

H&E Equipment Services, Inc.

Form DEF 14A

April 27, 2007

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OMB APPROVAL

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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

**H&E EQUIPMENT SERVICES, INC.**

\_\_\_\_\_  
(Name of Registrant as Specified In Its Charter)

\_\_\_\_\_  
(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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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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1) Amount Previously Paid:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

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April 27, 2007

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of H&E Equipment Services, Inc. to be held at the Hilton Baton Rouge Capitol Center Hotel, 201 Lafayette Street, Baton Rouge, Louisiana 70801, on Tuesday, June 5, 2007, at 8:00 a.m. central daylight time.

At the meeting you will be asked to vote for the election of our directors and to ratify the selection of BDO Seidman, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2007. I encourage you to vote for the nominees for director and for ratification of the appointment of BDO Seidman, LLP.

Whether or not you are able to attend the meeting in person, I urge you to sign and date the enclosed proxy and return it promptly in the enclosed envelope, or follow the telephone or internet voting instructions that appear on the enclosed proxy card.

Very truly yours,  
**H&E EQUIPMENT SERVICES, INC.**

**John M. Engquist**  
*President & Chief Executive Officer*

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**Notice of Annual Meeting of Stockholders**

To Our Stockholders:

You are invited to attend the H&E Equipment Services, Inc. 2007 Annual Meeting of Stockholders.

*Date:* June 5, 2007  
*Time:* 8:00 a.m. central daylight time  
*Place:* Hilton Baton Rouge Capitol Center Hotel  
Governor's Room  
201 Lafayette Street  
Baton Rouge, Louisiana 70801

Only stockholders who owned stock of record at the close of business on April 24, 2007 can vote at this meeting or any adjournments that may take place.

The purposes of the Annual Meeting are:

- (1) to elect seven directors, each for a term of one year or until their respective successors have been elected and qualified;
- (2) to ratify the appointment of BDO Seidman, LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2007;
- (3) to transact any other business that may properly come before the meeting.

We consider your vote important and encourage you to vote as soon as possible.

By Order of the Board of Directors,

Leslie S. Magee  
*Chief Financial Officer and Secretary*

April 27, 2007

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**PROXY STATEMENT**

This Proxy Statement and the accompanying proxy card are being mailed on or about May 2, 2007, to owners of shares of common stock of H&E Equipment Services, Inc. (the Company) in connection with the solicitation of proxies by the Board of Directors for the 2007 Annual Meeting of Stockholders. This proxy procedure is necessary to permit all holders of common stock, many of whom are unable to attend the Annual Meeting, to vote. The Board of Directors encourages you to read this document thoroughly and to take this opportunity to vote on the matters to be decided at the Annual Meeting.

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**VOTING PROCEDURES**

**Your vote is very important.**

Your shares can only be voted at the Annual Meeting if you are present in person or represented by proxy. Whether or not you plan to attend the Annual Meeting, you are encouraged to vote by proxy to ensure that your shares will be represented. Most stockholders have a choice of voting by means of the Internet ([www.continentalstock.com](http://www.continentalstock.com)), by using a toll-free telephone number (1-866-894-0537) or by completing a proxy card and mailing it in the postage-paid envelope provided. Please refer to your proxy card or the information forwarded by your bank, broker or other holder of record to see which options are available to you. Please be aware that if you vote over the Internet, you may incur costs such as telephone and internet access charges for which you will be responsible. **Also note that proxies submitted by telephone or the Internet must be received by 7:00 p.m., EDT, on June 4, 2007.**

You may revoke this proxy at any time before it is voted by written notice to the corporate Secretary of the Company, by submission of a proxy bearing a later date or by casting a ballot at the Annual Meeting. Unless properly revoked, properly executed and delivered proxies that are received before the Annual Meeting's adjournment or any adjournment thereof will be voted in accordance with the directions provided or, if no directions are provided, those shares will be voted by one of the individuals named on your proxy card as recommended by the Board of Directors. If you wish to give a proxy to someone other than those named on the proxy card, you should cross out those names and insert the name(s) of the person(s), not more than three, to whom you wish to give your proxy.

If you want to vote in person at the Annual Meeting and you hold shares of Company common stock in street name, you must obtain a proxy card from your broker and bring that proxy card to the Annual Meeting, together with a copy of a brokerage statement reflecting your stock ownership as of the record date.

**Who can vote?**

Only stockholders of record as of the close of business on April 24, 2007 are entitled to vote. On that day, approximately 38,192,094 shares of common stock were outstanding and of these shares, 38,176,339 shares were eligible to vote, and there were 47 record holders. Each share is entitled to one vote on each matter presented at the Annual Meeting. A list of stockholders eligible to vote will be available at the offices of H&E Equipment Services, Inc., 11100 Mead Road, Suite 200, Baton Rouge, Louisiana 70816 beginning May 25, 2007. Stockholders may examine this list during normal business hours for any purpose relating to the Annual Meeting.

**How does the Board recommend I vote?**

The Board recommends a vote FOR each Board nominee and FOR ratification of the appointment of BDO Seidman, LLP as the Company's independent registered public accounting firm.

**What shares are included in the proxy card?**

Each proxy card you receive represents all the shares of common stock registered to you in that particular account. You may receive more than one proxy card if you hold shares that are either registered differently or in more than one account. Each share of common stock that you own entitles you to one vote.

**How do I vote by proxy?**

Most stockholders have three ways to vote by proxy: by telephone, via the Internet or by returning the proxy card. To vote by telephone or via the Internet, follow the instructions set forth on each proxy card you receive. To vote by mail, sign and date each proxy card you receive, mark the boxes indicating how you wish to vote, and return the proxy card in the postage-paid envelope provided. Do not return the proxy card if you vote via the Internet or by telephone.



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**How are votes counted?**

The Annual Meeting will be held if a quorum, consisting of a majority of the outstanding shares of common stock entitled to vote, is represented at the Annual Meeting in person or by proxy. Broker non-votes, votes withheld and abstentions will be counted for purposes of determining whether a quorum has been reached. When nominees, such as banks and brokers, holding shares on behalf of beneficial owners do not receive voting instructions from the beneficial owners by the tenth day before the Annual Meeting, the nominees may vote those shares only on matters deemed routine.

Because directors are elected by a plurality of the votes cast, abstentions will have no effect on the election of directors (Item 1).

**Who will count the vote?**

The Company's Transfer Agent and Registrar, Continental Stock Transfer & Trust Company, will tally the vote.

**Who is soliciting this proxy?**

Solicitation of proxies is made on behalf of the Board of Directors of the Company. The Company will pay the cost of preparing, assembling and mailing the notice of Annual Meeting, proxy statement and proxy card. In addition to the use of mail, proxies may be solicited by directors, officers and regular employees of the Company, without additional compensation, in person or by telephone or other electronic means. The Company will reimburse brokerage houses and other nominees for their reasonable out-of-pocket expenses in forwarding proxy material to beneficial owners of the Company's common stock. The Company will pay no additional compensation to our officers, directors or employees for these activities.

**What if I can't attend the meeting?**

If you are unable to attend the meeting in person and you intend to vote, you must vote your shares by proxy, via the Internet or by telephone by the applicable deadline.

**SPECIAL NOTE REGARDING THE COMPANY**

In connection with our initial public offering of our common stock in February 2006, we converted H&E Equipment Services L.L.C. ( H&E LLC ), a Louisiana limited liability company and the wholly-owned operating subsidiary of H&E Holding L.L.C. ( H&E Holdings ) into H&E Equipment Services, Inc., a Delaware corporation. Prior to our initial public offering, our business was conducted through H&E LLC. In order to have an operating Delaware corporation as the issuer for our initial public offering, H&E Equipment Services, Inc. was formed as a Delaware corporation and a wholly-owned subsidiary of H&E Holdings, and immediately prior to the closing of the initial public offering on February 3, 2006, H&E LLC and H&E Holdings merged with and into us (H&E Equipment Services, Inc.), with us surviving the reincorporation merger as the operating company. In these transactions, holders of preferred limited liability company interests and holders of common limited liability company interests in H&E Holdings received shares of our common stock. Effective February 3, 2006, H&E LLC and H&E Holdings no longer existed. Before February 3, 2006, H&E Equipment Services, Inc. had no operations.

**CORPORATE GOVERNANCE**

In accordance with the Delaware General Corporation Law and the Company's Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws, the Company's business, property and affairs are managed under the direction of the Board of Directors. Although the Company's non-management directors are not involved in the day-to-day operating details, they are kept informed of the Company's business through written reports and documents provided to them regularly, as well as by operating, financial and other reports presented by the officers of the Company at meetings of the Board of Directors and committees of the Board of Directors.

*Independence.* The Board has determined that four of the Company's seven directors are independent as defined in the applicable NASDAQ listing standards, including that each such director is free of any relationship that would interfere with his individual exercise of independent judgment. The following directors were determined to be independent: Keith E. Alessi, Paul N. Arnold, Lawrence C. Karlson and John T. Sawyer.

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*Meetings of the Board of Directors and Stockholders.* It is the policy of the Board to meet at least quarterly. The Board of Directors held eight meetings in fiscal year 2006. Each incumbent director attended at least 75% of the meetings of the Board and the committees on which he served. Directors are encouraged to attend the Annual Meeting of Stockholders. All directors attended the 2006 Annual Meeting of Stockholders, with the exception of Mr. Bruckmann. The Board in fiscal year 2006 held regular executive sessions where non-management directors met without management participation.

*Corporate Governance Matters.* The Board adopted a Code of Conduct and Ethics for Employees, Officers and Directors of H&E Equipment Services, Inc. ( Code of Conduct ) on January 23, 2006. Under this Code of Conduct, no employee or officer may serve as a director of any outside business concern other than on behalf of the Company, without the written approval of the President or the Chief Financial Officer of the Company. The Charter of the Corporate Governance and Nominating Committee empowers the Corporate Governance and Nominating Committee to at least once a year review the independence of the members of the Board of Directors and consider questions of conflicts of interest. The Corporate Governance and Nominating Committee will identify, analyze, and if possible, resolve any actual and potential conflicts of interest a Board member has or may have. In connection with an actual or potential conflict of interest, the Corporate Governance and Nominating Committee may issue to such member instructions concerning the manner in which he should conduct himself, as applicable. There are no pre-determined limitations on the number of other boards of directors on which the directors of the Company may serve; however, the Board expects individual directors to use judgment in accepting other directorships and to allow sufficient time and attention to Company matters. There are no set term limits for directors, however as long as the Board is not classified, the Corporate Governance and Nominating Committee will review each director's continuation on the Board annually.

