

UNITED RENTALS INC /DE  
Form DEF 14A  
May 01, 2006  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**  
**(Amendment No. \_\_ )**

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

# United Rentals, Inc.

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

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(4) Date Filed:

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**UNITED RENTALS, INC.**  
**Five Greenwich Office Park**  
**Greenwich, Connecticut 06831**

May 1, 2006

Dear Fellow Stockholders:

I am pleased to invite you to this year's Annual Meeting of Stockholders, which will be held on Tuesday, June 13, 2006, at the Delamar Greenwich Harbor Hotel, 500 Steamboat Road, Greenwich, Connecticut.

The meeting will start at 2:00 p.m., local time.

I appreciate your continued confidence in the Company and look forward to seeing you on June 13.

Sincerely,

BRADLEY S. JACOBS

*Chairman of the Board of Directors*

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**UNITED RENTALS, INC.**

**Five Greenwich Office Park**

**Greenwich, Connecticut 06831**

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

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**TO OUR STOCKHOLDERS:**

The annual meeting of stockholders of United Rentals, Inc., will be held at the Delamar Greenwich Harbor Hotel, 500 Steamboat Road, Greenwich, Connecticut on Tuesday, June 13, 2006, at 2:00 p.m. local time, for the following purposes:

1. election of six directors by the holders of our common stock and Class D-1 Perpetual Convertible Preferred Stock;
2. election of two directors by the holders of our Series C Perpetual Convertible Preferred Stock;
3. approval of the amendment and restatement of the United Rentals, Inc. 2001 Senior Stock Plan;
4. ratification of the appointment of Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2006;
5. consideration of two stockholder proposals, if properly presented; and
6. transaction of such other business as may properly be brought before the meeting.

The meeting may be adjourned from time to time, and at any reconvened meeting, action with respect to the matters specified in this notice may be taken, without further notice to stockholders, except as may be required by our by-laws. Stockholders of record at the close of business on Tuesday, April 25, 2006 are entitled to notice of, and to vote on, all matters at the meeting and any reconvened meeting following any adjournments thereof.

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We have mailed a copy of our Annual Report for the fiscal year ended December 31, 2005 to each stockholder of record as of April 25, 2006. The Annual Report is not part of the proxy solicitation materials.

By Order of the Board of Directors,  
MATTHEW C. WOMBLE  
*Assistant Corporate Secretary*

May 1, 2006

**YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU INTEND TO BE PRESENT AT THE MEETING, PLEASE SIGN AND DATE THE ENCLOSED PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED RETURN ENVELOPE. PLEASE SEE YOUR PROXY CARD FOR SPECIFIC INSTRUCTIONS ON HOW TO VOTE.**

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**UNITED RENTALS, INC.**

**Five Greenwich Office Park**

**Greenwich, Connecticut 06831**

May 1, 2006

**PROXY STATEMENT**

**ANNUAL MEETING OF STOCKHOLDERS**

This proxy statement is furnished in connection with the solicitation by the Board of Directors of United Rentals, Inc., of proxies to be voted at our 2006 annual meeting of stockholders to be held at the Delamar Greenwich Harbor Hotel, 500 Steamboat Road, Greenwich, Connecticut 06830, on Tuesday, June 13, 2006, at 2:00 p.m. local time and at any reconvened or rescheduled meeting following any adjournment, continuation or postponement thereof. This proxy statement and the accompanying materials are being mailed on or about May 1, 2006.

**Record Date**

The record date for determining stockholders entitled to notice of, and to vote at, the meeting has been established as the close of business on April 25, 2006.

**Voting Securities Outstanding on Record Date**

Set forth below is information concerning our outstanding voting securities.

*Common Stock.* As of the record date, there were 78,870,897 shares of our common stock outstanding.

*Series C Preferred.* As of the record date, there were 300,000 shares of our Series C Perpetual Convertible Preferred Stock ( Series C Preferred ) outstanding. Each share of Series C Preferred is convertible into 40 shares of common stock (subject to adjustment). On the record date, the outstanding shares of Series C Preferred were convertible into an aggregate of 12,000,000 shares of common stock.



*Series D Preferred (Class D-1).* As of the record date, there were 105,252 shares of our Class D-1 Perpetual Convertible Preferred Stock ( D-1 Preferred ) outstanding. Each share of D-1 Preferred is convertible into ~~33~~ shares of common stock (subject to adjustment). On the record date, the outstanding shares of D-1 Preferred were convertible into an aggregate of 3,508,400 shares of common stock.

## **Right to Vote**

The right of the holders of our securities to vote at the meeting is as follows:

*Election of six directors by the holders of our common stock and D-1 Preferred.* One of the matters to be considered at the meeting is the election of six directors by the holders of our common stock and D-1 Preferred. The holders of the common stock and the holders of the D-1 Preferred will have the right to vote together, as a single class, for the election of these directors. With respect to this matter, (i) each holder of record of common stock as of the record date will be entitled to one vote for each share held and (ii) each holder of record of D-1 Preferred as of the record date will be entitled to 33 <sup>1</sup>/<sub>3</sub> votes for each share held. The holders of the Series C Preferred will not have the right to vote on this matter.

*Election of two directors by the holders of our Series C Preferred.* One of the matters to be considered at the meeting is the election of two directors by the holders of our Series C Preferred. Only

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the holders of the Series C Preferred (and not the holders of the common stock or the D-1 Preferred) will have the right to vote on this matter. With respect to this matter, each holder of record of Series C Preferred as of the record date will be entitled to one vote for each share held.

*All Other Matters.* The holders of the common stock, the Series C Preferred and the D-1 Preferred will have the right to vote together, as a single class, on all matters properly brought before the meeting, other than election of directors. With respect to these matters, (i) each holder of record of common stock as of the record date will be entitled to one vote for each share held, (ii) each holder of record of Series C Preferred as of the record date will be entitled to 40 votes for each share held and (iii) each holder of record of D-1 Preferred as of the record date will be entitled to 33 <sup>1</sup>/<sub>3</sub> votes for each share held.

## **Voting**

If you are a registered stockholder and you attend the annual meeting, you may deliver your completed proxy card in person. Street name stockholders who wish to vote at the meeting will need to obtain a proxy form from the institution that holds their shares.

If you properly sign and return your proxy card, your shares will be voted as you direct. If you are a registered stockholder and you sign and return your proxy but do not specify how you want your shares voted, they will be voted FOR the election of all nominees for director as set forth under Proposal 1 Election of Directors, FOR the approval of the Amendment and Restatement of our 2001 Senior Stock Plan, FOR the ratification of the appointment of Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2006, and AGAINST the two stockholder proposals.

Under New York Stock Exchange Rules, the proposals to elect directors and to ratify the appointment of our independent auditors are considered discretionary items. This means that brokerage firms may vote in their discretion on these matters on behalf of clients who have not furnished voting instructions at least 15 days before the date of the annual meeting. In contrast, the proposal to approve the Amendment and Restatement of the Company's 2001 Senior Stock Plan, as well as the two stockholder proposals, are non-discretionary items. This means that brokerage firms that have not received voting instructions from their clients on these proposals may not vote on them. These so-called broker non-votes will be included in the calculation of the number of votes considered to be present at the meeting for purposes of determining a quorum, but will not be considered in determining the number of votes necessary for approval and will have no effect on the outcome of the vote for the two stockholder proposals.

## **Quorum**

The presence at the meeting, in person or represented by proxy, of a majority of the outstanding shares entitled to vote thereat will constitute a quorum for the transaction of business. If a share is deemed present at the meeting for any matter, it will be deemed present for all other matters. Shares held by a nominee for a beneficial owner that are voted on any matter and abstentions will be included in determining the number of shares present. Shares held by a nominee for a beneficial owner that are not voted on any matter will not be included in determining the number of shares present.

## **Right to Revoke Proxies**

Any stockholder returning the accompanying proxy may revoke such proxy at any time prior to its exercise by (i) sending us written notice of such revocation which we receive prior to the start of the annual meeting, (ii) voting in person at the meeting or (iii) executing and delivering to us a later-dated proxy which we receive prior to the start of the annual meeting. Written revocations and later-dated

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proxies should be sent to United Rentals, Inc., Five Greenwich Office Park, Greenwich, Connecticut 06831, Attention: Corporate Secretary.

**Method and Cost of Solicitation**

We will solicit proxies by mail and may also solicit proxies by other means such as personal interview, telephone or e-mail. We have also retained Innisfree M&A Incorporated, a proxy solicitation firm, to assist us in soliciting proxies, for an estimated fee of approximately \$15,000, plus reimbursement of reasonable out-of-pocket expenses.

We will bear all costs associated with soliciting proxies for the meeting. We will, upon request, and in accordance with applicable regulations, reimburse banks, brokerage houses, other institutions, nominees and fiduciaries for their reasonable expenses in forwarding solicitation materials to beneficial owners.

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**PROPOSAL 1**

**ELECTION OF DIRECTORS**

**General**

The full Board has 12 members in the absence of any vacancies. Ten of our directors are elected by the holders of our common stock and D-1 Preferred, voting together as a single class, and two are elected by the holders of our Series C Preferred. The 10 directors that are elected by the holders of our common stock and D-1 Preferred are divided into three classes. Each class is elected to serve a three-year term. The terms of the classes are staggered so that the term of only one class expires each year. Absent vacancies, Class 1 and Class 2 each have three members and Class 3 has four members.

**Election of Three Class 1 Directors and Three Class 2 Directors by the Holders of Our Common Stock and D-1 Preferred**

***Nominees***

The term of the Class 1 directors was originally set to expire at our 2005 annual meeting. However, we did not hold an annual meeting in 2005 because of the delay in completing our financial statements and filing our Annual Report on Form 10-K for 2004. As a result, the term of the Class 1 directors will expire at our forthcoming annual meeting. The current members of Class 1 are Wayland R. Hicks, Singleton B. McAllister and John S. McKinney. Upon the unanimous recommendation of the Nominating and Corporate Governance Committee, the Board has nominated each of Messrs. Hicks and McKinney and Ms. McAllister to stand for re-election at the meeting as a Class 1 director. Each Class 1 director elected at the meeting will hold office until our annual meeting of stockholders in 2008 and until such director's successor is elected and qualified.

