockholders shall be limited to matters properly brought before the meeting by or at the direction of the Board, and (iv) any action required or permitted to be taken by the stockholders must be taken at a duly called and convened annual meeting or special meeting of stockholders and cannot be taken by consent in writing.

Meetings of stockholders may be held within or without the State of Delaware, as the By-Laws may provide. The books of the Corporation may be kept (subject to any provision contained in the statute) outside the State of Delaware at such place or places as may be designated from time to time by the Board or in the By-Laws of the Corporation.

ARTICLE X.

A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law is amended after approval by the stockholders of this Article to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

ARTICLE XI.

Any act or transaction by or involving the Corporation that requires for its adoption under the General Corporation Law of the State of Delaware or this certificate of incorporation the approval of the stockholders of the Corporation shall, by virtue of this reference to Section 251(g) of the General Corporation Law of the State of Delaware, require, in addition, the approval of the stockholders of United Rentals, Inc., a Delaware corporation, or any successor thereto by merger, by the same vote that is required by the General Corporation Law of the State of

Delaware and/or the certificate of incorporation of this Corporation.

IN WITNESS WHEREOF, the Corporation has caused this Restated Certificate of Incorporation to be duly executed this 12th day of August, 1998.

United Rentals (North America), Inc.

By: /s/ Sandra E. Welwood

Name: Sandra E. Welwood
Title: Vice President

BY-LAWS
-OF-
UNITED RENTALS (NORTH AMERICA), INC.
(a Delaware corporation hereinafter called the "Corporation")

Effective as of August 3, 1998

ARTICLE I
Offices

SECTION 1.01. Offices. The Corporation may have offices both within and without the State of Delaware as the Board of Directors may from time to time determine.

ARTICLE II
Meetings of Stockholders

SECTION 2.01. Place of Meetings. Meetings of stockholders may be held at any place, either within or without the State of Delaware, designated by the Board of Directors.

SECTION 2.02. Annual Meeting. The annual meeting of stockholders for election of directors shall be held on such date and at such time as shall be designated by the Board of Directors. Any other proper business may be transacted at the annual meeting.

SECTION 2.03. Special Meetings. Stockholders are not permitted to call a special meeting of stockholders or to require the Board of Directors or officers of the Corporation to call such a special meeting. A special meeting of stockholders may only be called by a majority of the Board of Directors or by the chief executive officer. The business permitted to be conducted at a special meeting of stockholders shall be limited to matters properly brought before the meeting by or at the direction of the Board of Directors. Any action required or permitted to be taken by the stockholders must be taken at a duly called and convened annual meeting or special meeting of stockholders and cannot be taken by consent in writing.

SECTION 2.04. Quorum. The holders of a majority of the shares entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings

of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation.

SECTION 2.05. Organization. Meetings of stockholders shall be presided over by the Chairman, if any, or in his absence (or election not to preside) by the Vice Chairman, if any, or in his absence (or election not to preside) by the President, or in his absence (or election not to preside) by a Vice President, or in the absence of the foregoing persons by a chairman designated by the Board of Directors, or in the absence of such designation by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his absence (or election not to so act) the chairman of the meeting may appoint any person to act as secretary of the meeting.

SECTION 2.06. Conduct of Meetings. The Board of Directors may adopt such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of any meeting of stockholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

SECTION 2.07. Nomination of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors; provided, however,

that the following procedures shall not apply to the nomination of persons for election as directors by vote of any class or series of preferred stock of the Corporation. Nominations of persons for election to the Board of Directors of the Corporation at the annual meeting may be made at such meeting by or at the direction of the Board of Directors, by any committee appointed by the Board of Directors or by any common stockholder of the Corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 2.07. Such nominations, other than those made by or at the direction of the Board of Directors or by any committee appointed by the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 60 days nor more than 90 days prior to the meeting; provided, however, that in the event that less than 70 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the fifteenth day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. Such stockholder's notice to the Secretary shall set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class, series and number of shares of capital stock of the Corporation which are beneficially owned by the person and (iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to the Rules and Regulations of the Securities and Exchange Commission under Section 14 of the Securities Exchange Act of 1934, as amended; and (b) as to the stockholder giving the notice (i) the name and record address of the stockholder, (ii) the class, series and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder and (iii) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder. Such notice shall be accompanied by the executed consent of each nominee to serve as a director if so elected. The Corporation

may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation. No person shall be eligible for election as a director of the Corporation by the holders of Common Stock of the Corporation unless nominated in accordance with the procedures set forth herein. The officer of the Corporation presiding at an annual meeting shall, if the facts warrant, determine that a nomination was not made in accordance with the foregoing procedure and, if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