*Communications with the Board of Directors.* If you would like to communicate with the Company's directors, please send a letter to the following address: H&E Equipment Services, Inc., Attention: Board of Directors c/o corporate Secretary, 11100 Mead Road, Suite 200, Baton Rouge, Louisiana 70816. The Company's corporate Secretary will review each such communication and forward a copy to each member of the Board of Directors.

*Code of Conduct.* The Company is committed to ethical business practices. The Company adopted a corporate Code of Conduct in January 2006. This Code of Conduct applies to all of the Company's employees and directors and includes the code of ethics for the Company's principal executive officer, principal financial officer and principal accounting officer within the meaning of the Securities and Exchange Commission ( SEC ) regulations adopted under the Sarbanes-Oxley Act of 2002, as amended. The Company's corporate Code of Conduct can be found on the Company's website at [www.he-equipment.com](http://www.he-equipment.com). Please note that none of the information on the Company's website is incorporated by reference in this proxy statement.

*Committees of the Board of Directors.* The Board of Directors currently has four standing committees. Charters for the Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee can be found on the Company's website at [www.he-equipment.com](http://www.he-equipment.com).

*Audit Committee* The Audit Committee was established under a written charter adopted in January 2006 and which became effective as of the time the Company was first listed on NASDAQ. The Audit Committee provides assistance to the Board in fulfilling its oversight responsibility to the stockholders, potential stockholders, the investment community, and others relating to (i) the integrity of the Company's financial statements and financial reporting process; (ii) systems of internal accounting and financial controls; (iii) performance of the Company's independent auditors; (iv) the independent auditor's qualifications and independence; (v) the annual independent audit of the Company's financial statements; (vi) the legal compliance and ethics programs established by Company management and the Board; and (vii) the Company's compliance with ethics policies and legal policies and regulatory requirements.

In so doing, it is the responsibility of the Committee to maintain free and open communication among the Committee, the independent registered public accounting firm and Company management. A detailed list of the Audit Committee's functions is included in its charter, a copy of which can be found on the Company's website.

The current members of the Audit Committee are Messrs. Alessi, Karlson and Sawyer. The Board has determined in its business judgment that each member of the Audit Committee is financially literate and that

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Messrs. Alessi, Karlson and Sawyer are independent as defined in the applicable NASDAQ listing standards and the applicable rules under the Securities and Exchange Act of 1934 as in effect on the date this proxy statement is first being mailed to stockholders (the Exchange Act). In addition, the Board has determined that Mr. Alessi is an audit committee financial expert as defined in Item 407(d)(5) of Regulation S-K. The Audit Committee held 11 meetings in 2006.

*Compensation Committee* The Compensation Committee was established under a written charter adopted in January 2006 and which became effective as of the time the Company was first listed on NASDAQ. The Compensation Committee discharges the Board's responsibilities relating to the compensation of the Company's Chief Executive Officer, the Company's other executive officers and its directors. The Compensation Committee has overall responsibility for evaluating and approving executive officer and director compensation plans, policies and programs of the Company, as well as all equity-based compensation plans and policies, including the 2006 Stock-Based Incentive Compensation Plan.

The current members of the Compensation Committee are Messrs. Alessi, Arnold and Karlson. The Board has determined in its business judgment that Messrs. Alessi, Arnold and Karlson are independent as defined in the applicable NASDAQ listing standards. The Compensation Committee met 10 times in 2006. For additional information on the Compensation Committee, see the Compensation Discussion and Analysis beginning on page 13.

*Corporate Governance and Nominating Committee* The Corporate Governance and Nominating Committee was established under a written charter adopted in January 2006 and which became effective as of the time the Company was first listed on NASDAQ. The primary functions of the Corporate Governance and Nominating Committee are (i) to assist the Board by identifying individuals qualified to become Board members and members of Board committees, to recommend to the Board the director nominees for the next annual meeting of stockholders, and to recommend to the Board nominees for each committee of the Board; (ii) to lead the Board in its annual review of the Board's, its committee's and management's performance; (iii) to monitor the Company's corporate governance structure; and (iv) to periodically review and recommend to the Board any proposed changes to corporate governance guidelines applicable to the Company. The Corporate Governance and Nominating Committee identifies individuals, including those properly submitted and recommended by stockholders, believed to be qualified as candidates for Board membership. The Corporate Governance and Nominating Committee has the authority to retain search firms to assist it in identifying candidates to serve as directors. In addition to any other qualifications the Corporate Governance and Nominating Committee may in its discretion deem appropriate, all director candidates, at a minimum, (i) should possess the highest personal and professional ethics, integrity and values, (ii) should have substantial experience which is of particular relevance to the Company, and (iii) should have sufficient time available to devote to the affairs of the Company. In identifying candidates, the Corporate Governance and Nominating Committee will also take into account other factors it considers appropriate, which include ensuring that a majority of directors satisfy the independence requirements of NASDAQ, the SEC or other appropriate governing body and that the Board as a whole is comprised of directors who represent a mix of backgrounds and experiences that will enhance the quality of the Board's deliberations and decisions.

The Corporate Governance and Nominating Committee considers stockholder nominees for directors in the same manner as nominees for director from other sources. Stockholder suggestions for nominees for director should be submitted to the Company's corporate Secretary no later than the date by which stockholder proposals for action must be submitted (see Submission of Stockholder Proposals and Director Nominations) and should include the following information: (a) the recommending stockholder's name, address, telephone number and the number of shares of the Company's stock held by such individual or entity and (b) the recommended candidate's biographical data, statement of qualification and written consent to nomination and to serving as a director, if elected.

The Corporate Governance and Nominating Committee consists of three directors, each of whom the Board has determined in its business judgment are independent as defined in the applicable NASDAQ listing standards. The current members of the Corporate Governance and Nominating Committee are Messrs. Alessi, Karlson and Sawyer. The Corporate Governance and Nominating Committee held three meetings during 2006.

*Finance Committee* The Finance Committee was established by the Board of Directors in February 2006 under a written charter. The Finance Committee oversees and reviews the financial affairs and policies of the

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Company, the implementation of such plans and policies, and oversees all material potential business and financial transactions, as well as any other duties assigned to it by the Board of Directors. The current members of the Finance Committee are Messrs. Bagley, Bruckmann, and Engquist. The Finance Committee held one meeting during 2006.

**SUBMISSION OF STOCKHOLDER PROPOSALS AND DIRECTOR NOMINATIONS**

Under the rules of the SEC, stockholders wishing to have a proposal included in the Company's proxy statement for the 2008 Annual Meeting of Stockholders must submit the proposal so that the corporate Secretary of the Company receives it no later than January 2, 2008. The SEC rules set forth standards as to what stockholder proposals are required to be included in a proxy statement. Under the Company's Amended and Restated Bylaws, certain procedures must be followed for a stockholder to nominate persons as directors or to introduce a proposal at an annual meeting. A stockholder wishing to make a nomination for election to the Board of Directors or to have a proposal presented at an annual meeting must submit written notice of such nomination or proposal so that the corporate Secretary of the Company receives it not less than that date which is 120 days prior to the one year anniversary of the date the Company's proxy statement was released to stockholders in connection with the preceding year's annual meeting; provided, however, that in the event that the Company did not hold an annual meeting the preceding year or if the date of the annual meeting is changed by more than 30 days from the date of the preceding year's annual meeting, notice by the stockholder must be delivered within a reasonable time before the Company prints and mails its proxy materials in connection with the annual meeting. The Company's Amended and Restated Bylaws set forth certain informational requirements for stockholders' nominations of directors and proposals.

**ELECTION OF DIRECTORS  
(ITEM 1 ON PROXY CARD)**

The Company's Amended and Restated Bylaws provide that the Company's business shall be managed by a Board of Directors ranging from five to nine members. The number of directors may be increased or decreased from time to time by resolution of the Board of Directors. The Company's Board of Directors is currently comprised of seven members. Directors shall be elected at the annual meeting of the stockholders and each director elected shall hold office until a successor is duly elected and qualified or until his or her death, resignation or removal.

The Corporate Governance and Nominating Committee identifies and recommends director candidates to serve on the Board. Director candidates are then nominated for election by the Board of Directors. Stockholders are also entitled to nominate director candidates for election in accordance with the procedures set forth in the Company's Amended and Restated Bylaws.

At the Annual Meeting, seven directors are to be elected. All of the director nominees are currently directors of the Company and have been recommended for election by the Corporate Governance and Nominating Committee. All nominees have consented to being named as nominees for directors of the Company and have agreed to serve if elected. If some or all of the nominees should become unavailable to serve at the time of the Annual Meeting, the shares represented by proxy will be voted for any remaining nominee(s) and any substitute nominee(s) designated by the Board of Directors. In no event, however, will the shares represented by proxy be voted for more than seven nominees. Director elections are determined by a plurality of the votes cast.

Set forth below is information regarding each nominee for director.

**Nominees For Directors**

*Gary W. Bagley* has served as Chairman and Director of the Company since the formation of H&E Equipment Services, Inc. in September 2005. He had served as Chairman and Director of H&E LLC, the predecessor to the

Company, from its formation in 2002 until its merger with and into the Company. Mr. Bagley served as President of ICM Equipment Company L.L.C. ( ICM ) since 1996 and Chief Executive Officer from 1998 until H&E LLC was formed in June 2002, when he became executive Chairman of H&E LLC. He retired as an executive of H&E LLC in 2004. Prior to 1996, he held various positions at ICM, including Salesman, Sales Manager and General Manager. Prior to that, Mr. Bagley served as Vice President and General Manager of Wheeler Machinery Co. Since our acquisition of Eagle High Reach Equipment, LLC and Eagle High Reach Equipment, Inc. in February 2006,



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Mr. Bagley has served as a manager and director, respectively, of Eagle High Reach Equipment, LLC (now H&E Equipment Services (California), LLC) and Eagle High Reach Equipment, Inc. (now H&E California Holdings, Inc.). Previously, Mr. Bagley served as interim Chief Executive Officer and a director of Eagle High Reach Equipment, Inc. since February 2004 and as Chief Executive Officer and as a director of Eagle High Reach Equipment, LLC since December 2004. Mr. Bagley has served on a number of dealer advisory boards and industry association boards.