The term of the Class 2 directors will also expire at our forthcoming annual meeting. The current members of Class 2 are Brian D. McAuley, Jason Papastavrou and Gerald Tsai, Jr. Upon the unanimous recommendation of the Nominating and Corporate Governance Committee, the Board has nominated each of Messrs. McAuley, Papastavrou and Tsai to stand for re-election at the meeting as a Class 2 director. Each Class 2 director elected at the meeting will hold office until our annual meeting of stockholders in 2009 and until such director's successor is elected and qualified.

***Voting***

**The Board unanimously recommends a vote FOR the election of each of Messrs. Hicks and McKinney and Ms. McAllister to hold office until the 2008 annual meeting of stockholders, and Messrs. McAuley, Papastavrou and Tsai to hold office until the 2009 annual meeting of stockholders, and until each of their respective successors is elected and qualified.**

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Unless a stockholder requests that voting of the proxy be withheld for any one or more of the nominees for directors by so directing on the proxy card, the shares represented by the accompanying proxy will be voted FOR election, as directors, of the above-mentioned six nominees. Each person nominated has agreed to serve if elected. If any nominee becomes unavailable for any reason (which event is not anticipated) to serve as a director at the time of the meeting, then the shares represented by such proxy may be voted for such other person as may be determined by the holders of such proxy. Directors will be elected at the meeting by a plurality of the votes cast (*i.e.*, the six nominees receiving the greatest number of votes will be elected as directors).

### **Election of Two Directors by the Holders of Our Series C Preferred**

As described under Board Matters Right of Holders of Series C Preferred to Elect Directors, the holders of the Series C Preferred, voting separately as a single class, currently have the right to elect

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two directors. The two directors currently serving on the Board that were elected by the holders of the Series C Preferred are Leon D. Black and Michael S. Gross. All of the outstanding shares of Series C Preferred are currently held by Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P. (collectively, Apollo). The holders of the Series C Preferred have indicated to us that they expect to vote for the re-election of Messrs. Black and Gross as directors. Messrs. Black and Gross are affiliated with Apollo.

**Information Concerning Directors and Executive Officers**

The table below identifies, and provides certain information concerning, our executive officers and directors.

<u>Name</u>	<u>Age</u>	<u>Position(1)</u>
Bradley S. Jacobs	49	Chairman and Director
Wayland R. Hicks	63	Vice Chairman, Chief Executive Officer and Director
Martin E. Welch III	57	Executive Vice President and Chief Financial Officer
Michael J. Kneeland	52	Executive Vice President Operations
Michael S. Gross	44	Lead Director (2)
Leon D. Black	55	Director (2)
Howard L. Clark, Jr.	62	Director
Singleton B. McAllister	54	Director
Brian D. McAuley	65	Director
John S. McKinney	51	Director
Jason Papastavrou	43	Director
Mark A. Suwyn	63	Director
Gerald Tsai, Jr.	77	Director
Lawrence Keith Wimbush	53	Director

- (1) For information concerning the term served by directors, see Board Matters Classification of Directors and Board Matters Right of Holders of Series C Preferred to Elect Directors.
- (2) Messrs. Black and Gross were elected directors by the holders of the Series C Preferred. See Board Matters Right of Holders of Series C Preferred to Elect Directors.

*Bradley S. Jacobs* has been chairman of the Company since its formation in September 1997 and served as the Company's chief executive officer from September 1997 until stepping down from that position in December 2003. He currently is a private investor. Prior to joining the Company, Mr. Jacobs was chairman and chief executive officer of United Waste Systems Inc., a company that he founded, from 1989 until the sale of the company in August 1997. He also previously served as chairman and chief operating officer of Hamilton Resources Ltd., an international trading company, from 1979 to 1983, and chief executive officer of Amerex Oil Associates, Inc., an oil brokerage firm that he co-founded, from 1979 to 1983.

*Wayland R. Hicks* has been chief executive officer of the Company since December 2003, and a director and vice chairman since 1998. He joined the Company in November 1997 and served as chief operating officer from 1997 until being appointed chief executive officer. Previously, Mr. Hicks served as chief executive officer and president of Indigo N.V. from 1996 to 1997, and as vice chairman and chief executive officer of Nextel Communications Corp. from 1994 to 1995. From 1967 to 1994 he held various senior executive positions with Xerox Corporation, including managing director of Rank Xerox in Great Britain, and chief staff officer for Rank Xerox, Ltd., where he held senior responsibility for the marketing strategy of Xerox products in Europe, Eastern Europe and parts of Asia and Africa. In 1983,





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Mr. Hicks was appointed a group vice president of Xerox Corporation and president of the Reprographics Business Group, and in 1986 was named executive vice president and president of the Xerox Business Products and Systems Group with responsibility for the engineering and manufacturing of all Xerox products. In 1989, he was appointed executive vice president-marketing and customer operations, with management responsibility for 75,000 employees. Mr. Hicks is also a director of Perdue Farms Incorporated.

*Martin E. Welch III* was appointed our executive vice president and chief financial officer in March 2006, having previously served as our interim chief financial officer since September 2005. Previously, Mr. Welch served as director and business advisor to the private equity firm York Management Services. Mr. Welch joined Kmart Corporation as chief financial officer in 1995 and served in that capacity until 2001. From 1991 until 1995, Mr. Welch served as chief financial officer for Federal-Mogul Corporation. From 1982 until 1991, he held various finance positions at Chrysler Corporation, including chief financial officer for Chrysler Canada. Mr. Welch began his career in 1970 at Arthur Young (now Ernst & Young), and is a certified public accountant. Mr. Welch currently serves on the boards of York portfolio companies Northern Group Retail Ltd. and Popular Club Plan, and he is a member of the Board of Trustees of the University of Detroit Mercy.

*Michael J. Kneeland* was appointed our executive vice president operations in September 2003. Mr. Kneeland joined the Company as a district manager in 1998 upon the acquisition of Equipment Supply Co., and was subsequently named vice president aerial operations, and then vice president southeast region. Mr. Kneeland's more than 25 years of experience in the equipment rental industry includes a number of senior management positions with Freestate Industries Inc. and Equipment Supply.

*Michael S. Gross* became a director of the Company in January 1999, and was appointed as Lead Director of the Company in April 2006. Mr. Gross is one of the founding partners of Apollo Advisors, L.P. (which was established in August 1990 and which, together with its affiliates, acts as the managing general partner of several private securities investment funds) and has been a partner at Apollo Advisors, L.P. since its formation in 1990. Apollo Advisors, L.P., together with its affiliates, acts as the managing general partner of several private securities funds. Mr. Gross is currently Chairman of the Board of Directors of Apollo Investment Corporation, a closed-end investment company of which he is a founder. Mr. Gross served as Chairman and Chief Executive Officer of Apollo Investment Corporation from February 2004 to February 2006. Mr. Gross is also a director of Saks Incorporated. In addition, he is a founding member and serves on the Executive Committee of the Youth Renewal Fund, is the Chairman of the Board of the Mt. Sinai Children's Center Foundation, serves as a trustee of the Trinity School, and is a member of the corporate advisory board for the University of Michigan Business School.

*Leon D. Black* became a director of the Company in January 1999. Mr. Black is one of the founding principals of Apollo Advisors, L.P. and Apollo Real Estate Advisors, L.P. (which, together with its affiliates, acts as the managing general partner of several real estate investment funds). Mr. Black is also a director of Sirius Satellite Radio Inc. He serves as a trustee of The Museum of Modern Art, Mount Sinai Hospital, Lincoln Center for the Performing Arts, The Metropolitan Museum of Art, Prep for Prep, The Asia Society and Dartmouth College.

*Howard L. Clark, Jr.* became a director of the Company in April 2004. Mr. Clark has been vice chairman of Lehman Brothers Inc. since 1993. From 1990 until assuming his current position, he was chairman, president and chief executive officer of Shearson Lehman Brothers Holdings Inc. Mr. Clark was previously a senior executive at American Express Company from 1981 to 1990, and a managing director of Blyth Eastman Paine Webber Incorporated or predecessor firms from 1968 to 1981. While at American Express, his positions included five years as executive vice president and chief financial

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officer. Mr. Clark is also a director of White Mountains Insurance Group, Ltd. and Walter Industries, Inc., in addition to Lehman Brothers Inc.

*Singleton B. McAllister* became a director of the Company in April 2004. Ms. McAllister has been a partner in the law firm of Mintz Levin Cohen Ferris Glovsky and Popeo since July 2005. Before joining Mintz Levin, she was a partner at Sonnenschein, Nath & Rosenthal LLP from 2003 to 2005, and Patton Boggs LLP from 2001 to 2003. Prior to entering private practice, Ms. McAllister served for five years as the general counsel for the United States Agency for International Development. Ms. McAllister is also a director of Alliant Energy Corporation.

*Brian D. McAuley* became a director of the Company in April 2004. Mr. McAuley became Chairman of Pacific DataVision Inc. ( PDV ) in August 2004. PDV is a privately held telecommunications software applications and hosting company. He also has been a partner at NH II, LLC, a consulting firm that specializes in telecommunications businesses, since 2003. Mr. McAuley is a cofounder of Nextel Communications, Inc. and held senior executive positions at Nextel from the company's inception in 1987 until 1996, including seven years as president and chief executive officer. Upon leaving Nextel, he joined Imagine Tile, a custom tile manufacturer, where he served as chairman and chief executive officer from 1996 to 1999 and continues to serve as chairman. He also served as president and chief executive officer of NeoWorld Communications, Inc., a wireless telecommunications company, from 1999 until the sale of that company to Nextel in 2003. Mr. McAuley is a certified public accountant and, prior to co-founding Nextel, his positions included chief financial officer of Millicom Incorporated, corporate controller at Norton Simon Inc. and manager at Deloitte & Touche.

*John S. McKinney* became a director of the Company in September 1998 following the merger of the Company with U.S. Rentals. He also served as vice president of the Company until the end of 2000. Mr. McKinney served as chief financial officer of U.S. Rentals from 1990 until the merger and as controller of U.S. Rentals from 1988 until 1990. Prior to joining U.S. Rentals, Mr. McKinney held various positions at Iomega Corporation, including assistant controller, and at the accounting firm of Arthur Andersen & Co.