SECTION 2.08. Advance Notification of Business to be Transacted at Stockholder Meetings. To be properly brought before the annual or any special meeting of stockholders, business must be either (a) specified in the notice of meeting (or any supplement or amendment thereto) given by or at the direction of the Board of Directors or any committee appointed by the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before an annual meeting by a stockholder. In addition to any other applicable requirements, for business to be properly brought before any annual meeting of stockholders by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 60 days nor more than 90 days prior to the meeting; provided, however, that in the event that less than 70 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the fifteenth day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. Such stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the meeting (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (ii) the name and record address of the stockholder proposing such business, (iii) the class, series and number of shares of capital stock of the Corporation which are beneficially

owned by the stockholder and (iv) any material interest of the stockholder in such business.

No business shall be conducted at the annual or any special meeting of stockholders unless it is properly brought before the meeting in accordance with the procedures set forth in this Section 2.08, provided, however, that nothing in this Section 2.08 shall be deemed to preclude discussion by any stockholder of any business properly brought before the meeting in accordance with the procedures set forth in this Section 2.08. The officer of the Corporation presiding at the meeting shall, if the facts warrant, determine that business was not properly brought before the meeting in accordance with the provisions of this Section 2.08 and, if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

SECTION 2.09. Compliance with Securities and Exchange Act of 1934. Notwithstanding any other provision of these By-laws, the Corporation shall be under no obligation to include any stockholder proposal in its proxy statement materials or otherwise present any such proposal to stockholders at a special or annual meeting of stockholders if the Board of Directors reasonably believes that the proponents thereof have not complied with Sections 13 and 14 of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, and the Corporation shall not be required to include in its proxy statement material to stockholders any stockholder proposal not required to be included in its proxy material to stockholders in accordance with such Act, rules, or regulations.

ARTICLE III Directors

SECTION 3.01. Number of Directors. The number of directors which shall constitute the entire Board of Directors shall be as set by the Board of Directors from time to time. No reduction in the number of directors constituting the entire Board of Directors shall have the effect of removing any director before that director's term of office expires.

SECTION 3.02. Term of Office. Subject to the provisions of the certificate of incorporation, each director, including a director elected to fill a vacancy, shall hold office

until such director's successor is elected and qualified or the earlier resignation or removal of such director.

SECTION 3.03. Meetings. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware. Regular meetings of the Board of Directors may be held without notice at such time and at such place as may from time to time be determined by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman, the Vice Chairman, the Chief Executive Officer, the President or the Secretary or by resolution of the Board of Directors. Unless waived, notice of the time and place of special meetings shall be delivered to each director either (i) personally (either orally or in writing), (ii) by telephone, (iii) by telex, telecopy or other facsimile transmission, or (iv) by first-class mail, postage prepaid, addressed to a director at that director's address as it is shown on the records of the Corporation. If the notice is mailed, it shall be deposited in the United States mail at least four days before the time of the holding of the meeting (ten days in the case of a director whose address as shown on the records of the Corporation is outside of the United States of America). If the notice to a director is delivered in any other manner it shall be delivered (which shall for this purpose mean received by the director) at least 24 hours before the time of the holding of the meeting.

SECTION 3.04. Quorum. At all meetings of the Board of Directors, a majority of the entire Board shall be necessary and sufficient to constitute a quorum for the transaction of business.

SECTION 3.05. Organization. Meetings of the Board of Directors shall be presided over by the Chairman, if any, or in his absence by the Vice Chairman, if any, or in the absence of the foregoing persons by a chairman chosen at the meeting.