*John M. Engquist* has served as President, Chief Executive Officer and Director of the Company since its formation in September 2005. He had served as President, Chief Executive Officer and Director of H&E LLC from its formation in 2002 until its merger with and into the Company. He served as President and Chief Executive Officer of Head & Engquist Equipment, LLC ( Head and Engquist ) from 1990 and Director of Gulf Wide Industries, LLC ( Gulf Wide ) from 1995, both predecessor companies of H&E LLC. From 1975 to 1990, he held various operational positions at Head & Engquist, starting as a mechanic s helper. Mr. Engquist serves on the Board of Directors of Cajun Constructors, Inc. and Business First Bank and on the Professional Advisory Board of Directors of St. Jude Children s Research Hospital in Memphis, Tennessee.

*Keith E. Alessi* has been a Director of the Company since its formation in September 2005 and Chairman of the Audit Committee since January 2006. He served as a Director and Chairman of the Audit Committee of H&E LLC from November 2002 until its merger with and into the Company. Mr. Alessi has been Chairman and owner of Lifestyles Improvement Centers LLC since February 2003. Mr. Alessi has also been an Adjunct Professor of Law at The Washington and Lee University School of Law since 1999 and Adjunct Professor at The University of Michigan Graduate School of Business Administration since 2001. He is a director and the chairman of the audit committees for Town Sports International, Inc., MWI Veterinary Supply, Inc. and O Sullivan Industries LLC. Mr. Alessi was previously Chairman and CEO of Telespectrum Worldwide, Inc. from April 1998 to February 2000 and Jackson Hewitt, Inc. from May 1996 to April 1998. Mr. Alessi is a Certified Public Accountant.

*Paul N. Arnold* has been a Director of the Company since November 2006. Mr. Arnold has served as a director of Town Sports International Holdings, Inc. since April 1997 and as non-executive Chairman of the Board of Directors since May 2006. Mr. Arnold has served as Chairman and Chief Executive Officer of Cort Business Services, Inc., a Berkshire Hathaway company, since 2000. From 1992 to 2000, Mr. Arnold served as President, Chief Executive Officer and Director of Cort Business Services. Prior to 1992, Mr. Arnold held various positions over a 24-year period within Cort Furniture Rental, a division of Mohasco Industries.

*Bruce C. Bruckmann* has been a Director of the Company since its formation in September 2005. He had served as a Director of H&E LLC from its formation in 2002 until its merger with and into the Company. Mr. Bruckmann had served as a director of both predecessor companies, Head & Engquist and ICM. Mr. Bruckmann is a founder and has been a Managing Director of Bruckmann, Rosser, Sherrill & Co., L.L.C. since its formation in 1995. He served as an officer of Citicorp Venture Capital Ltd. from 1983 through 1994. Prior to joining Citicorp Venture Capital, Mr. Bruckmann was an associate at the New York law firm of Patterson, Belknap, Webb & Tyler. Mr. Bruckmann is a director of Mohawk Industries, Inc., MWI Veterinary Supply, Inc., Town Sports International, Inc. and a number of private companies.

*Lawrence C. Karlson* has been a Director of the Company since its formation in September 2005. He had served as a Director of H&E LLC from its formation in 2002 until its merger with and into the Company. In 1983, Mr. Karlson formed Nobel Electronics, an autonomous business unit of AB Bofors. In 1986, Nobel Electronics was merged into Pharos AB, of which Mr. Karlson became President and Chief Executive Officer. In 1990, Mr. Karlson stepped down as President and Chief Executive Officer, and was named Chairman. Later in 1990, Pharos AB and affiliated entities acquired Spectra Physics, Inc. and began operating under the name Spectra Physics, Inc. Mr. Karlson continued serving as Chairman until retiring in 1993. Mr. Karlson currently provides consulting services to a wide variety of businesses. He also sits on the Board of Directors of CDI Corp., Mikron Infrared, Inc., and a number of private

companies.

*John T. Sawyer* has been a Director of the Company since its formation in September 2005. He had served as a Director of H&E LLC from its formation in 2002 until its merger with and into the Company. Mr. Sawyer is President of Penhall Company. He joined Penhall in 1978 as the Estimating Manager of the Anaheim Division. In 1980, Mr. Sawyer was appointed Manager of Penhall's National Contracting Division, and in 1984, he assumed the position of Vice

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President and became responsible for managing all construction services divisions. Mr. Sawyer has been President of Penhall since 1989. Mr. Sawyer also serves as a director of Advanced Materials Group, Inc., a public company.

**The Board of Directors recommends a vote FOR each of the listed nominees.**

### **DIRECTORS AND EXECUTIVE OFFICERS**

The following table sets forth the names, ages and titles of each person who is a current director or executive officer.

<b>Name</b>	<b>Age</b>	<b>Title</b>
Gary W. Bagley	60	Chairman and Director
John M. Engquist	53	President, Chief Executive Officer and Director
Leslie S. Magee	38	Chief Financial Officer and Secretary
Bradley W. Barber	34	Executive Vice President and General Manager
William W. Fox	63	Vice President, Cranes and Earthmoving
John D. Jones	49	Vice President, Product Support
Dale W. Roesener	50	Vice President, Fleet Management
Keith E. Alessi	52	Director
Paul N. Arnold	61	Director
Bruce C. Bruckmann	53	Director
Lawrence C. Karlson	64	Director
John T. Sawyer	62	Director

*Gary W. Bagley* is described as a director nominee above.

*John M. Engquist* is described as a director nominee above.

*Leslie S. Magee* has served as Chief Financial Officer and Secretary of the Company since its formation in September 2005. Ms. Magee served as Acting Chief Financial Officer of H&E LLC from December 2004 through August 2005, at which time she was appointed Chief Financial Officer and Secretary. She continued as Chief Financial Officer and Secretary until H&E LLC's merger with and into the Company. Previously, Ms. Magee served as Corporate Controller for H&E LLC and Head & Engquist. Prior to joining Head & Engquist in 1995, Ms. Magee spent five years working for Hawthorn, Waymouth & Carroll, L.L.P, an accounting firm based in Baton Rouge, Louisiana. Ms. Magee is a Certified Public Accountant and is a member of the American Institute of Certified Public Accountants and the Louisiana Society of Certified Public Accountants.

*Bradley W. Barber* has served as Executive Vice President and General Manager of the Company since November 2005. Previously, Mr. Barber served as Vice President, Rental Operations from February 2003 to November 2005 of H&E LLC. Prior to that, Mr. Barber served as Director of Rental Operations for H&E LLC and Head & Engquist from March 1998 to February 2003. Prior to joining Head & Engquist in March 1998, Mr. Barber worked in both outside sales and branch management for a regional equipment company.

*William W. Fox* has served as Vice President, Cranes and Earthmoving of the Company since its formation in September 2005. Prior to that, he served as Vice President, Cranes and Earthmoving of H&E LLC from its formation in 2002 until its merger with and into the Company. Mr. Fox served as Executive Vice President and General Manager of Head & Engquist since 1995 and served as President of South Texas Equipment Co., a subsidiary for Head & Engquist, from 1995 to 1997. Prior to that, Mr. Fox held various executive and managerial positions with the

Manitowoc Engineering Company and its subsidiary, North Central Crane. He was Executive Vice President/General Manager from 1989 to 1995, Vice President, Sales from 1988 to 1989, and General Manager from 1986 to 1988 of Manitowoc Engineering Company. Mr. Fox was Executive Vice President/General Manager at North Central Crane from 1980 to 1986.

*John D. Jones* has served as Vice President, Product Support of the Company since its formation in September 2005. Prior to that, he served as Vice President, Product Support for H&E LLC from its formation in 2002 until its

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merger with and into the Company. Mr. Jones served as Vice President of Product Support Service at Head & Engquist since 1994. From 1991 to 1994, he was General Manager of Product Support at Louisiana Machinery. From 1987 to 1991 he served as General Manager of the Parts Operation at Holt Company of Louisiana. From 1976 to 1987, Mr. Jones worked in Product Support and Marketing for Boyce Machinery.

*Dale W. Roesener* has served as Vice President, Fleet Management of the Company since its formation in September 2005. Prior to that, he served as Vice President, Fleet Management of H&E LLC from its formation in 2002 until its merger with and into the Company. Mr. Roesener founded Southern Nevada Equipment Company in 1983 and served as its President and Chief Executive Officer until 1998 when he joined ICM as Senior Vice President, Secretary and Fleet Manager.

*Keith E. Alessi* is described as a director nominee above.

*Paul N. Arnold* is described as a director nominee above.

*Bruce C. Bruckmann* is described as a director nominee above.

*Lawrence C. Karlson* is described as a director nominee above.

*John T. Sawyer* is described as a director nominee above.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND DIRECTORS AND OFFICERS**

The following table sets forth certain information with respect to beneficial ownership of the Company's common stock as of April 20, 2007, by (i) each person, or group of affiliated persons, who is known by the Company to own more than 5% of its common stock, (ii) each of the Company's directors and executive officers and (iii) all directors and executives of the Company as a group. The information provided in the table is based on our records, information filed with the Securities and Exchange Commission and information provided to the Company.

Beneficial ownership is determined in accordance with the rules of the SEC. To our knowledge, except as set forth in the footnotes to the following table and subject to appropriate community property laws, the persons in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them.

Unless otherwise noted, the address of each person listed below is c/o H&E Equipment Services, Inc., 11100 Mead Road, Suite 200, Baton Rouge, Louisiana 70816.