*Jason Papastavrou* became a director of the Company in June 2005. Dr. Papastavrou has served as chief executive officer and chief investment officer of ARIS Capital Management since founding the company in 2004. He previously held senior positions at Banc of America Capital Management, where he served as Managing Director, Fund of Hedge Fund Strategies from 2001 to 2003, and Deutsche Asset Management, where he served as Director, Alternative Investments Group from 1999 to 2001. Dr. Papastavrou, who holds a Ph.D. in Electrical Engineering and Computer Science from the Massachusetts Institute of Technology, taught at Purdue University's School of Industrial Engineering from 1990 to 1999 and is the author of numerous academic publications.

*Mark A. Suwyn* became a director of the Company in September 2004. Mr. Suwyn is currently chief executive officer and chairman of NewPage Corporation, president of MARSUW LLC and associated with Cerberus Capital Management. He served as the chairman and chief executive officer of Louisiana-Pacific Corporation, a leading manufacturer of building materials from 1996 until his retirement in 2004. Prior to joining Louisiana-Pacific Corporation, Mr. Suwyn was with International Paper Company where he served as executive vice president of distribution, specialty products and forest lands from 1992 through 1995. He previously held several executive positions at E. I. duPont de Nemours and Company, including those of senior vice president of imaging systems and medical products, group vice president of imaging systems, and vice president of human resources. Mr. Suwyn is also a director of Ballard Power Systems, Inc. and BlueLink Corp.

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*Gerald Tsai, Jr.*, became a director of the Company in July 2002, having previously served as a director of the Company from December 1997 to December 2001. Mr. Tsai served as chairman, chief

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executive officer and president of Delta Life Corporation, an insurance company, from 1993 until its sale in 1997. He was chairman of the executive committee of the Board of Directors of Primerica Corporation, a diversified financial services company, from December 1988 until April 1991, chief executive officer of Primerica Corporation from April 1986 until December 1988. Mr. Tsai is currently a private investor and serves as a director of Apollo Investment Corporation, Sequa Corporation, Triarc Companies, Inc. and Zenith National Insurance Corp. and director emeritus of Saks Incorporated. He is an honorary trustee of Boston University and trustee of NYU Hospitals Center and the New York University School of Medicine Foundation.

*Lawrence Keith Wimbush* became a director of the Company in April 2006. From January 2003 until August 2005, Mr. Wimbush was with Korn/Ferry International, an executive search firm, where he served as a Senior Client Partner and was also Co-Practice Leader of the firm's Legal Specialist Group. From April 1997 until January 2003, Mr. Wimbush served as Senior Vice President and General Counsel of Diageo North America, Inc., a consumer goods company, and its predecessor business. Prior to that, Mr. Wimbush served as vice president and corporate counsel for Johanna Dairies, then a division of John Labatt Limited. In addition, he twice served with the U.S. Department of Justice.

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**BOARD MATTERS**

**Classification of Directors**

The directors of the Company (excluding any elected by the holders of the Series C Preferred) are divided into three classes as follows:

*Class 1.* The members of this class are Messrs. Hicks and McKinney and Ms. McAllister. The term of office of this class was originally set to expire at our 2005 annual meeting of stockholders. However, we did not hold an annual meeting in 2005 because of the delay in completing our financial statements and filing our Annual Report on Form 10-K for 2004. As a result, the term of office of this class will expire at our forthcoming annual meeting of stockholders. As described above, the Board, upon the unanimous recommendation of the Nominating Committee, has nominated each of Messrs. Hicks and McKinney and Ms. McAllister to stand for re-election at the meeting for a new term that will expire at our annual meeting of stockholders in 2008.

*Class 2.* The members of this class are Messrs. McAuley, Papastavrou and Tsai. The term of office of this class will also expire at our forthcoming annual meeting of stockholders. As described above, the Board, upon the unanimous recommendation of the Nominating Committee, has nominated each of Messrs. McAuley, Papastavrou and Tsai to stand for re-election at the meeting for a new term that will expire at our annual meeting of stockholders in 2009.

*Class 3.* The members of this class are Messrs. Jacobs (chairman), Clark, Suwyn and Wimbush. The term of office of this class will expire at our annual meeting of stockholders in 2007.

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 (with the exception of the Class 1 directors whose terms are expiring at the forthcoming annual meeting and who are standing for re-election for two-year terms for the reasons set forth above) and until their successors are elected and qualified.

**Right of Holders of Series C Preferred to Elect Directors**

All 300,000 outstanding shares of our Series C Perpetual Convertible Preferred Stock ( Series C Preferred ) are held by Apollo.

The holders of the Series C Preferred, voting separately as a single class, have the right to elect:

two directors, if (as of the record date for such vote) the aggregate number of shares of common stock that are issuable upon conversion of Series C Preferred then held by Apollo, Apollo Management IV, L.P., or their affiliates (plus any shares

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of common stock then held by such entities that were issued upon conversion of the Series C Preferred) is at least eight million; or

one director, if (as of the record date for such vote) the aggregate number of shares of common stock that are issuable upon conversion of Series C Preferred then held by Apollo, Apollo Management IV, L.P., or their affiliates (plus any shares of common stock then held by such entities that were issued upon conversion of the Series C Preferred) is at least four million but less than eight million.

Based on the number of shares of Series C Preferred that are currently held by Apollo, the holders of the Series C Preferred have the right to elect two directors.

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Any director that is elected by the holders of the Series C Preferred, voting separately as a single class, holds office until the next annual meeting of stockholders and the election and qualification of a successor (or the earlier resignation or removal of such director).

If the holders of the Series C Preferred do not have the right, voting separately as a single class, to elect any directors pursuant to provisions described above, then the holders of the Series C Preferred have the right to vote for the election of directors of the Company together with the holders of the common stock, as a single class, with each share of Series C Preferred entitled to one vote for each share of common stock issuable upon conversion of such share of Series C Preferred. Each share of Series C Preferred is currently convertible into 40 shares of our common stock.

## **Meetings of the Board of Directors**

During 2005, the Board met eight times. During 2005, each current member of the Board attended in excess of 75 percent of both (i) the total number of Board meetings held during the period for which he or she was a director and (ii) the total number of meetings of each committee of the Board on which the director served during the period for which he or she was on the committee, except (a) Mr. Black, who was not in attendance for four meetings of the full Board and (b) Messrs. Clark and Tsai, who each were not in attendance for one meeting of the Nominating and Corporate Governance Committee.

## **Committees of the Board**

The Board has established three standing committees and a Special Committee, each as described below.

### ***Audit Committee***

The Audit Committee operates pursuant to a written charter which complies with the corporate governance standards of the NYSE. Effective March 2, 2006, the Audit Committee charter was amended. A copy of the amended charter is attached as Appendix A to this proxy statement and is also available on our website at [www.unitedrentals.com](http://www.unitedrentals.com) under Corporate Governance in the Investor Relations section.

The general purposes of the Audit Committee are to:

assist the Board in monitoring (1) the integrity of the Company's financial statements, (2) the independent auditor's qualifications and independence, (3) the performance of the Company's internal audit function and independent auditors, and (4) the Company's compliance with legal and regulatory requirements; and

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prepare the report required by the rules of the SEC to be included in our annual proxy statement and any other reports that the rules of the SEC may require of a company's audit committee.

The current members of the Audit Committee are Messrs. McAuley (chair), Papastavrou, Suwyn and Wimbush.

Each current member of the Audit Committee meets the general independence requirements of the NYSE and the additional independence requirements for audit committees specified by Rule 10A-3 under the Securities Exchange Act of 1934. The Board has determined that each of Messrs. McAuley and Papastavrou qualifies as an "audit committee financial expert" as defined by the SEC, and that each member of the Audit Committee is "financially literate" within the meaning of the Corporate Governance Standards of the NYSE.



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In 2005, the Audit Committee met 11 times.

### ***Compensation Committee***

The Compensation Committee operates pursuant to a written charter which complies with the corporate governance standards of the NYSE. You can access this document on our website at [www.unitedrentals.com](http://www.unitedrentals.com) under "Corporate Governance" in the Investor Relations section.

The general purpose of the Compensation Committee is to aid the Board in discharging its responsibilities relating to (i) the oversight of executive officer and director compensation and (ii) the development of compensation policies that support the Company's business objectives. For additional information concerning this committee, see "Compensation Committee Report on Executive Compensation."

The current members of the Compensation Committee are Messrs. Gross (chair), Clark, McAuley and Tsai. Each current member of the Compensation Committee meets the independence requirements of the NYSE.

In 2005, the Compensation Committee met four times.

### ***Nominating and Corporate Governance Committee***

The Nominating and Corporate Governance Committee (the "Nominating Committee") operates pursuant to a written charter which complies with the corporate governance standards of the NYSE. You can access this document on our website at [www.unitedrentals.com](http://www.unitedrentals.com) under "Corporate Governance" in the Investor Relations section.

The general responsibilities of the Nominating Committee include: (i) developing criteria for evaluating potential Board candidates and recommending such candidates to the Board; (ii) taking a leadership role in shaping the corporate governance of the Company and developing the Company's corporate governance guidelines; and (iii) overseeing the evaluation processes for the Board and management that are required by the Company's corporate governance guidelines. For additional information concerning this committee, see "Corporate Governance Matters" Director Nomination Process.

The current members of the Nominating Committee are Messrs. Clark (chair), Gross and Tsai and Ms. McAllister. Each current member of the Nominating Committee meets the independence requirements of the NYSE.

In 2005, the Nominating Committee met twice.

***Special Committee***

We established a special committee of independent directors in connection with the SEC inquiry of the Company. The current members of the Special Committee are Messrs. Clark, McAuley (chair), Papastavrou and Suwyn.

**Director Compensation**

***Director Fees***

Directors who are executive officers of the Company are not paid additional compensation for serving as directors. The compensation for the other directors is as set forth below. We believe our

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compensation arrangements for non-management directors are significantly below the compensation levels for non-management directors at the majority of our peer companies. The Compensation Committee is expected to review director compensation in the near future.