SECTION 3.06. Meetings by Conference Telephone or Similar Device. Members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can

hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

SECTION 3.07. Board Action by Written Consent Without a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the board or committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the board or committee. Written consents representing actions taken by the board or committee may be executed by telex, telecopy or other facsimile transmission, and such facsimile shall be valid and binding to the same extent as if it were an original.

ARTICLE IV Officers

SECTION 4.01. General. The officers of the Corporation shall be chosen by the Board of Directors and shall be a Chairman, a Vice Chairman, a Chief Executive Officer, a President, a Chief Financial Officer, and a Secretary. The Board of Directors, in its discretion, may also choose one or more Vice Presidents, Assistant Secretaries, and other officers. Each such officer shall hold office until his resignation or removal. The Board of Directors may remove any officer with or without cause at any time, but such removal shall be without prejudice to the contractual rights of such officer, if any, with the Corporation.

SECTION 4.02. Powers and Duties of Officers. The chief executive officer of the Corporation shall have such powers in the management of the Corporation as may be prescribed in a resolution by the Board of Directors and, to the extent not so provided, as generally pertain to such office. The chief executive officer shall see that all orders and resolutions of the Board of Directors are carried into effect.

The other officers of the Corporation shall have such powers and duties in the management of the Corporation as may be prescribed in a resolution by the Board of Directors or delegated to them by the chief executive officer and, to the extent not so provided or delegated, as generally pertain to their respective offices, subject to the control of the Board of Directors and the chief executive officer. Without limiting the foregoing, the

Secretary shall have the duty to record the proceedings of the meetings of the stockholders and directors in a book to be kept for that purpose.

ARTICLE V
Miscellaneous

SECTION 5.01. Waivers of Notice. Whenever any notice is required by law, the Certificate of Incorporation or these By-laws, to be given to any director, member of a committee or stockholder, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, and, in the case of a waiver of notice of a meeting, whether or not the business to be transacted at or the purposes of such meeting is set forth in such waiver, shall be deemed equivalent thereto. The attendance of any person at any meeting, in person or, in the case of the meeting of stockholders, by proxy, shall constitute a waiver of notice of such meeting except where such person attends such meeting for the express purpose of objecting at the beginning of such meeting to the transaction of any business on the grounds that such meeting is not duly called or convened.

SECTION 5.02. Fiscal Year. The fiscal year of the Corporation shall be fixed from time to time by the Board of Directors.

SECTION 5.03. Seal. The corporate seal shall have inscribed thereon the name of the Corporation and shall be in such form as may be approved from time to time by the Board of Directors.

SECTION 5.04. Entire Board. As used in these By-laws, "entire Board of Directors" means the total number of directors which the Corporation would have if there were no vacancies in the Board of Directors.

6-MOS

	DEC-31-1998	
	JAN-01-1998	
	JUN-30-1998	
		5,486,092
		0
	74,980,625	
	7,778,000	
	33,255,606	
		0
		346,461,145
	15,155,834	
	889,164,469	
		0
		389,181,344
		0
		0
		341,921
		418,052,245
889,164,469		
		127,351,280
	127,351,280	
		80,112,477
	109,028,900	
	(527,547)	
	838,760	
	4,936,708	
	13,913,219	
		5,693,143
	8,220,076	
		0
		0
		0
		8,220,076
		.27
		.23

FACTORS THAT MAY INFLUENCE FUTURE RESULTS AND ACCURACY OF FORWARD-LOOKING STATEMENTS

The Company, in an effort to help keep its stockholders and the public informed about the Company's operations, may from time to time issue certain statements, either in writing or orally,

that contain or may contain forward-looking information. However, actual results may materially differ from the Company's expectations, statements or projections. Factors that could cause actual results to differ from the Company's expectations, statements or projections include the risks and uncertainties relating to the Company's business described below.