	<b>Amount and Nature of Beneficial Ownership</b>	
	<b>Shares</b>	<b>Percentage</b>
Bruckmann, Rosser, Sherrill & Co. L.P.(1)(2)	5,103,243	13.35%
Bruckman, Rosser, Sherrill & Co., Inc.(1)	30,313	*
Bruckmann, Rosser, Sherrill & Co. II L.P.(1)(3)	9,314,278	24.36%
Bruce C. Bruckmann(4)	14,927,846	39.04%
John M. Engquist(5)	4,511,250	11.80%
Gary W. Bagley(5)(6)	314,559	*
Dale W. Roesener(5)(7)	427,707	1.12%

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Lawrence C. Karlson(8)	20,500	*
Paul N. Arnold	5,000	*
Keith E. Alessi(8)	20,500	*
John T. Sawyer(8)	15,000	*
William W. Fox(5)	1,600	*
Bradley W. Barber(5)(9)	35,880	*
Leslie S. Magee(9)	35,548	*
John D. Jones(9)	37,567	*
All executive officers and directors as a group	20,383,270	53.31%

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\* Less than 1%

- (1) The address of Bruckmann, Rosser, Sherrill & Co. L.P., Bruckmann, Rosser, Sherrill & Co., Inc. and Bruckmann, Rosser, Sherrill & Co. II, L.P. is c/o Bruckmann, Rosser, Sherrill & Co., Inc., 126 East 56th Street, 29th Floor, New York, New York 10022.
- (2) BRS Partners, L.P. (or BRS Partners) is the general partner of Bruckmann, Rosser, Sherrill & Co., L.P. (or BRS L.P.) and BRSE Associates, Inc. (or BRSE Associates) is the general partner of BRS Partners. Mr. Bruckmann is a stockholder and officer of BRSE Associates, and, together with Harold O. Rosser, Stephen C. Sherrill and Thomas J. Baldwin, shares the power to direct the voting or disposition of shares held by BRS L.P.; however, none of these persons individually has the power to direct or veto the voting or disposition of shares held by BRS L.P. Further, BRS Partners, BRSE Associates, and Messrs. Bruckmann, Rosser, Sherrill and Baldwin expressly disclaim beneficial ownership of the shares held by BRS L.P.
- (3) BRSE LLC (or BRSE) is the general partner of Bruckmann, Rosser, Sherrill & Co. II, L.P. (or BRS II) and by virtue of such status maybe deemed to be the beneficial owner of the shares held by BRS II. Mr. Bruckmann is a member and manager of BRSE LLC, and together with Messrs. Rosser, Sherrill and Baldwin, shares the power to direct the voting or disposition of shares held by BRS II; however, none of these persons individually has the power to direct or veto the voting or disposition of shares held by BRS II. BRSE and Messrs. Bruckmann, Rosser, Sherrill and Baldwin expressly disclaim beneficial ownership of the shares held by BRS II.
- (4) Includes shares held by Bruckmann, Rosser, Sherrill & Co., L.P., Bruckmann, Rosser, Sherrill & Co., Inc., and Bruckmann, Rosser, Sherrill & Co. II, L.P. Mr. Bruckmann may be deemed to share beneficial ownership of the shares held by these entities by virtue of his status as a member or manager of these entities. Mr. Bruckmann expressly disclaims beneficial ownership of any shares held by such entities that exceed his pecuniary interest therein. These amounts also include 287,466 shares of common stock held by the following entities and individuals, for which Mr. Bruckmann holds a power of attorney in respect of such shares: The Estate of Donald J. Bruckmann, BCB Family Partners, L.P., NAZ Family Partners, L.P., Nancy A. Zweng, Harold O. Rosser, H. Virgil Sherrill, Stephen C. Sherrill, Paul D. Kaminski, John Rice Edmonds and Marilena Tibrea. Mr. Bruckmann disclaims beneficial ownership of all such shares except those owned by him directly.
- (5) Unless otherwise indicated, the address of each executive officer or director is c/o H&E Equipment Services, Inc., 11100 Mead Road, Suite 200, Baton Rouge, Louisiana 70816.
- (6) Includes 200,973 shares held by Bagley Family Investments, L.L.C. Mr. Bagley may be deemed to share beneficial ownership of these shares by virtue of his status as manager of Bagley Family Investments, L.L.C. Mr. Bagley expressly disclaims beneficial ownership of any shares held by Bagley Family Investments L.L.C. that exceed his pecuniary interest therein.
- (7) Includes 427,707 shares held by Southern Nevada Capital Corporation. Mr. Roesener may be deemed to share beneficial ownership of these shares by virtue of his status as President of Southern Nevada Capital Corporation. Mr. Roesener expressly disclaims beneficial ownership of any shares held by Southern Nevada Capital Corporation that exceed his pecuniary interest therein.
- (8) Includes 15,000 shares of stock options granted on February 22, 2006, which vests in three equal parts over a three-year period.
- (9)

Includes grant of 40,650 shares of restricted stock made on February 22, 2006, which vests over a three year period, and is subject to certain restrictions, as described in the recipient's Restricted Stock Grant Award Letter.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

The rules of the Securities and Exchange Commission require the Company to disclose late filings of stock transaction reports by its executive officers and directors and by certain beneficial owners of the Company's common stock. Based on our records and other information, except as provided below, we believe that each of our executive officers, directors and certain beneficial owners of the Company's common stock complied with all Section 16(a) filing requirements applicable to them during fiscal 2006. Ms. Magee, Mr. Barber and Mr. Jones each filed one late Form 4 during the fiscal year ended December 31, 2006.



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**AUDIT COMMITTEE REPORT**

Since it began operating in 2006, the Audit Committee assists the Board in meeting its oversight responsibility to stockholders, potential stockholders, the investment community and others. Management of the Company is responsible for the preparation, presentation, and integrity of the Company's financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the Company therein. The Company's independent registered public accountant is responsible for auditing those financial statements and expressing an opinion on the conformity of those financial statements with accounting principles generally accepted in the United States of America, and for reviewing the Company's unaudited interim financial statements. The Audit Committee's primary responsibility is to monitor and review these processes on behalf of the Board and report the results of its activities to the Board. It is not the Audit Committee's duty or responsibility to conduct auditing or accounting reviews or procedures. The Committee will however take the appropriate actions to set the overall corporate tone for quality financial reporting, sound business risk practices, and ethical behavior.

The Audit Committee is directly responsible for the selection of the independent registered public accountant to be retained to audit the Company's financial statements and internal control over financial reporting, and once retained, the independent registered public accountant reports directly to the Audit Committee. The independent auditors are ultimately accountable to the Committee and the Board. The Audit Committee consults with and reviews recommendations made by the independent registered public accountant with respect to financial statements, financial records and financial controls of the Company and makes recommendations to the Board of Directors as it deems appropriate from time to time. The Audit Committee is responsible for approving both audit and non-audit services to be provided by the independent registered public accountant. The Audit Committee is currently composed of three directors, all three of whom the Board of Directors has determined to be independent as that term is defined by applicable NASDAQ listing standards and SEC rules. In accordance with applicable NASDAQ listing standards, the Company's Audit Committee was required to consist solely of independent directors by February 2007 and the Company has complied with those standards. The Board has determined, in accordance with applicable NASDAQ standards that Mr. Alessi is an audit committee financial expert, as defined in Item 407(d)(5) of Regulation S-K. The Audit Committee operates under a written charter adopted by the Board of Directors in January 2006, which is available on the Company's website at [www.he-equipment.com](http://www.he-equipment.com).

The Audit Committee meets with management periodically to consider the adequacy of the Company's internal controls, and discusses these matters with the Company's independent registered public accountant. The Audit Committee also discusses with senior management the Company's disclosure controls and procedures. The Audit Committee's oversight of the independent auditors includes resolution of disagreements between management and the auditors regarding financial reporting.

In fulfilling its oversight responsibilities, the Audit Committee reviewed the Company's earnings releases, Quarterly Reports on Form 10-Q for the periods ended March 31, 2006, June 30, 2006 and September 30, 2006, Annual Report on Form 10-K for the year ended December 31, 2006 and the audited consolidated financial statements in the 2006 Annual Report on Form 10-K with management and the Company's independent registered public accountant, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the consolidated financial statements.

The Audit Committee reviewed with the independent registered public accountant, who is responsible for expressing an opinion on the conformity of those financial statements with the standards of the Public Company Accounting Oversight Board (PCAOB), its judgment as to the quality, not just the acceptability, of the Company's accounting principles. The Audit Committee discussed with the Company's independent registered public accountant the matters

required to be discussed by Statement on Auditing Standards No. 61, as amended, SEC Rule 2-07 and such other matters as are required to be discussed under auditing standards generally accepted in the United States of America. The Audit Committee received the written disclosures and the letter from the Company's independent registered public accountant required by Independence Standards Board Standard No. 1. In addition, the Audit Committee discussed with the independent registered public accountant its independence, including the compatibility of non-audit services with the independent registered public accountant's independence.

The Audit Committee discussed with the Company's independent registered public accounting firm the overall scope and plans for its 2007 audit. The Audit Committee met with the independent registered public accountant,

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with and without management present, to discuss the fiscal year 2006 results of its examination, its evaluation of the Company's internal controls and the overall quality of the Company's financial reporting.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2006 for filing with the SEC.

The Audit Committee has selected the firm of BDO Seidman, LLP as independent registered public accountant to audit and report upon the Company's consolidated financial statements and internal control over financial reporting. In making this selection, the Audit Committee has considered whether BDO Seidman, LLP's provision of services other than audit services is compatible with maintaining their independence.

**AUDIT COMMITTEE**

Keith E. Alessi, Chairman  
Lawrence C. Karlson  
John T. Sawyer

**RATIFICATION OF APPOINTMENT OF INDEPENDENT  
REGISTERED PUBLIC ACCOUNTING FIRM  
(ITEM 2 ON PROXY CARD)**

The Audit Committee has selected BDO Seidman, LLP, as the independent registered public accounting firm to audit the Company's consolidated financial statements for the fiscal year ending December 31, 2007 and internal control over financial reporting. Although action by the stockholders on this matter is not required, the Audit Committee and the Board of Directors believe it is appropriate to seek stockholder ratification of this selection in light of the role played by the independent registered public accounting firm in reporting on the Company's consolidated financial statements. Ratification requires the affirmative vote of a majority of eligible shares present at the Annual Meeting, in person or by proxy, and voting thereon. If this appointment is not ratified by the stockholders, the Audit Committee may reconsider its selection. One or more representatives of BDO Seidman, LLP are expected to attend the Annual Meeting. They will have an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

**The Board of Directors recommends a vote FOR ratification of the appointment of BDO Seidman, LLP as the Company's independent registered public accounting firm.**

**Principal Accountant Fees and Services**

The following table shows the aggregate fees billed to, and paid by the Company, for the fiscal year ended December 31, 2006, and the aggregate fees billed to, and paid by, H&E LLC, a predecessor company of the Company, for the fiscal year ended December 31, 2005, for professional services rendered by the Company's principal accounting firm, BDO Seidman, LLP:

	<b>2006</b>	<b>2005</b>
Audit Fees	\$ 598,590(1)	\$ 778,193(2)
Audit-Related Fees		
Tax Fees(3)		3,500

All Other Fees

\$ 598,590      \$ 781,693

- (1) Includes \$126,046 of fees related to the Company's issuance of \$250 million of senior unsecured notes in August 2006. Remainder of fees were for professional services rendered for the audit of the Company's annual consolidated financial statements, for the reviews of the consolidated financial statements included in the Company's quarterly reports on Form 10-Q and for reviews of other SEC registration statements.