The current compensation arrangements are the same as those for 2005, and are as follows:

annual retainer fees of (i) \$40,000 for serving as director, (ii) \$10,000 for serving as chairman of each of the Audit Committee and the Special Committee, and (iii) \$5,000 for serving as chairman of any other committee;

meeting attendance fees of (i) \$1,500 for each Board meeting, (ii) \$2,000 for each Audit Committee and Special Committee meeting, and (iii) \$1,500 for each other committee meeting; and

annual grant of options to purchase 3,000 shares of our common stock at an exercise price equal to the market value of the stock at the time of grant. The options are fully vested at grant, but shares purchased under the option may not be transferred until the restriction expires, which occurs with respect to one third of the shares on each of the first three anniversaries of grant.

### ***Deferred Compensation Plan for Directors***

We maintain the United Rentals, Inc. Deferred Compensation Plan for Directors, under which our non-employee directors may elect to defer receipt of the fees that would otherwise be payable to them. Deferred fees are credited to a bookkeeping account and are deemed invested, at the director's option, in either a money market fund, unrestricted shares of our common stock or restricted shares of our common stock. If a director elects to have his or her deferred fees deemed invested in a money market fund or in unrestricted shares of our common stock, the director's account is credited with shares in the money market fund or shares of our common stock equal to the deferred amount and the account is fully vested at all times. If a director elects to have his or her deferred fees deemed invested in restricted shares of our common stock, the director's account is credited with shares of our common stock equal to 120 percent of the deferred amount, but the director's account is not immediately vested. The account (or portion of account) that is credited with restricted shares will vest as follows: (i) one-fifth will vest on each anniversary of the acquisition date, provided that the holder continues as a director; and (ii) if the holder dies or is disabled while a director, all of the shares will immediately vest.

### **Director Attendance At Previous Annual Meeting**

In 2005, we did not hold an annual meeting because of the delay in completing our financial statements and filing our Annual Report on Form 10-K for 2004.

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**CORPORATE GOVERNANCE MATTERS**

**Corporate Governance Guidelines**

We have adopted corporate governance guidelines to promote the effective functioning of the Board. These guidelines address, among other governance items, criteria for selecting directors and director duties and responsibilities. A copy of this document is contained in Annex C. You can also access this document on our website at [www.unitedrentals.com](http://www.unitedrentals.com) under Corporate Governance in the Investor Relations section.

The policies described in our corporate governance guidelines and in this proxy statement are intended to set forth general guidance for the functioning of the Board and should not be viewed as a set of legally binding obligations. The Board may, from time to time, modify these guidelines and policies or approve deviations therefrom as it deems appropriate.

**Code of Business Conduct**

We have adopted a code of business conduct for our employees, officers and directors. You can access this document on our website at [www.unitedrentals.com](http://www.unitedrentals.com) under Corporate Governance in the Investor Relations section. This code constitutes a code of ethics as defined by the rules of the SEC.

**Director Independence**

In assessing director independence, we follow the criteria of the New York Stock Exchange ( NYSE ). In addition, and without limiting the NYSE independence requirements, we apply the following categorical standards. We do not consider a director to be independent if he or she is, or in the past three years has been:

employed by the Company or any of its affiliates;

an employee or owner of a firm that is one of the Company's or any of its affiliate's paid advisors or consultants (unless the Company's relationship, or the director's relationship, with such firm does not continue after the director joins the Board and the Company's annual payments to such firm did not exceed one percent of such firm's revenues in any year);

employed by a significant customer or supplier;

party to a personal service contract with the Company or the chairman, CEO or other executive officer of the Company or any of its affiliates;

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an employee or director of a foundation, university or other non-profit organization that receives significant grants or endowments from the Company or any of its affiliates or a direct beneficiary of any donations to such an organization;

a relative of any executive officer of the Company or any of its affiliates; or

part of an interlocking directorate in which the CEO or other executive of the Company serves on the Board of a third-party entity (for-profit or not-for-profit) employing the director.

Under our corporate governance guidelines and NYSE rules, a majority of our directors must be independent. The following directors of our Company have been determined by the Board to be independent: Leon D. Black, Howard L. Clark, Jr., Michael S. Gross, Singleton B. McAllister, Brian D. McAuley, Jason D. Papastavrou, Mark A. Suwyn, Gerald Tsai, Jr. and Lawrence Keith Wimbush.

Each of the directors that we have identified as being independent meets the categorical standards described above.

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None of the directors that we have identified as being independent has any relationship with the Company (other than being a director and/or shareholder of the Company), except as discussed below.

Singleton B. McAllister became a director of the Company in April 2004. Prior to the time she became a director, the Company obtained certain legal services from, and paid legal fees to, a law firm in which Ms. McAllister was a partner. The aggregate fees paid to such firm were less than \$50,000 and such fees represented less than one percent of such firm's annual revenues. After Ms. McAllister became a director, the Company's relationship with such firm was discontinued. The Board determined that the foregoing relationship was not and is not a material relationship given that the Company's relationship with such firm was discontinued and the payments to such firm represented less than one percent of the firm's annual revenues.

Two of our directors, Leon Black and Michael Gross, are affiliated with Apollo and were elected directors by Apollo in its capacity as the holder of Series C Preferred. In 1999, the Company paid Apollo (i) \$3.0 million of fees in connection with the sale by the Company of preferred stock in January 1999 and (ii) \$1.0 million of fees in connection with the sale by the Company of preferred stock in September 1999. These payments were made prior to the three-year look-back period provided for by the NYSE independence rules. Based on the amount of time that has elapsed since these payments were made, the Board has determined that these payments do not disqualify the two directors elected by the Series C Preferred from being classified as independent directors.

Lawrence Keith Wimbush became a director of the Company in April 2006. From January 2003 until August 2005, Mr. Wimbush was with Korn/Ferry International, an executive search firm, where he served as a Senior Client Partner and was also Co-Practice Leader of the firm's Legal Specialist Group. From 2004 to date, Korn/Ferry rendered executive search services to the Company for which the Company has paid an aggregate of approximately \$652,000. The Board has determined that the foregoing relationship was not and is not a material relationship given that Mr. Wimbush is no longer with Korn/Ferry International and was not at the time of his appointment (and had not been for almost a year prior to his appointment), and that this relationship therefore does not disqualify Mr. Wimbush from being classified as an independent director.

## **Executive Sessions of the Board**

The Company's Corporate Governance Guidelines provide that our non-management directors should meet, at least twice a year, in executive sessions without the presence of management. Non-management directors who do not qualify as independent may participate in these meetings. However, the Corporate Governance Guidelines provide that, at least once a year, the independent directors should meet in executive session without the presence of either management or the non-independent directors. The purpose of the executive session meetings is to facilitate free and open discussion among the participants. Accordingly, the participants may determine that the minutes of these meetings not record the substance of the discussions. The Lead Director (or in the absence of the Lead Director, the Chairman of the Audit Committee or such other independent director as may be selected by the Board) should preside over these executive session meetings and, as required, provide feedback to the CEO based upon the matters discussed at such meetings. The Lead Director is currently Michael Gross.

## **Director Nomination Process**

### ***General***

The Board has established the Nominating Committee, as described above. The responsibilities of this committee include, among other things: (i) developing criteria for evaluating prospective candidates to the Board; (ii) identifying individuals qualified to become Board members; and

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(iii) recommending to the Board those individuals that should be nominees for election or re-election to the Board or otherwise appointed to the Board (with authority for final approval remaining with the Board). However, the Nominating Committee does not make any recommendations with respect to the directors that are elected by the holders of our preferred stock.

### ***Process For Identifying and Evaluating Candidates***

The Nominating Committee may identify potential Board candidates from a variety of sources, including recommendations from current directors or management, recommendations of security holders or any other source the committee deems appropriate. The Nominating Committee may also engage a search firm or consultant to assist it in identifying, screening and evaluating potential candidates. The Nominating Committee has been given sole authority to retain and terminate any such search firm or consultant.

In considering candidates for the Board, the Nominating Committee evaluates the entirety of each candidate's credentials. The Nominating Committee considers, among other things: (i) business or other relevant experience; (ii) expertise, skills and knowledge; (iii) integrity and reputation; (iv) the extent to which the candidate will enhance the objective of having directors with diverse viewpoints, backgrounds, expertise, skills and experience; (v) willingness and ability to commit sufficient time to Board responsibilities; and (vi) qualification to serve on specialized committees of the Board, such as the Audit Committee or the Compensation Committee.

The three nominees for election as Class 1 directors at the upcoming annual meeting are Wayland Hicks, who has been a director since 1998, John McKinney, who has been a director since 1998, and Singleton B. McAllister, who has been a director since 2004. The three nominees for election as Class 2 directors at the upcoming annual meeting are Brian D. McAuley, who has been a director since 2004, Gerald Tsai, Jr., who has been a director since 2002, and Jason Papastavrou, who has been a director since 2005. Each of these directors is standing for re-election. In making its recommendation to the Board, the Nominating and Corporate Governance Committee reviewed and evaluated, in addition to each nominee's background and experience and other Board membership criteria set forth in the Company's corporate governance guidelines, each of such director's performance during their recent tenure with the Board and considered whether each of them was likely to continue to make important contributions to the Board.

### ***Procedure for Submission of Recommendations by Security Holders***

Our security holders may recommend potential director candidates by following the procedure described below. The Nominating Committee will evaluate recommendations from security holders in the same manner that it evaluates recommendations from other sources.

If you wish to recommend a potential director candidate for consideration by the Nominating Committee, please send your recommendation to United Rentals, Inc., Five Greenwich Office Park, Greenwich Connecticut 06831, Attention: Corporate Secretary. Any notice relating to candidates for election at the 2007 annual meeting must be received by December 28, 2006. You should use first class, certified mail in order to ensure the receipt of your recommendation.