RISKS RELATING TO GROWTH STRATEGY

Principal components of the Company's growth strategy include continued expansion through an ongoing acquisition program, the opening of start-up locations, and internal growth. However, there can be no assurance that the Company will successfully implement its growth strategy or that, if implemented, such strategy will result in continued profitability. The Company's growth strategy involves a number of risks and uncertainties, including:

Availability of Acquisition Targets and Sites for Start-up Locations. The Company may encounter substantial competition in its efforts to identify and acquire appropriate acquisition candidates and sites for start-up locations, which could have the effect of increasing prices for acquisitions or such sites. There can be no assurance that the Company will succeed in identifying appropriate acquisition candidates or sites for start-up locations or that the Company will be able to acquire any acquisition candidate or site that it does identify on terms that are acceptable to the Company.

Need to Integrate New Operations. As the Company grows, the Company intends to focus substantial efforts on the efficient integration of new operations, the elimination of duplicative costs and the reduction of overhead. There can be no assurance, however, that the Company will be successful in these efforts or that these efforts may not in certain circumstances adversely affect existing operations.

Need to Recruit Additional Personnel. The Company will require additional personnel in order to implement its growth strategy and support expanded operations. Accordingly, the Company is in the process of recruiting additional operating, acquisition, finance and other personnel from the equipment rental industry and from other industries. There can be no assurance, however, that the Company will succeed in recruiting the requisite qualified personnel as and when needed.

Certain Risks Related to Start-up Locations. The Company expects that start-up locations may initially have a negative impact on results of operations and margins due to several factors, including: (i) the Company will incur significant start-up expenses in connection with

establishing each start-up location and (ii) it will generally take some time following the commencement of operations at a start-up location before profitability can be achieved. There can be no assurance that any start-up location will become profitable within the first several years of operations, if at all.

DEPENDENCE ON ADDITIONAL CAPITAL TO FINANCE GROWTH

The Company's growth strategy will require substantial capital investment. Capital will be required by the Company for, among other purposes, completing acquisitions, establishing new rental locations, integrating completed acquisitions, acquiring rental equipment and maintaining the condition of its rental equipment. The Company intends to pay for future acquisitions using cash, capital stock, notes and/or assumption of indebtedness. To the extent that cash generated internally and cash available under the Company's existing credit facility is not sufficient to provide the capital required for such purposes and future operations, the Company will require additional debt and/or equity financing in order to provide for such capital. There can be no assurance, however, that such financing will be available or, if available, will be available on terms satisfactory to the Company. Failure by the Company to obtain sufficient additional capital in the future could limit the Company's ability to implement its business strategy. Future debt financings, if available, may result in increased interest and amortization expense, increased leverage and decreased income available to fund further acquisitions and expansion, and may limit the Company's ability to withstand competitive pressures and render the Company more vulnerable to economic downturns. Future equity financings may dilute the equity interest of existing stockholders.

POSSIBLE UNDISCOVERED LIABILITIES OF ACQUIRED COMPANIES

Although the Company performs a due diligence investigation of each business that it acquires, there may nevertheless be liabilities of the Acquired Companies or future acquired companies that the Company fails or is unable to discover during its due diligence investigation and for which the Company, as a successor owner, may be responsible. The Company seeks to minimize the impact of these liabilities by obtaining indemnities and warranties from the seller which may be supported by deferring payment of a portion of the purchase price. However, these indemnities and warranties, if obtained, may not fully cover the liabilities due to their limited scope, amount, or duration, the financial limitations of the indemnitor or warrantor, or other reasons.

DEPENDENCE ON MANAGEMENT

The Company is highly dependent upon its senior management team. The loss of the services of any member of senior management may have a material adverse effect on the Company. The Company's credit facility provides that the failure of certain members of the Company's current senior management to continue to hold executive positions with the Company for a period of 30 consecutive days constitutes an event of default under the credit facility unless replacement officers satisfactory to the lenders are appointed. See Item 7-- "Management's Discussion and Analysis of Financial Condition and Results of

Operations--Liquidity and Capital Resources." The Company does not presently maintain "key man" life insurance with respect to members of senior management.