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- (2) Includes \$413,193 of fees related to SEC Filings associated with the Company's initial public offering. Remainder of fees were for professional services rendered for the audit of the Company's annual consolidated financial statements and for the reviews of the consolidated financial statements included in the Company's quarterly reports on Form 10-Q.
- (3) Fees were for tax compliance and consulting services rendered to the Company.

The Audit Committee believes that BDO Seidman, LLP's provision of non-audit services is compatible with maintaining such firm's independence.

### **Pre-approval of services**

All audit and permissible non-audit services provided by the Company's independent registered public accounting firm, BDO Seidman, LLP, require pre-approval by the Audit Committee in accordance with the Audit Committee Charter. The Company's Audit Committee approves the accountant's engagement prior to the accountant rendering any non-audit services. The Audit Committee charter is reviewed on an annual basis by the Audit Committee and is subject to amendment from time to time. The Audit Committee pre-approved 100% of the total of the 2006 fees.

## **COMPENSATION COMMITTEE REPORT**

The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Company's Proxy Statement for the 2007 Annual Meeting of Stockholders.

### ***COMPENSATION COMMITTEE***

Paul N. Arnold, Chairman  
Keith E. Alessi  
Lawrence C. Karlson

## **COMPENSATION DISCUSSION AND ANALYSIS**

### **Introduction**

This Compensation Discussion and Analysis ( CD&A ) provides an overview of the Company's executive compensation program together with a description of the material factors underlying the decisions which resulted in the compensation provided to the Company's Chief Executive Officer ( CEO ), Chief Financial Officer ( CFO ) and certain other executive officers (collectively, the named executive officers ( NEOs )) for 2006 (as presented in the tables which follow this CD&A).

### **Compensation Committee**

The Compensation Committee (the Committee ) of the Board of Directors is composed of three non-employee directors, all of whom are independent directors under the listing standards of The Nasdaq Stock Market LLC and the Securities and Exchange Commission rules. The Committee has responsibility for determining and implementing the Company's philosophy with respect to executive compensation. Accordingly, the Committee has overall responsibility for approving and evaluating the various components of the Company's executive compensation program. The

Committee meets at least twice per year (and more often as necessary) to discuss and review the compensation of the NEOs. The Committee annually reviews and approves the compensation of the CEO. The Committee also reviews and approves the compensation of the other NEOs after considering the recommendations of management. In establishing and reviewing compensation for the NEOs, the Committee considers the financial results of the Company and evaluates the compensation paid to NEOs against market data for comparable equipment companies. Currently, the Committee does not engage a compensation consultant.

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The Committee operates under a written charter adopted by the Board of Directors of the Company on January 23, 2006. A copy of this charter is available on our website under the Investors section at [www.he-equipment.com](http://www.he-equipment.com).

### **Executive Compensation Philosophy and Objectives**

The Committee's goals in structuring the Company's compensation program for its NEOs are to:

provide incentives to achieve Company financial objectives;

provide long-term incentives for the executive officers; and

set compensation levels sufficiently competitive to attract and retain high quality executives and to motivate them to contribute to the Company's success.

The Committee has determined that to achieve these objectives, the Company's executive compensation program should reward both individual and Company short-term and long-term performance. To this end, the Committee believes that executive compensation packages provided by the Company to its executive officers, including its NEOs, should include both cash and stock-based compensation. However, the Committee does not rely on any policy or formula in determining the appropriate mix of cash and equity compensation.

### **Setting Executive Compensation**

In making compensation decisions, the Committee considers the recommendations of management. The Committee also considers corporate and executive performance, an executive's level of experience and responsibility, an executive's current compensation level and historical compensation practices. In addition, the Committee looks at market data for comparable equipment companies when considering bonus levels. In determining bonuses and base salary, the Committee reviewed compensation data for the following equipment rental companies: United Rental, Finning, Toromont, NationsRent, Neff, NES, and Ahern (these companies are referred to elsewhere in this CD&A as the peer group companies). The peer group companies were not considered in making equity compensation decisions.

### **Committee Processes; Role of Executives in Setting Compensation**

A complete description of the Committee's processes and the role of executives in setting compensation can be found earlier in this proxy in the section entitled "Corporate Governance - Committees of the Board of Directors - Compensation Committee."

### **2006 Executive Compensation Components**

The Company's executive compensation program is composed of three principal components:

base salary;

cash bonuses; and

long-term incentives, consisting of equity awards.

The Company was also party to an employment contract with the CEO, Mr. Engquist, during 2006. This contract expired on December 31, 2006. In addition to the compensation components listed above, the contract provided for

post-employment severance payments and benefits in the event of termination under certain circumstances. None of the other NEOs currently have employment contracts or had employment contracts in effect during 2006.



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### **Base Salaries**

*In General.* The Company provides NEOs with base salaries to compensate them for services rendered during the fiscal year. In determining base salaries, the Committee reviews base salaries paid at comparable equipment companies and considers other factors, including:

historical information regarding compensation previously paid to NEOs;

the individual's experience and level of responsibility; and

the performance of the Company and the executive.

In the absence of a promotion or special circumstances, the Committee reviews executive salaries once annually.

*Consideration of 2006 Base Salaries.* Based on the above factors, the Committee determined current base salary levels were sufficient for the NEOs for 2006.

### **Annual Bonuses**

*In General.* Annual cash bonuses are included as part of the executive compensation program because the Committee believes that a significant portion of each NEO's compensation should be contingent on the annual performance of the Company, as well as the individual contribution of the NEO. Accordingly, each NEO is eligible for an annual bonus under the Company's management incentive guidelines, payable at the discretion of the Committee. The guidelines were determined by the Committee in consultation with the CEO. The guidelines are based on the Company's achievement of financial targets and the amount of compensation paid to executive officers in similar positions at the peer group companies. The Committee reviews and approves these guidelines after discussions among themselves and with the CEO. Once the guidelines are approved, the guidelines are to act as a guide to the Committee and CEO in determining bonuses. The Committee and CEO retain discretion and actual bonus amounts may differ from those provided under the guidelines if the Committee or the CEO determines that adjustment is appropriate.

*Consideration of 2006 Annual Bonus.* For the fiscal year 2006, the Committee approved bonus guidelines for each of the NEOs except Mr. Fox based on the Company's achievement of specified levels of earnings per share (EPS) and return on gross net assets (ROGNA). For the Committee's purposes, ROGNA is defined as net income (loss) from continuing operations before interest, income taxes, depreciation and amortization (or EBITDA) divided by the sum of the average of gross rental equipment, gross property and gross equipment and net working capital. These financial objectives had previously been determined by the Committee to be the most appropriate measures of Company performance because they take into account earnings and return on assets. These financial objectives are also consistent with the Compensation Committee's compensation philosophy of linking executive performance to the Company's financial performance.

Under the guidelines, separate bonus amounts were calculated based on EPS levels and ROGNA levels, as compared to target EPS and ROGNA levels approved by the Committee. The bonus ranges based on EPS were given a weighting of 70% and the bonus ranges based on ROGNA were given a weighting of 30% in determining the recommended bonus amount. Bonuses are calculated as a percentage of base salary and increase incrementally based on increases in EPS and ROGNA as compared to the target EPS and ROGNA levels. The target EPS and ROGNA levels were determined based on the Company's 2005 performance, the Company's forecast for 2006 and economic conditions in the Company's industry. The target amounts were set at a level designed to recognize the Company's achievement of its financial objectives as well as performance above and below expectations. The Committee also

authorized the CEO to recommend adjustments to the bonus amounts determined under these guidelines as he considered appropriate based on the other factors described above.

For the 2006 fiscal year, Company's EPS and ROGNA exceeded the targets set forth in the guidelines for Mr. Engquist, Ms. Magee, Mr. Barber and Mr. Jones. In accordance with the guidelines, the Committee approved a bonus of \$783,750 for Mr. Engquist, or approximately 157% of his base salary. The Committee determined that this amount was appropriate in light of the fact that the Company's performance far surpassed the planned financial objectives, and Mr. Engquist's contributions to this performance.

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In addition, the Committee approved bonuses of \$250,800, \$282,150 and \$175,000 for Ms. Magee, Mr. Barber and Mr. Jones, respectively, or approximately 125%, 125% and 95% of their respective base salaries. The Committee determined that these amounts were appropriate in light of the fact that the Company's performance far surpassed the planned financial objectives, and consideration of each executive's contributions to this performance.

Bonuses to Messrs. Engquist, Barber and Jones and Ms. Magee for 2006 were paid partially in cash and partially deferred. The deferred portion of each bonus was 36% and the immediately payable portion was 64%. The deferred portion will be paid in two equal annual installments over the next two years. The decision to defer a portion of these bonuses was made in accordance with the above-described guidelines. The deferred portion of each bonus will accrue interest at 8.25%, the prime rate as of January 1, 2007.

Mr. Fox was not evaluated pursuant to the guidelines described above due to the historical practice of the Company to treat Mr. Fox consistent with other divisional managers for bonus purposes. However, the Committee approved a discretionary bonus to Mr. Fox for 2006 of \$100,000, or approximately 42.7% of his base salary. This bonus amount was based on the recommendation of the CEO and on the performance of the group within his area of responsibility. No portion of Mr. Fox's bonus was deferred.

## **Long-Term Incentives**

*In General.* The Committee believes that NEOs should be compensated in part with equity interests in the Company in order to more closely align the long-term interests of stockholders and executives. The Committee also believes that equity awards are an important means of attracting and retaining qualified executives. Accordingly, the Committee provides long-term incentives by means of periodic grants of stock options and restricted stock awards under the Company's 2006 Stock-Based Incentive Compensation Plan (the "Incentive Plan"). Stock awards available under the Incentive Plan include restricted stock, stock options and deferred stock.

All grants of equity compensation to NEOs are made by the Committee. Whether grants are made and the type and size of any grants are based upon Company and individual performance, position held, years of service, level of experience and potential of future contribution to the Company's success. The Committee may also consider long-term incentive grants previously awarded to the NEOs, long-term incentive grants given to other executive officers throughout the Company's history and grant practices at comparable equipment companies.