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Any recommendation must include: (i) your name and address and a list of the securities of the Company that you own; (ii) the name, age, business address and residence address of the proposed candidate; (iii) the principal occupation or employment of the proposed candidate over the preceding ten years and the person's educational background; (iv) a statement as to why you believe such person should be considered as a potential candidate; (v) a description of any affiliation between you and the person you are recommending; and (vi) the consent of the proposed candidate to your

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submitting him or her as a potential candidate. You should note that the foregoing process relates only to bringing potential candidates to the attention of the Nominating Committee. This process will not give you the right to directly propose a nominee at any meeting of stockholders. See [Stockholder Proposals For The 2007 Annual Meeting](#).

## **Communications with the Board of Directors**

Our security holders or any other interested party may communicate with the Board or with any individual director or directors in writing. All communications should be addressed to the Board or the particular director or directors, as the case may be, and mailed to United Rentals, Inc., c/o Kramer Levin Naftalis & Frankel LLP, 1177 Avenue of the Americas, New York, NY 10036, attention: Thomas E. Molner, our counsel, and all communications will be submitted to the relevant director or directors. Any communications relating to accounting, internal controls or auditing matters will be promptly brought to the attention of the Chairman of the Audit Committee.

Please note that the foregoing procedure does not apply to (i) stockholder proposals pursuant to Exchange Act Rule 14a-8 and communications made in connection with such proposals or (ii) service of process or any other notice in a legal proceeding. For information concerning stockholder proposals, see [Stockholder Proposals For The 2007 Annual Meeting](#) below.

## **Stockholder Proposals For The 2007 Annual Meeting**

### ***Notice Required to Include Proposals in Our Proxy Statement***

We will review for inclusion in next year's proxy statement stockholder proposals received by December 29, 2006. All proposals must meet the requirements set forth in the rules and regulations of the SEC in order to be eligible for inclusion in the proxy statement. Proposals should be sent to United Rentals, Inc., Five Greenwich Office Park, Greenwich, Connecticut 06831, Attention: Corporate Secretary.

### ***Notice Required to Bring Business Before an Annual Meeting***

Our by-laws establish an advance notice procedure for stockholders to make nominations of candidates for election of director or to bring other business before an annual meeting. Under these procedures, a stockholder that proposes to nominate a candidate for director or propose other business at the 2007 annual meeting of stockholders, must give us written notice of such nomination or proposal not less than 60 days and not more than 90 days prior to the scheduled date of the meeting (or, if less than 70 days' notice or prior public disclosure of the date of the meeting is given, then not later than the 15th day following the earlier of (i) the date such notice was mailed or (ii) the day such public disclosure was made). Such notice must provide certain information as specified in our by-laws and must be received at our principal executive offices by the deadline specified above.

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If a stockholder notifies us after March 14, 2007, of an intention to present a proposal at the 2007 annual meeting of stockholders (and for any reason the proposal is voted on at the meeting), our proxy holders will have the right to exercise discretionary voting authority with respect to such proposal.

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The table below and the notes thereto set forth as of April 11, 2006 (unless otherwise indicated in the footnotes), certain information concerning the beneficial ownership (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of our common stock by (i) each director and executive officer of the Company, (ii) all executive officers and directors of the Company as a group and (iii) each person known to us to be the owner of more than 5 percent of our common stock. The table does not include information for Mr. Milne, a former executive officer, because he is no longer with the Company and information concerning his beneficial ownership is not available to the Company.

<b>Name and Address (1)</b>	<b>Number of Shares of Common Stock Beneficially</b>	<b>Percent of Common Stock</b>
	<b>Owned (2)(3)</b>	<b>Owned (2)</b>
Bradley S. Jacobs	5,673,955(4)	7.0%
Wayland R. Hicks	1,122,825(5)	1.4%
Martin E. Welch III	0	
Michael J. Kneeland	121,083(6)	*
Joseph Ehrenreich	60,000(7)	*
Leon D. Black	38,644(8)	*
Howard L. Clark, Jr.	7,000(9)	*
Michael S. Gross	38,644(10)	*
Singleton B. McAllister	6,000(11)	*
Brian D. McAuley	10,000(12)	*
John S. McKinney	684,421(13)	*
Jason D. Papastavrou	0	
Mark A. Suwyn	4,500(14)	*
Gerald Tsai, Jr.	9,786(15)	*
Lawrence Keith Wimbush	0(16)	
All executive officers and directors as a group (14 persons)	7,776,858(17)	9.4%
Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P.	17,177,833(18)	18.5%
Barclays Global Investors Japan Trust and Banking Company Limited	4,036,785(19)	5.2%
Colburn Music Fund and The Colburn School	11,660,797(20)	15.1%
Dimensional Fund Advisors Inc.	4,413,866(21)	5.7%
U.S. Trust Corporation, United States Trust Company of New York and U.S. Trust Company, N.A	6,620,877(22)	8.6%

\* Less than 1 percent.

- (1) Unless otherwise indicated in the footnotes to the table, our address is c/o the Company at Five Greenwich Office Park, Greenwich, Connecticut 06831.
- (2) Unless otherwise indicated, each person has sole investment and voting power with respect to the shares indicated. For purposes of this table, a person or group of persons is deemed to have beneficial ownership of any shares as of a given date which such person has the right to acquire within 60 days after such date. For purposes of computing the percentage of outstanding shares held by each person or group of persons named above on a given date, any security which such person or persons has the right to acquire within 60 days after such date is deemed to be outstanding for the purpose of computing the percentage ownership of such person or persons, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.
- (3) In certain cases, includes securities owned by one or more entities controlled by the named holder.



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- (4) Consists of 1,911,281 outstanding shares, 3,671,000 shares issuable upon the exercise of currently exercisable warrants and 91,674 shares issuable upon conversion of QUIPS issued by a subsidiary trust. Excludes the following shares that are held by a marital trust: (i) 1,329,000 shares issuable upon the exercise of currently exercisable warrants; and (ii) 2,650,000 shares issuable upon the exercise of currently exercisable options. The institutional trustee of such trust is not affiliated with Mr. Jacobs and controls the voting and disposition of such shares.
- (5) Consists of 597,825 outstanding shares and 525,000 shares issuable upon the exercise of currently exercisable options.
- (6) Consists of 62,750 outstanding shares and 58,333 shares issuable upon the exercise of currently exercisable options.
- (7) Consists of 60,000 outstanding shares. Mr. Ehrenreich ceased to be an executive officer in March 2006.
- (8) Consists of 2,644 outstanding shares and 36,000 shares issuable upon the exercise of currently exercisable options. Mr. Black disclaims beneficial ownership of certain shares as described in footnote 18.
- (9) Consists of 1,000 outstanding shares and 6,000 shares issuable upon the exercise of currently exercisable options.
- (10) Consists of 2,644 outstanding shares and 36,000 shares issuable upon exercise of currently exercisable options. Mr. Gross disclaims beneficial ownership of certain shares as described in footnote 18.
- (11) Consists of 6,000 shares issuable upon the exercise of currently exercisable options.
- (12) Consists of 4,000 outstanding shares and 6,000 shares issuable upon the exercise of currently exercisable options.
- (13) Consists of 18,076 outstanding shares, 660,157 shares issuable upon the exercise of currently exercisable options and 6,188 shares issuable upon conversion of QUIPS issued by a subsidiary trust.
- (14) Consists of 4,500 shares issuable upon the exercise of currently exercisable options.
- (15) Consists of 3,786 outstanding shares and 6,000 shares issuable upon the exercise of currently exercisable options.
- (16) Mr. Wimbush became a director of the Company on April 11, 2006.
- (17) Consists of 2,664,006 outstanding shares, 3,671,000 shares issuable upon the exercise of currently exercisable warrants, 1,343,990 shares issuable upon the exercise of currently exercisable options and 97,862 shares issuable upon conversion of QUIPS issued by a subsidiary trust.
- (18) Consists of 1,844,500 outstanding shares, 12,000,000 shares issuable upon conversion of outstanding shares of our Series C Preferred and 3,333,333 shares issuable upon conversion of outstanding shares of our Series D-1 Preferred. Of the shares indicated, (i) 16,297,171 shares are owned by Apollo Investment Fund IV, L.P. ( AIFIV ) and (ii) 880,662 shares are owned by Apollo Overseas Partners IV, L.P. ( Overseas IV ). Apollo Advisors IV, L.P. ( Advisors IV ) is the general partner of AIFIV and the managing general partner of Overseas IV. Apollo Capital Management IV, L.P. ( Capital Management IV ) is the general partner of Advisors IV. The directors and principal executive officers of Capital Management IV are Leon D. Black and John J. Hannan. Messrs. Black and Hannan are also limited partners of Advisors IV. Messrs. Black, Gross and Hannan disclaim beneficial ownership of the shares owned by AIFIV and Overseas IV. The address of both AIFIV and Overseas IV is c/o Apollo Advisors IV, L.P., Two Manhattanville Road, Purchase, New York 10577.
- (19) The share ownership information for Barclay s Global Investors Japan Trust and Banking Company Limited ( Barclay s ) is as of January 31, 2006 and is based on information in a Schedule 13G filed by Barclay s. Barclay s has sole voting power with respect to 3,709,737 of the indicated shares. Barclay s is a bank and its address is Ebisu Prime Square Tower 8 Floor, 1-1-39 Hiroo Shibuya-Ku, Tokyo 150-0012 Japan.

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- (20) The share ownership information for Colburn Music Fund and The Colburn School is as of February 14, 2005 and is based on information in a Schedule 13G filed by Colburn Music Fund and The Colburn School. Colburn Music Fund has sole voting power with respect to 8,745,797 shares, and The Colburn School has sole voting power with respect to 2,915,000 shares. Colburn Music Fund's address is 1000 Wilshire Blvd., Suite 340, Los Angeles, California 90017. The Colburn School's address is 200 South Grand Avenue, Los Angeles, California 90012.
- (21) The share ownership information for Dimensional Fund Advisors Inc. ( Dimensional ) is as of February 1, 2006 and is based on information in a Schedule 13G filed by Dimensional. Dimensional has sole dispositive power and voting power with respect to the indicated shares. Such shares are owned by various clients of Dimensional for whom Dimensional serves as an investment advisor. Dimensional's address is 1299 Ocean Avenue, 1<sup>st</sup> Floor, Santa Monica, California 90401.
- (22) The share ownership information for U.S. Trust Corporation ( UST ), United States Trust Company of New York ( USTC ) and U.S. Trust Company, N.A. ( USTCNA ) is based on information in a Schedule 13G filed by UST, USTC and USTCNA on February 14, 2006. UST, USTC and USTCNA hold the shares in their capacity as fiduciaries and/or agents for their customers, and report sole voting power over 1,536,025 of these shares, and shared voting power over 825 of these shares. The address of UST, USTC and USTCNA is 114 West 47<sup>th</sup> St., New York, New York 10036.