RECENTLY INSTALLED INTEGRATED INFORMATION TECHNOLOGY SYSTEM

The Company has recently installed a new integrated information technology system as described under "--Information Technology System." The new system is currently operational at 58 of the Company's existing locations, and the Company expects that the system will be operational at the remaining existing locations by mid-April 1998. However, there can be no assurance that the Company will not encounter unexpected delays. Furthermore, in view of the recent installation of the system, there can be no assurance that the system will function in accordance with the Company's expectations. Failure of the system to function as expected could negatively impact the Company's ability to implement its growth strategy.

COMPETITION

The equipment rental industry is highly fragmented and competitive. Certain of the Company's competitors are larger and have greater financial resources than the Company. There can be no assurance that the Company will not encounter increased competition from existing competitors or new market entrants or that equipment manufacturers will not commence, or increase their efforts, to rent or sell equipment directly to the Company's customers. In addition, to the extent that competitors seek to gain or retain market share by reducing prices, the Company may be required to lower its prices, thereby affecting operating results.

SENSITIVITY TO GENERAL ECONOMIC AND WEATHER CONDITIONS

The Company believes that the equipment rental business is sensitive to changes in economic conditions and that demand for rental equipment can be reduced significantly by adverse weather conditions. There can be no assurance that the Company's business and financial condition will not be adversely affected by (i) changes in general economic conditions, including national, regional and local changes in construction and industrial activity, (ii) increases in interest rates that may result in a higher cost of capital to the Company, or (iii) adverse weather conditions that may decrease construction and industrial activity.

QUARTERLY FLUCTUATIONS OF OPERATING RESULTS

The Company expects that its revenues and operating results may fluctuate from quarter to quarter due to a number of factors, including: seasonal rental patterns of the Company's customers (with rental activity tending to be lower in the winter); changes in general economic conditions in the Company's markets; the timing of acquisitions and the opening of start-up locations (which generally will require a period of time to become profitable) and related costs; the effect of the integration of acquired businesses and start-up locations; the timing of expenditures for new equipment and the disposition of used equipment; and price changes in response to competitive factors. These factors, among others, may result in the Company's results of operations in some future periods not meeting expectations, which could have a

material adverse impact on the market price of the Common Stock.

LIABILITY AND INSURANCE

The Company is subject to various possible claims, including claims for personal injury or death caused by equipment rented or sold by the Company or motor vehicle accidents involving Company delivery and service personnel and compensation and other employment related claims. The Company carries a broad range of insurance for the protection of its assets and operations. However, such coverage is subject to a deductible of \$250,000 and limited to a maximum of \$25 million per occurrence. In addition, the Company does not maintain insurance coverage for environmental liability, since the Company believes that the cost for such coverage is high relative to the benefit that it provides. Furthermore, 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 the Company's insurance. There can be no assurance that insurance will continue to be available to the Company on economically reasonable terms, if at all, that existing or future claims will not exceed the level of the Company's insurance or relate to matters not covered by the Company's insurance (such as environmental liability), or that the Company will have sufficient capital available to pay any uninsured claims.

ENVIRONMENTAL REGULATION

As described under "--Environmental Regulation," certain activities of the Company are subject to various federal, state and local laws and regulations governing the generation, handling, storage, transportation, treatment and disposal of hazardous substances and wastes. Under such laws, an owner or lessee of real estate may be liable for, among other things, (i) the costs of removal or remediation of certain hazardous or toxic substances located on, in, or emanating from, such property, as well as related costs of investigation and property damage and substantial penalties for violations of such laws, and (ii) environmental contamination at facilities where its waste is or has been disposed. Such laws often impose such liability without regard to whether the owner or lessee knew of, or was responsible for, the presence of such hazardous or toxic substances. Although the Company investigates each business or property that it acquires or leases and believes there are no existing material liabilities relating to non-compliance with environmental laws and regulations, there can be no assurance that there are no undiscovered potential liabilities relating to non-compliance with environmental laws and regulations, that historic or current operations have not resulted in undiscovered conditions that will require investigation and/or remediation under environmental laws, or that future uses or conditions will not result in the imposition of environmental liability upon the Company or expose the Company to third-party actions such as tort suits. Furthermore, there can be no assurance that changes in environmental regulations in the future will not require the Company to make significant capital expenditures to change methods of disposal of hazardous materials or otherwise alter aspects of its operations.