*2006 Equity Grants.* On February 22, 2006, the Committee granted each of Ms. Magee, Mr. Barber and Mr. Jones \$1 million worth of restricted shares of the Company's common stock, based on the closing price of such stock on the grant date. This resulted in a grant of 40,650 restricted shares to each executive, based on a market price of \$24.60 per common share. These awards were granted to reward these executives for their contributions to the Company's pre-initial public offering performance and in particular their superior performance in implementing the Company's initial public offering in early 2006. In addition, prior to the granting of this award, none of these executives had significant holdings in the Company.

The restricted shares will vest, and the restrictions will cease to apply, in three equal tranches, on the first, second and third anniversaries of the grant date. The Committee believes that this vesting schedule serves to motivate and retain the recipients, providing continuing benefits to the Company beyond those achieved in the year of grant.

*Stock Ownership/Retention Guidelines.* The Company does not require its NEOs to maintain a minimum ownership interest in the Company.

## **Other Compensation and Perquisite Benefits**

In addition to the principal categories of compensation described above, the Company provides its NEOs with coverage under its broad-based health and welfare benefits plans, including medical, dental, disability and life insurance. The Company also sponsors a 401(k) plan. The 401(k) plan is a tax-qualified retirement savings plan pursuant to which all employees, including the NEOs, are able to contribute to the 401(k) plan up to the limit prescribed by the Internal Revenue Code on a before-tax basis. The Company makes a matching contribution of 50% of the first 4% of pay contributed by the employee to the 401(k) plan. Annual salary subject to the Company

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match is capped at a maximum amount prescribed by the IRS each year. All contributions made by a participant vest immediately and matching contributions by the Company vest over the employee's first five years of service with the Company's matching contributions vesting 25% on the second year and another 25% on each year thereafter.

The NEOs are not generally entitled to benefits that are not otherwise available to all of our employees. In this regard it should be noted that the Company does not provide pension arrangements (other than the 401(k) Plan), post-retirement health coverage or similar benefits for its executives. However, the NEOs are entitled to long-term disability benefits, annual automobile allowances and other automobile allowances such as fuel costs, which are noted in the All Other Compensation column in the Summary Compensation table shown on page 18. Mr. Engquist does not receive the automobile allowances. In 2004, the Company purchased a vehicle for Mr. Engquist's use and also provides other automobile benefits such as fuel and maintenance costs. The Company and the Committee believe that these benefits are consistent with the goal of attracting and retaining superior executive talent.

***Tax and Accounting Implications***

***Deductibility of Certain Compensation***

Section 162(m) of the Internal Revenue Code limits the deductions that may be claimed by a public company for compensation paid to certain individuals to \$1,000,000 except to the extent that any excess compensation is performance-based compensation. None of the compensation paid to the NEOs for 2006 was considered performance-based under Section 162(m) and therefore all such compensation is subject to the \$1,000,000 limit. The Committee intends to maintain flexibility to pay compensation that is not entirely deductible when the best interests of the Company make that advisable. In approving the amount and form of compensation for the NEOs, the Committee will continue to consider all elements of cost to the Company of providing such compensation, including the potential impact of Section 162(m).

The Committee considers the accounting impact in connection with equity compensation matters, however, these considerations do not significantly affect decisions on grants of equity compensation.

**COMPENSATION COMMITTEE INTERLOCKS  
AND INSIDER PARTICIPATION**

The Company's Board of Directors made all decisions concerning executive compensation prior to the creation of the Compensation Committee and the consummation of the Company's initial public offering. None of the Company's executives serve as a member of the board of directors or compensation committee of an entity that has an executive officer serving as a member of the Company's Board of Directors. Messrs. Alessi, Arnold and Karlson currently serve on the Compensation Committee. No member of the Compensation Committee is a former or current executive officer or employee of the Company or any of its subsidiaries.

**Table of Contents****2006 SUMMARY COMPENSATION TABLE**

The table below summarizes the total compensation paid or earned by each of our named executive officers for the fiscal year ended December 31, 2006.

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)(1)</b>	<b>Bonus (\$)(2)</b>	<b>Stock Awards (\$)(3)</b>	<b>All Other Compensation (\$)(4)</b>	<b>Total (\$)</b>
John M. Engquist Chief Executive Officer, President and Director	2006	500,000	783,750		18,222	1,301,972
Leslie S. Magee Chief Financial Officer and Secretary	2006	200,000	250,800	284,719	15,494	751,013
Bradley W. Barber Executive Vice President and General Mgr.	2006	242,308	282,150	284,719	17,389	826,566
John D. Jones Vice President Product Support	2006	188,462	175,000	284,719	16,187	664,368
William W. Fox Vice President Cranes and Earthmoving	2006	234,465	100,000		21,256	355,721

- (1) Amounts represent base salaries for the named executive officers. Mr. Barber's amount also includes \$17,308 of additional paid compensation pursuant to the Company's paid time off policy. Specifically, an employee may request, with certain restrictions, payment of paid time off hours earned in lieu of actually taking the hours off.
- (2) The payout structure of the 2006 bonus amounts for Mr. Engquist, Ms. Magee, Mr. Barber and Mr. Jones is as follows: (a) 64% was paid in cash during the first quarter of 2007; and (b) 36% is deferred. The deferred portion is to be paid out annually over two years in equal 50% installments beginning in 2008. The deferred portion of the bonus earns interest at the Prime interest rate in effect at January 1, 2007 (8.25%) annually and interest earned is paid at the time of the respective payments of the deferred amounts. Mr. Fox's bonus amount was paid 100% in cash during the first quarter of 2007.
- (3) Amounts shown are the dollar amounts recognized as compensation expense for financial reporting purposes in 2006 under Statement of Financial Accounting Standard No. 123 (revised 2004), Share-Based Payment (FAS 123(R)), (excluding amounts for forfeitures) for shares of restricted stock granted in 2006. The fair value of all the awards is equal to the market price of our Common Stock on the date of grant. Although the amounts included in the table do not reflect estimated forfeitures, the amounts actually recognized in our consolidated financial statements are reduced, in accordance with FAS 123(R), for estimated forfeitures. There were no named executive forfeitures in 2006. Ms. Magee, Mr. Barber and Mr. Jones each received 40,650 shares of restricted stock in 2006. More information on the awards can be found in the Grant of Plan-Based Awards table on page 19.

(4) The amounts reported for each of the named executive officers in All Other Compensation are shown below:

**Table of Contents**

Name	Year	Perquisites and Other Personal	Insurance	Company Contributions to 401(k)	Total
		Benefits \$(a)	Premiums \$(b)	Plan (\$)	
John M. Engquist	2006	15,284	630	2,308	18,222
Leslie S. Magee	2006	11,488	630	3,376	15,494
Bradley W. Barber	2006	12,759	630	4,000	17,389
John D. Jones	2006	12,090	630	3,467	16,187
William W. Fox	2006	16,570	630	4,056	21,256

(a) Amounts shown in this column include the following for each named executive officer:

Name	Year	Company Provided	Automobile	Other Automobile	Club Dues	Total Perquisites and Other Personal
		Automobile \$(c)	Allowance (\$)	Benefits (\$)	(\$)	Benefits (\$)
John M. Engquist	2006	6,110		1,935	7,239	15,284
Leslie S. Magee	2006		9,000	2,488		11,488
Bradley W. Barber	2006		9,000	3,759		12,759
John D. Jones	2006		9,000	3,090		12,090
William W. Fox	2006		9,000	4,303	3,267	16,570

(b) Includes payment by the Company on behalf of the named executive officer related to long-term disability premiums.

(c) The value of Mr. Engquist's company-provided automobile is calculated based on 100% of the annual lease value of the automobile.

**2006 GRANTS OF PLAN-BASED AWARDS TABLE**

The table below sets forth information regarding grants of plan-based awards made to each of the named executive officers during 2006.

Estimated Future Payouts	Estimated Future Payouts	All Other Stock Awards:	All Other Option Awards:	Grant Date Fair
		Number of	Number of	



Name	Grant Date	Under Non-Equity Incentive Plan Awards			Under Equity Incentive Plan Awards			Shares of Stock or Underlying Units (#)(1)	Base Price of Securities or Options Awards (\$/Sh)	Value of Stock and Option Awards (\$)
		Threshold	Target	Maximum	Threshold	Target	Maximum			
John M. Engquist										
Leslie S. Magee	2/22/2006						40,650			999,990
Bradley W. Barber	2/22/2006						40,650			999,990
John D. Jones	2/22/2006						40,650			999,990
William W. Fox										

(1) Represents the number of shares of Common Stock issuable upon vesting of restricted stock awards granted in February 2006 under our 2006 Stock-Based Incentive Compensation Plan.

**Table of Contents****OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END 2006 TABLE**

The table below sets forth the number of securities underlying outstanding plan awards for each named executive officer as of December 31, 2006.

Name	Option Awards				Stock Awards(1)				
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Exercised Options (#)	Number of Unearned Options (#)	Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Number of Unearned Shares, Units or Other Rights That Have Not Vested (2)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
John M. Engquist									
Leslie S. Magee								40,650	1,006,901
Bradley W. Barber								40,650	1,006,901
John D. Jones								40,650	1,006,901
William W. Fox									

(1) All amounts are as of December 31, 2006, and dollar values are based on the closing price of the Company's Common Stock on December 31, 2006 of \$24.77.

(2) Represents shares of restricted stock granted to each named executive officer on February 22, 2006 under our 2006 Stock-Based Incentive Compensation Plan. One-third of the shares of restricted stock will vest on each of 2/22/07, 2/22/08 and 2/22/09. All restricted stock shares shown above are unvested as of December 31, 2006.

**2006 NONQUALIFIED DEFERRED COMPENSATION TABLE**

The table below sets forth, for each of our named executive officers, information regarding his or her deferred compensation in 2006.

<b>Name</b>	<b>Executive Contributions in Last Fiscal Year (\$)(1)</b>	<b>Registrant Contributions in Last Fiscal Year (\$)</b>	<b>Aggregate Earnings in Last Fiscal Year (\$)</b>	<b>Aggregate Withdrawals/ Distributions (\$)</b>	<b>Aggregate Balance at Last Fiscal Year-End (\$)</b>
John M. Engquist	282,150				282,150
Leslie S. Magee	90,288				90,288
Bradley W. Barber	101,574				101,574
John D. Jones	63,000				63,000
William W. Fox					

- (1) Amounts for Mr. Engquist, Ms. Magee, Mr. Barber and Mr. Jones represent the deferred portion of their respective 2006 bonus amounts. Deferred amounts earn interest at the Prime interest rate in effect at January 1, 2007 (8.25%) annually. See also Summary Compensation Table on page 18 above.