Table of Contents**EXECUTIVE COMPENSATION****Summary Compensation Table**

The following table sets forth for the periods indicated below information concerning the compensation paid to our chief executive officer and our four most highly-compensated executive officers other than our CEO who served as executive officers as of the end of the fiscal year ended December 31, 2005 (including two persons who served as executive officers at year-end but no longer serve as executive officers). In addition, the table provides information concerning one person who ceased to be an executive officer in mid-year 2005, but would have been among the most highly compensated executive officers of the Company for the fiscal year ended December 31, 2005.

Name and Principal Position	Year	Annual Compensation			Long-term Compensation Awards		
		Salary(\$)	Bonus(\$)	Other	Restricted		
				Annual	Stock	Securities	All Other
				Compensation	Awards	Underlying	Compensation
			(\$)(1)	(\$)(2)	Options	(\$)(3)	
Wayland R. Hicks Chief Operating Officer (until December 15, 2003) and Chief Executive Officer (from December 16, 2003)	2005	550,000	636,300	12,100			45,500(7)
	2004	550,000		12,891			
	2003	475,000	688,200 240,000(4)	76,000	3,458,000(5)	325,000(6)	47,880(7) 11,400
John N. Milne Former President, Chief Acquisition Officer and (from December 6, 2002) Chief Financial Officer (served until August 15, 2005)	2005	378,286		15,854(8)			1,647(7)
	2004	550,000		23,006	2,766,400(5)		3,988(7)
	2003	388,000	240,000(4)	133,000		300,000(6)	11,400
Michael J. Kneeland Executive Vice President Operations (from September 23, 2003)(9)	2005	290,000	311,200				1,845(7)
	2004	290,000	326,500				1,845(7)
	2003	239,000	176,000(4)		110,120		3,000
Martin E. Welch III Executive Vice President and Chief Financial Officer (served as Interim Chief Financial Officer from	2005	346,154					203(7)
	2004						
	2003						



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September 12, 2005 until March 7, 2006)

Joseph Ehrenreich	2005	428,338				106,571(7)
	2004	135,673	367,000(10)	1,139,400(11)		69(7)
Former Vice President and General Counsel (from September 1, 2004 to March 29, 2006)	2003					
Joseph B. Sherk	2005	253,229				10,666(7)
	2004	246,000	106,720	343,078(12)	10,000	10,545(7)
Former Corporate Controller (served until January 25, 2006)	2003	241,454		226,535		17,042

- (1) Under SEC rules, perquisites and other personal benefits paid to an executive are not required to be reported, unless the aggregate amount exceeds the lesser of (a) \$50,000 and (b) 10 percent of the executive's annual salary plus bonus. The amounts in this column represent personal use of company aircraft valued, in accordance with SEC rule, based on the incremental cost to us of providing such perquisite, taking into account any portion of such costs that the executive is required to pay or reimburse.
- (2) The dollar value shown in the table represents the number of shares of restricted stock and/or units awarded multiplied by the closing price of our unrestricted common stock on the New York Stock Exchange on the date of grant. The vesting requirements relating to such shares and/or units are described under Certain Employment Arrangements. Dividends

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are paid on shares of restricted common stock but not with respect to restricted stock units. The following table shows the aggregate restricted share holdings of the executives on this table as of December 31, 2004 and December 31, 2005. The values are based on the last closing price of our stock for the year.

Executive	As of December 31, 2004		As of December 31, 2005	
	Number of Shares	Value	Number of Shares	Value
Wayland R. Hicks	700,000	\$ 13,230,000	633,334	\$ 14,813,682
John N. Milne	160,000	\$ 3,024,000		
Michael Kneeland	30,541	\$ 577,225	22,624	\$ 529,175
Joseph Ehrenreich(a)	60,000	\$ 1,134,000	60,000	\$ 1,403,400
Joseph B. Sherk	47,724	\$ 901,984	47,724	\$ 1,116,264

- (a) Pursuant to Mr. Ehrenreich's Separation Agreement and General Release, 30,000 of his restricted shares will be forfeited unless they have vested due to a change in control of the Company (as defined in the agreement) prior to September 1, 2006.
- (3) Other compensation includes \$1,500 per year of matching 401k contributions for each year shown on the table for each of Messrs. Hicks, Milne and Kneeland and for each year other than 2002 for Mr. Sherk.
- (4) The executive's bonus was paid 50% in cash and 50% in stock in 2003.
- (5) In 2004, Mr. Hicks and Mr. Milne were awarded 200,000 restricted stock units and 160,000 restricted stock units, respectively, under our 2001 Senior Stock Plan. Upon vesting, these restricted stock units will be settled with shares of our common stock on a one-for-one basis. As a result, each restricted stock unit is essentially equivalent to a single share of our common stock. The vesting schedule for the restricted stock units awarded to Mr. Hicks is as follows: (i) 100,000 units vested in three equal installments on January 1, 2005, July 1, 2005 and January 1, 2006 and (ii) 100,000 units will vest on December 31, 2008. With respect to the restricted stock units awarded to Mr. Milne, 20,000 units vested on each of January 1, 2005 and July 1, 2005. The vesting schedule provided for vesting of an additional 20,000 units on January 1, 2006 and 100,000 units on December 31, 2008. However, Mr. Milne's employment with us was terminated for cause on August 15, 2005 and the 120,000 unvested units were forfeited. The vesting of the restricted stock units may be accelerated as follows:
- upon a change of control (as defined in the grant agreement) all units will immediately vest;
- upon our termination of an executive's employment without Cause or he resigns for Good Reason (as such terms are defined in his employment agreement), then an appropriate fraction of each tranche of such executive's unvested units will immediately vest. For purposes of the foregoing, the appropriate fraction means (i) the amount of time that elapsed from the grant date to the occurrence of the event triggering accelerated vesting divided by (ii) the total amount of time over which such units were scheduled to vest absent accelerated vesting. In the case of units that are scheduled to vest in more than one installment, each installment will be treated as a separate tranche for purposes of the foregoing and the calculation of the appropriate fraction will be made separately for each tranche as if such tranche were the only tranche; and
- upon the death or disability of an executive, the units scheduled to vest in 2005 and 2006, but not the units scheduled to vest in 2008, will immediately vest.
- (6) The options shown as having been granted to Messrs. Hicks and Milne in 2003 were originally granted in 1997 and 1998. The original grant of these options was reported in our proxy statement relating to our 1999 annual meeting. In April 2003, the Compensation Committee extended the expiration date of these options to April 10, 2013. The exercise price was not changed. For purposes of this compensation table, we have treated the extension of the term of the original options as the cancellation of the old options and the grant of new options with a different expiration date. These options are all vested. The exercise price of these options is as follows: (i) for the options held by Mr. Hicks, the exercise price is \$21.9375 for 225,000 options, \$20.00 for 50,000 options and \$15.00 for 50,000 options and (ii) for the options held by Mr. Milne, the exercise price is \$21.9375.
- (7) The other compensation for each executive in each of 2005 and 2004, as applicable, included the following: Mr. Hicks (\$44,000 for supplemental insurance coverage in 2005 and \$2,263 for car allowance, \$44,000 for supplemental insurance coverage and \$117 in non-cash awards in 2004); Mr. Milne (\$147 in non-cash awards in 2005 and \$2,263 for car allowance and \$225 for group term life insurance coverage in 2004); Mr. Kneeland (\$345 for group term life insurance coverage in 2005 and \$345 for group term life insurance coverage in 2004); Mr. Welch (\$174 for group term life insurance coverage and \$29 in non-cash awards in 2005); Mr. Ehrenreich (\$94,958 for relocation expenses, \$11,388 for supplemental insurance coverage and \$225 for group term life insurance coverage in 2005 and \$69 for group term life insurance coverage in 2004); and Mr. Sherk (\$8,400 for car allowance, \$645 for group term life insurance coverage and \$121 in non-cash awards in 2005 and \$8,400 for car allowance and \$645 for group term life insurance coverage in 2004).
- (8) In 2005 Mr. Milne reimbursed us \$64,929 for personal use of company aircraft.
- (9) Mr. Kneeland was not an executive officer prior to being appointed Executive Vice President Operations in 2003.
- (10) The executive's bonus included a signing bonus of \$175,000 and an additional bonus of \$192,000.

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- (11) Mr. Ehrenreich received 60,000 shares of restricted stock in 2004. 15,000 of the shares are scheduled to vest on each of April 1, 2006, September 1, 2006, September 1, 2007 and December 1, 2008. The vesting will be accelerated in the event of a change in control of the Company. Because Mr. Ehrenreich is expected to terminate employment on September 1, 2006, pursuant to a Separation Agreement and General Release, the last 30,000 shares will only vest if there is a change of control before September 1, 2006.
- (12) Mr. Sherk was granted 19,358 shares of restricted stock in 2004. 11,000 shares will vest on July 30, 2007 and 8,358 shares will vest on October 1, 2007.

**Terms of Restricted Stock**

In April, July and December, 2004, we granted restricted stock awards to certain individuals shown in the table above. These shares of restricted stock will vest as described under Certain Employment Arrangements, below.

In May 2004, we adopted the United Rentals, Inc. Restricted Stock Unit Deferral Plan. This Plan enables our executive officers and directors who receive awards of restricted stock units under our 2001 Senior Stock Plan to elect to defer receipt of shares of our voting common stock that would otherwise be paid upon the vesting and settlement of such awards.