#### **2006 DIRECTOR COMPENSATION TABLE**

During 2006, Messrs. Bruckmann and Bagley did not receive compensation for their service as directors of the Company. All other non-employee directors received a quarterly retainer of \$5,000. In addition, non-employee directors received \$2,000 per board meeting attended and \$1,000 per board conference call attended. Each non-employee director of H&E Equipment Services, Inc. who served on a committee received \$1,000 per committee meeting attended and \$500 per committee call attended. During fiscal year 2006, non-employee directors of H&E Equipment Services, Inc. who served as committee chairs received \$2,000 annually payable in quarterly installments. The Company intends to continue payments in the same amounts for committee service in fiscal year 2007. On February 22, 2006, the Board of Directors approved a one time grant of 15,000 stock options to each of

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Messrs. Alessi, Karlson and Sawyer. An annual grant of 1,500 stock options to each non-employee director beginning in fiscal year 2007 was also approved. All such stock options will vest in three equal parts over a period of three years.

The table below summarizes the compensation paid by the Company to each non-employee director for the year ended December 31, 2006.

Name	Fees Earned or		Option Awards (\$)(2)	All Other Compensation (\$)	Total (\$)
	Paid in Cash (\$)(1)	Stock Awards (\$)			
Keith Alessi	40,500		46,034		86,534
Paul N. Arnold	6,000				6,000
Gary W. Bagley					
Bruce C. Bruckmann					
Lawrence C. Karlson	40,000		46,034		86,034
John T. Sawyer	35,500		46,034		81,534

- (1) Messrs. Bagley and Bruckmann did not receive compensation for their services as directors of the Company. All other non-employee directors received a quarterly cash retainer and meeting fees for the Board and its committees and committee chairmanship retainers. Mr. Arnold, a non-employee director, was named to the Board on November 20, 2006. Mr. Arnold received a quarterly cash retainer for the fourth quarter of 2006.
- (2) Amounts shown are the dollar amounts recognized as compensation expense for financial reporting purposes in 2006 under FAS 123(R)(excluding amounts for forfeitures) for stock options granted in 2006. The fair value of all the awards were estimated using the Black-Scholes option-pricing model We use the Black-Scholes formula to calculate an assumed value of the options for compensation expense purposes; because the formula uses assumptions, the fair values calculated are not necessarily indicative of the actual values of the stock options. The assumptions used were a dividend yield of 0%; a risk-free interest rate of 5.0%; an expected life of six years; and a stock price volatility of 35.0%.

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS****Reorganization Transactions**

We were formed as a Delaware corporation in September 2005 as a wholly-owned subsidiary of H&E Holdings. As of December 31, 2005 and to the date of our initial public offering, the business was still being conducted through H&E LLC, the operating subsidiary of H&E Holdings. H&E LLC was a Louisiana limited liability company and H&E Holdings was a Delaware limited liability company. In order to have an operating Delaware corporation as the issuer for our initial public offering, immediately prior to the closing of our initial public offering H&E LLC and H&E Holdings were merged with and into us (H&E Equipment Services, Inc.), with us surviving the reincorporation merger as the operating company. Immediately prior to the consummation of our initial public offering, Bruckmann, Rosser, Sherrill, and Co., L.P. and Bruckmann, Rosser, Sherrill & Co. II, L.P. (collectively, BRS ) and their affiliates beneficially owned approximately 58.8% of our common stock and our executives, directors and principal stockholders beneficially owned approximately 93.6% of our common stock. Immediately following the consummation of our initial public offering, BRS and its affiliates beneficially owned approximately 41.2% of our

common stock and our executives, directors and principal stockholders beneficially owned approximately 65.5% of our common stock. Investors purchased shares of our common stock in our initial public offering.

In the merger with H&E Holdings, holders of H&E Holdings received an aggregate of 25,492,019 shares of our common stock.

In the merger with H&E LLC, we became the obligor under the indentures that existed at the time governing the senior secured notes and senior subordinated notes and the senior secured credit facility agreement.

**Table of Contents****Merger Consideration**

As discussed above, immediately prior to the completion of our initial public offering, H&E Holdings and H&E LLC merged with and into us, with us as the surviving corporation and operating company. The table below sets forth the consideration received by certain of our affiliates that were holders of H&E Holdings as a result of the merger. The table below sets forth the beneficial ownership of each affiliate as described in more detail in Security Ownership of Certain Beneficial Owners and Directors and Officers.

Name	H&E Holdings Units Owned Prior to the Reorganization Transactions(1)	Shares of Our Common Stock Issued in the Reorganization Transactions
Bruckmann, Rosser, Sherrill & Co., L.P.	769,617	5,103,243
Bruckmann, Rosser, Sherrill & Co., Inc.	4,354	30,313
Bruckmann, Rosser, Sherrill & Co. II, L.P.	1,312,202	9,314,278
Bruce C. Bruckmann	2,151,203	14,872,046
John M. Engquist	1,189,514	4,511,250
Gary W. Bagley	87,064	314,559
Dale W. Roesener	166,732	602,307
Kristan Engquist Dunne	77,278	407,806
Lawrence C. Karlson		
Keith E. Alessi		
John T. Sawyer		
Bradley W. Barber		
William W. Fox		
Leslie S. Magee		

(1) Represents aggregate ownership of preferred units and common units (without regard to class or series).

**Eagle Acquisition**

The Company completed, effective as of February 28, 2006, the acquisition of all of the capital stock of Eagle High Reach Equipment, Inc. and all of the equity interests of its subsidiary, Eagle High Reach Equipment, LLC (together, Eagle ), for a formula-based purchase price of approximately \$59.9 million, subject to post-closing adjustment, plus assumed indebtedness of approximately \$2.0 million.

Gary W. Bagley, our Chairman, served as the Chief Executive Officer and a manager of Eagle High Reach Equipment, LLC and served also as the interim Chief Executive Officer and a director of Eagle High Reach Equipment, Inc. Mr. Bagley will continue as a manager and director, respectively, of Eagle High Reach Equipment, LLC (now H&E California Holdings, Inc.) and Eagle High Reach Equipment, Inc. (now H&E California Holdings, Inc.). Mr. Bagley held approximately 25.3% of the ownership interests in Eagle High Reach Equipment, Inc. and he received his proportionate share of the net proceeds received by the holders (sellers) of Eagle High Reach Equipment, Inc.

## Management Agreement

Each of Head & Engquist and ICM were acquired by affiliates of Bruckmann, Rosser, Sherrill & Co., Inc. ( BRS Inc. ) in 1999, pursuant to separate recapitalization transactions. In connection with those transactions, we entered into management services agreements with BRS Inc. and Bruckmann, Rosser, Sherrill & Co., L.L.C. ( BRS L.L.C. ), affiliates of BRS, pursuant to which BRS Inc. and BRS L.L.C. agreed to provide certain advisory and consulting services to us, relating to business and organizational strategy, financial and investment management and merchant and investment banking. In exchange for such services, we agreed to pay BRS Inc. and BRS L.L.C. (i) \$7.2 million of transaction fees in connection with the ICM and Head & Engquist recapitalization transactions, (ii) an annual fee during the term of this agreement equal to the lesser of \$2.0 million, or 1.75%, of our yearly

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EBITDA before operating lease expense on rental fleet equipment, plus all reasonable out-of-pocket fees and expenses, and (iii) a transaction fee in connection with each material acquisition, divestiture or financing or refinancing we enter into in an amount equal to 1.25% of the aggregate value of such transaction plus all reasonable out-of-pocket fees and expenses. For the period January 1, 2006 up to the date of the date of our initial public offering, the Company paid BRS L.L.C. approximately \$302,000 under the agreement. The management services agreement was terminated as of the closing of our initial public offering, with the payment of a termination fee by us to BRS L.L.C. of \$8.0 million.

## **Consulting Agreement**

On July 31, 2004, H&E LLC, the predecessor company to H&E Equipment Services, Inc., entered into a consulting and noncompetition agreement with Gary W. Bagley, our current Chairman. Such agreement provides for, among other things:

an initial term of five years; thereafter this agreement may be renewed on a year to year basis, subject to mutual agreement of the parties;

a consulting fee of \$150,000 per year plus reimbursement of all reasonable and actual out-of-pocket expenses;

welfare benefits, including medical, dental, life and disability insurance; and

confidentiality of information obtained during employment, non-competition and nonsolicitation.

## **Securityholders Agreement**

In connection with the formation of H&E Holdings and the related combination of the ICM and Head & Engquist businesses (the 2002 Transactions ), H&E Holdings entered into a securityholders agreement with affiliates of BRS, certain members of management and other members of H&E Holdings. The Company entered into an amended and restated securityholders agreement with certain stockholders in connection with the Reorganization Transactions, which eliminated certain provisions which would not be appropriate for a company with publicly traded equity securities and, among other things, provided for restrictions on the transfer of equity interests.

## **Registration Rights Agreement**

In connection with the financing of the 2002 Transactions, H&E Holdings entered into a registration rights agreement with affiliates of BRS, certain members of management and other members of H&E Holdings. In connection with the Reorganization Transactions, the parties amended and restated the registration rights agreement to provide that the registration rights agreement thereafter applies to our common stock held by the parties. The amendment provides that the registration rights that previously applied to units of H&E Holdings thereafter apply to the common stock held by the parties thereto.

## **Investor Rights Agreement**

In connection with the financing of the 2002 Transactions, H&E Holdings entered into an investor rights agreement with affiliates of BRS, Credit Suisse First Boston Corporation and other members of H&E Holdings. Certain provisions of the investor rights agreement, including the provisions concerning tag-along rights, consent to a sale of H&E Holdings, and the grant of preemptive rights terminated upon the consummation of our initial public offering in February 2006. In connection with the Reorganization Transactions and our initial public offering, the parties amended and restated the investor rights agreement to provide that the non-voting observer rights of one of the holders



of our senior subordinated notes will be terminated. Pursuant to the terms of the investor rights agreement, subject to certain conditions, on any two occasions after 180 days after the first public offering, the holders of 33% or more of the equity interests issued to the investor on the date of the investor rights agreement (or successor securities) have the right to require H&E Holdings to register all or part of such equity interests under the Securities Act at H&E Holdings expense. In addition, the investor is entitled to request the inclusion of any equity interests subject to the investor rights agreement in any registration statement at the expense of H&E Holdings

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whenever H&E Holdings proposes to register any of its equity interests under the Securities Act. In connection with all such registrations, H&E Holdings has agreed to indemnify the investor against certain liabilities, including liabilities under the Securities Act. In connection with the Reorganization Transactions, the parties amended and restated the investor rights agreement to provide that the investor rights agreement thereafter applies to our common stock held by the parties.