On August 22, 2005, we amended our restricted stock grant agreement with Mr. Ehrenreich. Pursuant to this amendment, the vesting date with respect to 15,000 restricted shares held by Mr. Ehrenreich was delayed from September 1, 2005 to April 1, 2006. On September 22, 2005, we amended our restricted stock grant agreements with each of Mr. Kneeland and Mr. Sherk. Pursuant to each of these amendments, the vesting dates with respect to 10,237 and 2,884 restricted shares held by Messrs. Kneeland and Sherk, respectively, were each delayed from October 1, 2005 to April 1, 2006. On March 30, 2006, we amended our restricted stock grant agreement with Mr. Kneeland to delay the vesting dates with respect to such shares from April 1, 2006 to May 1, 2006.

**Options**

The following tables summarize the number and value of all options held by the executive officers named in the Summary Compensation Table above as of December 31, 2005. None of these officers exercised options in 2005.

Name	Number of Securities Underlying Unexercised Options at Year End		Value of Unexercised In-the-Money Options at Year End (1)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Wayland R. Hicks	525,000	0	\$ 3,105,250	n/a
John N. Milne	450,000	0	\$ 2,078,625	n/a
Martin E. Welch III	n/a	n/a	n/a	n/a
Michael J. Kneeland	58,333	0	\$ 128,530	n/a
Joseph Ehrenreich	n/a	n/a	n/a	n/a
Joseph B. Sherk	53,750	5,000	\$ 446,113	\$ 25,850

- (1) The Value is the value of the shares subject to the options as of December 31, 2005, less the exercise price for those options.

**Certain Employment Arrangements**

***Executive Employment Agreements and Compensation Arrangements***

*Mr. Hicks*

In connection with the appointment of Wayland Hicks as our chief executive officer in December 2003, we entered into a new employment agreement and other compensation arrangements with him

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in early 2004. Certain terms of our agreement and related compensation arrangement with Mr. Hicks are set forth below.

*Base Salary.* On April 4, 2006, following the Company's filing of its 2004 and 2005 financial statements with the SEC, the Compensation Committee determined to increase Mr. Hicks' base salary from \$550,000 per annum to \$750,000 per annum, effective April 1, 2006.

*Right to Participate in Annual Incentive Compensation Plan.* This plan allows our current executives and other key employees to potentially earn annual incentive bonuses that will be based on achieving performance goals that will be established at the beginning of each year. Our employment agreement with Mr. Hicks provides that he is eligible to participate in the plan each year, and his target bonus for each year after 2004 would not be less than the target bonus established for 2004, which was \$550,000, 100 percent of his base salary.

*Awards Under Long-Term Incentive Plan.* Mr. Hicks was awarded 275,000 Long-Term Incentive Plan units under this plan in 2004. These units will vest on December 31, 2006 and be paid as soon as practicable thereafter, except as otherwise provided in the plan.

*Restricted Stock Units.* In 2004 Mr. Hicks was awarded 200,000 restricted stock units under our 2001 Senior Stock Plan. Upon vesting, these restricted stock units are settled with shares of our common stock on a one-for-one basis. As a result, each restricted stock unit is essentially equivalent to a single share of our common stock.

The restricted stock units awarded to Mr. Hicks vest as follows: (i) 100,000 units vested in three equal installments on January 1, 2005, July 1, 2005 and, January 1, 2006; and (ii) 100,000 units will vest on December 31, 2008. The vesting of the restricted stock units may be accelerated as follows:

Upon a change of control (as defined in the grant agreement) all units will immediately vest.

Upon our termination of Mr. Hicks' employment without Cause or his resignation for Good Reason (as such terms are defined in his employment agreement), then an appropriate fraction of each tranche of his unvested units will immediately vest. For purposes of the foregoing, the appropriate fraction means (i) the amount of time that elapsed from the grant date to the occurrence of the event triggering accelerated vesting *divided by* (ii) the total amount of time over which such units were scheduled to vest absent accelerated vesting. In the case of units that are scheduled to vest in more than one installment, each installment will be treated as a separate tranche for purposes of the foregoing and the calculation of the appropriate fraction will be made separately for each tranche as if such tranche were the only tranche.

Upon death or disability, the units scheduled to vest in 2006, but not the units scheduled to vest in 2008, will immediately vest.

*Benefits.* Mr. Hicks is entitled to participate in our group health insurance program, group life insurance program, supplemental life insurance program, group short-term and long-term disability plans, and any tax-qualified and nonqualified retirement plans that are generally made available to other current senior executives of the Company, and for so long as the Company continues to maintain or otherwise make available a corporate aircraft, to make use of such aircraft in accordance with the Company's current

policy regarding business and personal use by executive officers.

In addition, Mr. Hicks is entitled to certain supplemental long-term disability coverage and/or supplemental life insurance coverage. However, the Company is not required to expend more than \$50,000 per annum per executive to provide all such coverage.

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*Scheduled Term.* The term of our agreement with Mr. Hicks is through December 31, 2008. Unless either party thereto gives notice of non-renewal at least 60 day prior to the end of the then current term, the term will extend for successive one-year renewal periods.

*Termination and Severance.* Either we or Mr. Hicks may at any time terminate his employment, with or without cause. However, if we terminate Mr. Hicks' employment without Cause or he resigns for Good Reason (as such terms are defined in his employment agreement), we are required to pay him severance equal to 2.99 times the sum of his annual base salary at the time of termination plus the highest annual bonus paid to him in the preceding three years.

The term "Good Reason" is defined in Mr. Hicks' employment agreement and includes, among other things, (i) the assignment of any significant duties inconsistent with, or a material diminution of, his position, duties, titles, offices, responsibilities, or status with our Company or his removal from his current positions or any failure to reelect him to his current positions, (ii) the failure to nominate him to serve as a director and, if he is then serving as chairman or vice chairman, the failure to re-appoint him to such position, or (iii) any termination of, or material amendment to, the Long-Term Incentive Plan by us that adversely affects the ability of Mr. Hicks to realize the full potential value of the units issued in 2004 as described above (provided that resignation based upon such occurrence must occur within one year thereof).

*Matters Relating to Change of Control.* Our employment agreement with Mr. Hicks provides that all unvested stock options, shares of restricted stock and restricted stock units at any time granted to Mr. Hicks will automatically vest upon a change of control (as defined in the agreement). Each agreement also provides that if all or any portion of any payments or benefits which Mr. Hicks is entitled to receive pursuant to the agreement, or pursuant to any other plan, arrangement or agreement in respect of our Company or its affiliates, constitutes an "excess parachute payment" (as defined in Section 280G of the Internal Revenue Code of 1986, as amended (the "Code")), he is entitled to receive a payment sufficient on an after-tax basis to offset any excise tax payable by him pursuant to Section 4999 of the Code. Any payment constituting an "excess parachute payment" would not be deductible by our Company.

*Retirement Benefits.* If Mr. Hicks retires after 2006, he is entitled to receive a lump-sum retirement payment equal to a specified multiple of the sum of his annual base salary at the time of retirement plus the highest annual bonus paid to him in the preceding three years. The specified multiple is 1.5 for retirement in 2007, 2.0 for retirement in 2008 and 2.5 for retirement thereafter. In addition, for a specified period, he will continue to receive the benefits (described under "Benefits") to which he was entitled to during the term of his employment. The specified period is 18 months for retirement in 2007, 24 months for retirement in 2008 and 30 months for retirement thereafter.

### *Mr. Milne*

The terms of our employment agreement and other compensation arrangements with Mr. Milne, our former President and Chief Financial Officer, were substantially similar to the terms of our employment agreement and other arrangements with Mr. Hicks, described above. As previously disclosed, the Board terminated Mr. Milne's employment with us for cause on August 15, 2005, because of Mr. Milne's unwillingness to respond to questions of the Special Committee reviewing matters relating to the SEC inquiry of the Company discussed elsewhere in this report.

### *Mr. Welch*

Martin E. Welch served as interim Chief Financial Officer of the Company from September 12, 2005 until March 7, 2006, when we appointed Mr. Welch as Executive Vice President and Chief



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Financial Officer of the Company. In connection with this appointment, we entered into an employment agreement with Mr. Welch on March 7, 2006, which superseded his interim employment agreement. Certain terms of our agreement and related compensation arrangements are set forth below.

*Base Salary.* Mr. Welch will be paid a base salary at the annual rate of \$525,000. Upon recommendation of the Chief Executive Officer, the Compensation Committee may determine in its sole discretion to increase, but not decrease, the base salary.

*Signing Bonus.* Mr. Welch received a signing bonus of \$51,924 on March 31, 2006.

*Completion Bonus.* Mr. Welch was eligible to receive a bonus of \$250,000 within 30 days after we filed our 2004 annual report on Form 10-K with the SEC, which we filed on March 31, 2006. This bonus was paid to Mr. Welch on April 14, 2006.

*Annual Bonus.* Mr. Welch will be eligible to receive an annual cash incentive bonus pursuant to the terms of the Annual Incentive Compensation Plan. The Target Allocation, as defined in the plan, will be 90 percent of base salary. The maximum incentive opportunity shall be 125 percent of base salary. The performance goals shall be determined by the Compensation Committee.

*Relocation Allowance.* We will pay Mr. Welch a relocation allowance equal to \$7,500 per month (on an after-tax basis) for expenses incurred by him for temporary living arrangements for one year following his appointment as Chief Financial Officer.

*Restricted Stock Units.* The Company stated its non-binding intention to grant Mr. Welch an aggregate of 190,000 restricted stock units, subject to certain vesting criteria, at such time as permitted by applicable law and exchange rules.

*Benefits.* Mr. Welch shall be entitled to participate in, to the extent he is otherwise eligible under the terms thereof, the benefit plans and programs, and receive the benefits and perquisites, generally provided by us to executives of the Company, including without limitation family medical insurance (subject to applicable employee contributions). Mr. Welch shall be entitled to 20 vacation days per year, such days to be accrued in accordance with Company policy. Without limiting the foregoing, Mr. Welch may in the future be eligible for consideration of an award of units under our Long-Term Incentive Plan, any such award being subject to the approval of the Committee (as such term is defined in the plan).

*Termination and Severance.* Mr. Welch will be employed by us at will, and we or Mr. Welch may at any time terminate the employment relationship for any reason or no reason, with or without cause. However, if we terminate Mr. Welch's employment without Cause or he resigns for Good Reason (as such terms are defined in his employment agreement), we are required to pay him (i) the Signing Bonus and Completion Bonus referred to above, if he has not previously been paid such bonuses, (ii) severance equal to 190 percent of Mr. Welch's base salary (such percentage equal to the sum of 100 percent of his base salary and the Target Allocation provided for in the employment agreement) and (iii) if such termination occurs prior to the one-year anniversary of the date of the employment agreement, the continued payment of the relocation allowance to which Mr. Welch would have been entitled under the agreement through the end of such period.

*Mr. Ehrenreich*

Pursuant to the separation agreement and general release we entered into with Mr. Ehrenreich in March 2006, Mr. Ehrenreich ceased to be Vice President and General Counsel of the Company on March 29, 2006. During the remaining term of his employment, he will perform duties generally limited

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to not more than one day per week assisting the Company as a resource and transitioning his duties and in connection with matters pertaining to the previously announced SEC investigation and related matters until September 1, 2006.

Until September 1, 2006, Mr. Ehrenreich will continue to receive his base salary at the rate of \$435,000 per annum and will receive a non-accountable expense allowance of \$4,000 per month in lieu of office facilities. The Company has also agreed to pay him a lump sum severance payment of \$968,450. Also, in lieu of payment in respect of 25,000 units under the United Rentals, Inc. Long-Term Incentive Plan, the Company has agreed to pay Mr. Ehrenreich a lump sum of \$1,212,500, representing the Maximum Cumulative Unit Value (as defined in such plan) for such units which he otherwise would have become eligible to receive under that plan.

Mr. Ehrenreich was awarded 60,000 shares of restricted common stock under the Company's 2001 Senior Stock Plan on September 1, 2004. Under the terms of the separation agreement, 15,000 shares will vest on April 1, 2006 and an additional 15,000 shares will vest on September 1, 2006 in accordance with the original vesting schedule. Mr. Ehrenreich will forfeit the remaining 30,000 shares upon termination of his employment unless such shares have vested previously upon a change of control in accordance with the terms of the original grant agreement. Mr. Ehrenreich will have the right to cause the Company to purchase the 15,000 shares which vest on April 1, 2006 and the 15,000 shares which vest September 1, 2006 at a price equal to the closing price of the stock on the date Mr. Ehrenreich gives notice to the Company of his election to exercise this right.

In lieu of any bonuses for 2005 or 2006 under the United Rentals, Inc. Annual Incentive Compensation Plan or otherwise, Mr. Ehrenreich will receive two lump sum payments: a payment of \$327,800 (representing the 2005 bonus he would otherwise have become eligible to receive in the ordinary course) and a payment of \$200,000. Mr. Ehrenreich will cease to participate in any Company benefit plans upon the effective date of the separation agreement, except as provided in those plans or the separation agreement or as required by law. In lieu of benefits subsequent to the effective date of the separation agreement, Mr. Ehrenreich will receive a lump sum payment of \$13,000. The Company will also continue Mr. Ehrenreich's benefits coverage under COBRA for the earlier of (1) 18 months following the effective date of the separation agreement and (2) the period ending on the date he receives new employment and becomes eligible for new benefits coverage.

In the event of an agreement prior to September 1, 2006, which would trigger a Change of Control (as defined in Mr. Ehrenreich's employment agreement), the term of Mr. Ehrenreich's employment will be extended until the closing or abandonment of the transaction contemplated by that agreement at a salary rate of \$1,673 per week. The Company also agreed to pay Mr. Ehrenreich for his accrued vacation time and his reasonable attorneys' fees and certain expenses. Mr. Ehrenreich and the Company also released claims against each other. Except as specifically provided in the separation agreement, our employment agreement with Mr. Ehrenreich was terminated effective as of the effectiveness of the separation agreement.

### *Mr. Kneeland*

Michael Kneeland is our executive vice president operations. On April 4, 2006, following the Company's filing of its 2004 and 2005 financial statements with the SEC, the Compensation Committee determined to increase Mr. Kneeland's base salary from \$290,000 per annum to \$400,000 per annum, effective April 1, 2006. Mr. Kneeland will also be eligible to receive an annual cash incentive bonus under our Annual Incentive Compensation Plan. Mr. Kneeland's Target Allocation, as defined in the Plan, will be 100 percent of base salary. The maximum incentive opportunity shall be 125 percent of base salary. Mr. Kneeland was awarded 35,000 units under our Long-Term Incentive Plan in 2004. If we terminate Mr. Kneeland's employment without Cause (as defined in the agreement),



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we must continue to pay him his base salary for 12 months or, if earlier, until he accepts other employment. If Mr. Kneeland is terminated without Cause, we may elect to accelerate the vesting of any of Mr. Kneeland's unvested stock options, restricted stock or units under our Long-Term Incentive Plan. If we choose to accelerate the vesting of these securities, we will offset the cash equivalent of such vested securities (to be calculated as of the close of business on the date of accelerated vesting) against the payment of Mr. Kneeland's base salary pursuant to the prior sentence.

### *Mr. Sherk*

We and Joseph Sherk, our former Corporate Controller, entered into an employment agreement in June 2004. We subsequently entered into an agreement and general release with Mr. Sherk in March 2006. Effective as of January 2006, Mr. Sherk ceased to be Vice President, Corporate Controller of the Company. Mr. Sherk will continue to serve as a vice president of the Company.

Mr. Sherk's base salary is \$255,840 per annum. Mr. Sherk will not receive a bonus for 2005. With respect to 2006 and thereafter, he may be eligible to receive a discretionary bonus in an amount not to exceed 60% of his base salary, provided he is employed by us on the date such bonuses are paid. Mr. Sherk will continue to be employed by us at will, and we or Mr. Sherk may at any time terminate his employment for any reason or no reason, with or without cause. All unvested stock options and unvested restricted stock issued to Mr. Sherk prior to June 1, 2004 shall automatically vest upon a Change of Control (as defined in the June 2004 employment agreement) that occurs while he is employed by the Company.

Pursuant to the 2006 agreement, Mr. Sherk shall retain, subject to meeting any applicable vesting requirements (i) shares of restricted grant previously granted to him (ii) certain options previously granted to him, and (iii) 7,500 units previously awarded to him under the Company's Long-Term Incentive Plan, in exchange for Mr. Sherk's promises made in such agreement (including Mr. Sherk's release of claims against the Company and related parties, his continuing obligations under the 2004 employment agreement and his obligations regarding nondisparagement and cooperation with the Company). Mr. Sherk forfeited 5,000 options granted in December 2004.

### ***Indemnification***

We have entered into indemnification agreements with each of our current and former executive officers listed above. Each of these agreements provides, among other things, for us to indemnify each such officer against certain specified claims and liabilities that may arise in connection with such officer's services to the Company.

### ***Consulting Agreement***

On December 15, 2003, Mr. Jacobs stepped down as our Company's chief executive officer and was succeeded by Mr. Hicks. However, Mr. Jacobs continues to serve as Chairman of the Board and a consultant to the Company. We have entered into a service agreement with Mr. Jacobs that governs the terms under which he will provide us with consulting services. Certain information concerning this agreement is set forth below.

*Services.* The agreement contemplates that Mr. Jacobs may be asked to devote up to 500 hours per year to providing services to the Company as provided in the agreement. However, Mr. Jacobs may elect to reduce his time commitment, subject to a minimum of 50 hours per year, and in such event his consulting fee would be proportionately decreased.

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*Compensation and Benefits.* The agreement provides that, during the term of the agreement, Mr. Jacobs is entitled to:

a consulting fee of \$250,000 per annum, subject to downward adjustments as provided in the previous paragraph;

continuation of his health insurance or the payment of such amount as is required for replacement insurance;

\$2,084 per month in lieu of benefits other than health insurance;

substantially the same office, secretarial, administrative and information technology support that he received prior to stepping down as CEO; and

personal use of company aircraft in accordance with the Company's policy for such use by executive officers, subject to certain limits. In addition, for three years following the end of the term, Mr. Jacobs may make personal use of company aircraft, provided that (a) he reimburses the Company for the incremental cost of such use, and (b) such use shall be limited to a maximum of 100 hours of flight time per year (but any unused hours may be carried forward to subsequent years whether within or beyond the three-year period). For purposes of the agreement, incremental cost means the per-hour variable cost associated with any use plus any repositioning charges.

*Term.* The agreement provides for an initial term extending until December 15, 2006. Unless either party gives notice of non-renewal at least 30 days prior to the end of the then current term, the term will extend for successive one-year renewal terms.

*Termination and Severance.* We or Mr. Jacobs may at any time terminate the agreement, with or without cause. However, if we terminate the agreement without Cause (as defined in the agreement) or Mr. Jacobs resigns for Good Reason (as defined in the agreement), then (i) we will be required to continue to provide Mr. Jacobs with the compensation and benefits provided for in the agreement until the scheduled end of the term as if there had been no early termination and (ii) the post-term aircraft benefits described above will commence upon the date the term was scheduled to end rather than the date of early termination.

The agreement also provides that if all or any portion of any payments or benefits which Mr. Jacobs is entitled to receive pursuant to the service agreement, or pursuant to any other plan, arrangement or agreement in respect of our Company or its affiliates, constitutes an excess parachute payment (as defined in Section 280G of the Internal Revenue Code of 1986, as amended (the Code)), he is entitled to receive a payment sufficient on an after-tax basis to offset any excise tax payable by him pursuant to Section 4999 of the Code. Any payment constituting an excess parachute payment would not be deductible by our Company.

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The table below provides certain information concerning our equity compensation plans as of December 31, 2005.

<b>Plan category</b>	<b>Number of shares of Common Stock to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of shares of Common Stock remaining available for future issuance under equity compensation plans (excluding shares reflected in the first column)</b>
Equity compensation plans approved by stockholders	7,108,899	\$ 19.36	2,367,360(1)
Equity compensation plans not approved by stockholders(2)	3,357,285	\$ 21.14	1,250,637(3)
	<u>10,466,184</u>		<u>3,617,997</u>

(1) In addit