### **Limited Liability Company Agreement**

In connection with the 2002 Transactions, affiliates of BRS, certain members of management and the other members of H&E Holdings entered into a limited liability company agreement of H&E Holdings. This operating agreement governed the relative rights and duties of the members of H&E Holdings.

*Membership Interests.* The ownership interests of the members in H&E Holdings consisted of Preferred Units and Common Units. The Common Units represented the common equity of H&E Holdings and consisted of Class A Common Units and Class B Common Units. The Preferred Units consisted of Series A Preferred Units, Series B Preferred Units, Series C Preferred Units and Series D Preferred Units (the Voting Preferred Units). Each member was entitled to (x) two votes per Class A Common Unit held by such member, (y) one vote per Class B Common Unit held by such member and (z) one vote for each Voting Preferred Unit held by such member. Holders of the Preferred Units were entitled to return of capital contributions prior to any distributions made to holders of the Common Units.

*Distributions.* Subject to any restrictions contained in any agreements involving payments to third parties, the board of directors of H&E Holdings could make distributions, whether in available cash or other assets of H&E Holdings, at any time or from time to time in the following order of priority:

*First,* to the holders of Series A Preferred Units in proportion to and to the extent of the Series A Preferred Redemption Values (as defined and described in the limited liability company agreement) of such Series A Preferred Units.

*Second,* to the holders of Series B Preferred Units in proportion to and to the extent of the Series B Preferred Redemption Values (as defined and described in the limited liability company agreement) of such Series B Preferred Units.

*Third,* to the holders of Series C Preferred Units, in proportion to and to the extent of the Series C Preferred Redemption Values (as defined and described in the limited liability company agreement) of such Series C Preferred Units.

*Fourth,* to the holders of the Series D Preferred Units, in proportion to and to the extent of the Series D Preferred Redemption Values (as defined and described in the limited liability company agreement) of such Series D Preferred Units.

*Fifth,* pro rata to the holders of Common Units, based upon the number of Common Units held.

The limited liability company agreement placed certain restrictions on the ability of H&E Holdings to make distributions attributable to the Preferred Units prior to June 30, 2022.

*Board of Directors.* The board of directors of H&E Holdings consisted of Class A Directors and Class B Directors. Each Class A Director was entitled to two votes and each Class B Director is entitled to one vote. At no time was the authorized number of Class B Directors to exceed that number which would provide all of the then authorized Class B Directors with a number of votes that exceeded 50% of the number of votes of the then authorized number of Class A

Directors. The Class A Directors were elected by the members which owned a majority of the number of votes of all Common Units then-outstanding. The Class B Directors were elected by the members which owned a majority of the number of votes of all of the Voting Preferred Units then-outstanding.

In connection with the Reorganization Transactions, the H&E Holdings operating agreement was terminated.

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**Related Party Transactions**

The Company has a policy that the Audit Committee review any transaction in which the Company and its directors, executive officers or their immediate family members are participants to determine whether a related person has a direct or indirect material interest. The Audit Committee is responsible for reviewing and, if appropriate, approving or ratifying any such related party transaction. This policy is evidenced in the Company's Code of Conduct and has been further communicated orally by the Board.

In determining whether to approve, disapprove or ratify a related party transaction, the Audit Committee will take into account, among other factors it deems appropriate, (i) whether the transaction is on terms no less favorable to the Company than terms that would otherwise be generally available to the Company if the transaction was entered into under the same or similar circumstances with a party unaffiliated with the Company and (ii) the extent of the interest of the related party in the transaction.

Below are the related party transactions which occurred during the fiscal year ended December 31, 2006. All such related party transactions have been approved or ratified by the Company's Audit Committee or are pursuant to contractual arrangements entered into prior to the Company's initial public offering.

John M. Engquist, our Chief Executive Officer and President, and his sister, Kristan Engquist Dunne, each have a 16.7% beneficial ownership interest in a joint venture, from which we lease our Baton Rouge, Louisiana and Kenner, Louisiana facilities. Four trusts in the names of the children of John M. Engquist and Kristan Engquist Dunne hold in equal amounts the remaining 16.6% of such joint venture. The remaining 50% interest is held by Tomarlee Commercial Properties, L.L.C., for which Mr. Engquist and Ms. Engquist Dunne each have a 25% interest and Mr. Engquist's mother has a 50% interest. In 2006, we paid the joint venture a total of approximately \$329,000 in lease payments related to these two branch location leases.

Mr. Engquist has a 62.5% ownership interest in T&J Partnership, from which we lease our Shreveport, Louisiana branch facility. Mr. Engquist's mother beneficially owns 25% of such entities. Kristan Engquist Dunne owns the remaining 12.5% of such entities. In 2006, we paid a total of approximately \$160,000 in lease payments for this facility.

Mr. Engquist and his wife, Martha Engquist, hold a 51% and 49% ownership interest, respectively, in John Engquist LLC, from which we lease our Alexandria, Louisiana branch facility. In 2006, we paid such entity a total of approximately \$71,000 in lease payments for this facility.

We charter an aircraft from Gulf Wide Aviation, L.L.C., in which Mr. Engquist has a 62.5% ownership interest. Mr. Engquist's mother and sister hold interests of 25% and 12.5%, respectively, in this entity. We pay an hourly rate to Gulf Wide Aviation for the use of the aircraft by various members of our management. In addition, a portion of one pilot's salary is paid by us. In 2006, our payments in respect of charter costs to Gulf Wide Aviation and salary to the pilot totaled approximately \$480,000.

Mr. Engquist has a 31.25% ownership interest in Perkins-McKenzie Insurance Agency, Inc. (Perkins-McKenzie), an insurance brokerage firm. Perkins-McKenzie brokers a substantial portion of our commercial insurance policies. Mr. Engquist's mother and sister have a 12.5% and 6.25% interest, respectively, in Perkins-McKenzie. As the broker, Perkins-McKenzie receives a commission from our insurance provider based upon the premiums paid to our insurance provider. In 2006, the commissions paid to Perkins-McKenzie were approximately \$743,000.

We purchase products and services from, and sell products and services to a company, B-C Equipment Sales, Inc. ( B-C Equipment ), in which Mr. Engquist has a 50% ownership interest. In 2006, our purchases from B-C Equipment totaled approximately \$117,000, and our sales to B-C Equipment totaled approximately \$37,000.

Dale W. Roesener, Vice President, Fleet Management, has a 47.6% ownership interest in Aero SRD LLC, from which we lease our Las Vegas, Nevada facility. In 2006, our lease payments to such entity totaled approximately \$523,000.

In connection with the recapitalization of H&E in 1999, we entered into a \$3.0 million consulting and non-competition agreement with Thomas R. Engquist, the father of John M. Engquist, our Chief Executive Officer and

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President. The agreement provided for total payments over a ten-year term, payable in increments of \$25,000 per month. Mr. Thomas Engquist was obligated to provide us consulting services and to comply with the non-competition provision set forth in the Recapitalization Agreement between us and others dated June 19, 1999. The parties specifically acknowledged and agreed that in the event of the death of Mr. Engquist during the term of the agreement, the payments that otherwise would have been payable to Mr. Engquist under the agreement shall be paid to his surviving spouse, Ms. Ruby L. Engquist. Ms. Engquist received \$300,000 during 2006 under this arrangement.

Mr. Engquist's son is one of our employees and received compensation of approximately \$194,000 in 2006.

**HOUSEHOLDING**

Some banks, brokers and other nominee record holders may be participating in the practice of householding proxy statements and annual reports. This means that only one copy of the Company's proxy statement or annual report may have been sent to multiple stockholders in your household. The Company will promptly deliver a separate copy of either document to you if you request one by writing or calling as follows: Investor Relations, 11100 Mead Road, Suite 200, Baton Rouge, LA 70816; Telephone: 225-298-5200. If you want to receive separate copies of the annual report and proxy statement in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker or other nominee record holder, or you may contact the Company at the above address and phone number.

**OTHER BUSINESS**

The Company is not aware of any other matters that will be presented for stockholder action at the Annual Meeting. If other matters are properly introduced, the person named in the accompanying proxy will vote the shares they represent as recommended by the Board of Directors.

By Order of the Board of Directors

Leslie S. Magee  
*Chief Financial Officer and Secretary*

April 27, 2007

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**H&E Equipment Services, Inc.**  
**ANNUAL MEETING OF STOCKHOLDERS**  
**June 5, 2007**  
**8:00 a.m. Central Daylight Time**  
**Hilton Baton Rouge Capitol Center Hotel**  
**Governor s Room**  
**201 Lafayette Street**  
**Baton Rouge, LA 70801**

**H&E Equipment Services, Inc.**  
**11100 Mead Road, Suite 200**  
**Baton Rouge, LA 70816**

**proxy**

**This proxy is solicited by the Board of Directors for use at the Annual Meeting on June 5, 2007.**

The shares of stock you hold in your account will be voted as you specify on the reverse side.

**If no choice is specified, the proxy will be voted FOR Items 1 and 2.**

By signing the proxy, you revoke all prior proxies and appoint John M. Engquist and Leslie S. Magee, each of them with full power of substitution, to vote your shares on the matters shown on the reverse side and any other matters which may come before the Annual Meeting and all adjournments.

*See reverse for voting instructions.*

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**VOTE BY INTERNET OR TELEPHONE**

*Voting by Internet or telephone is quick, easy and immediate.* As a H&E Equipment Services, Inc. common stockholder of record, you have the option of voting your common shares electronically over the Internet or by telephone, eliminating the need to return this proxy card. Your electronic vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed, dated and returned the proxy card. Votes submitted electronically over the Internet or by telephone must be received by 7:00 p.m. Eastern Daylight Time, on June 4, 2007.

***To Vote Your Proxy Over the Internet***

**[www.continentalstock.com](http://www.continentalstock.com)**

Have your proxy card available when you access the above website. Follow the prompts to vote your common shares.

***To Vote Your Proxy By Phone***

**1 (866) 894-0537**

Use any touch-tone telephone to vote your proxy. Have your proxy card available when you call the above number. Follow the voting instructions to vote your common shares.

**PLEASE DO NOT RETURN THE PROXY CARD IF YOU ARE VOTING OVER THE INTERNET OR BY TELEPHONE.**

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