This Annual Report on Form 10-K has been provided in accordance with Section 405 of the Indenture governing the RSC Equipment Rental, Inc. ("RSC") and RSC Holdings III, LLC's (the "Company") 9½% Senior Notes due 2014. Neither RSC nor the Company is currently required to file periodic or current reports with the Securities and Exchange Commission (the "SEC" or the "Commission") and therefore this Annual Report on Form 10-K has not been, and will not be, filed with the SEC.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☐ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE FISCAL YEAR ENDED: DECEMBER 31, 2006

-OR-

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

Commission File No. 1-33145

RSC Holdings III, LLC

(Exact name of registrant as specified in its charter)

RSC Equipment Rental, Inc.

(Exact name of registrant as specified in its charter)

Delaware **Arizona** (State or other jurisdiction of incorporation or organization)	**41-2218971** **86-0933835** (I.R.S. Employer Identification No.)
6929 E. Greenway Pkwy **Scottsdale, Arizona** (Address of principal executive offices)	**85254** (zip code)

Registrant's telephone number, including area code:
(480) 905-3300

Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act: None

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined under Rule 405 of the Securities Act. YES ☐ NO ☒

Indicate by checkmark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ☒ NO ☐

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. YES ☐ NO ☒

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. (See definition of accelerated filer and large accelerated filer in Rule 12b−2 of the Exchange Act). Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) YES ☐ NO ☒

The Registrants do not have a class of equity securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 and there is no public market for the voting stock of the registrants.

Documents Incorporated by Reference: None.

TABLE OF CONTENTS

Cautionary Statement for Forward-Looking Information

All statements other than statements of historical facts included in this Annual Report, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "plan", "seek", "will", "expect", "intend", "estimate", "anticipate", "believe" or "continue" or the negative thereof or variations thereon or similar terminology.

Forward-looking statements include the statements in this Annual Report regarding, among other things: management forecasts; efficiencies; cost savings and opportunities to increase productivity and profitability; income and margins; liquidity; anticipated growth; economies of scale; the economy; future economic performance; our ability to maintain profitability during adverse economic cycles and unfavorable external events; future acquisitions and dispositions; litigation; potential and contingent liabilities; management's plans; taxes; and refinancing of existing debt.

Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from our expectations are set forth below and disclosed under "Risk Factors" and elsewhere in this Annual Report, including, without limitation, in conjunction with the forward-looking statements included in this Annual Report. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the following cautionary statements:

- the effect of an economic downturn or other factors resulting in a decline in non-residential construction and capital investment;
- increased competition from other companies in our industry and our inability to increase or maintain our prices;
- our ability to obtain equipment at competitive prices;
- changes in the attitude of our customers toward renting, as compared with purchasing, equipment;
- our ability to generate cash and/or incur additional indebtedness to finance equipment purchases;
- heavy reliance on centralized information systems;
- exposure to claims for personal injury, death and property damage resulting from the use of equipment rented or sold by us;
- the ability and willingness of ACAB and ACF to continue to meet and/or perform their obligations under the Recapitalization Agreement to indemnify for and defend us against various matters, including, but not limited to, litigation relating to alleged exposure to silica and asbestos;
- the effect of changes in laws and regulations, including those relating to the environment and customer privacy, among others;
- risks related to our substantial amount of indebtedness;
- fluctuations in fuel or supply costs;
- claims that the software products and information systems on which we rely infringe on the intellectual property rights of others; and
- the other factors described under the caption "Risk Factors."

In light of these risks, uncertainties and assumptions, the forward-looking statements contained in this Annual Report might not prove to be accurate and you should not place undue reliance upon them. All forward-looking statements speak only as of the date

made, and we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

Unless the context otherwise requires, references to "we", "us", and "our" mean RSC Holdings III, LLC and its consolidated subsidiaries, including RSC Equipment Rental, Inc.

Item 1. Business

Our Company

Overview

We are one of the largest equipment rental providers in North America. We operate through a network of 455 rental locations across 10 regions in 39 U.S. states and four Canadian provinces. We believe we are the largest or second largest equipment rental provider in the majority of the regions in which we operate. During the eighteen months ended December 31, 2006, we serviced approximately 470,000 customers primarily in the non-residential construction and industrial markets. For the year ended December 31, 2006, we generated approximately 83% of our revenues from equipment rentals, and we derived the remaining 17% of our revenues from sales of used equipment and other related items. We believe our focus on high margin rental revenues, active fleet management and superior customer service has enabled us to achieve significant market share gains exclusively through organic growth while sustaining attractive returns on capital employed. Through December 31, 2006, we experienced 14 consecutive quarters of positive same store, year-over-year rental revenue growth, with same store rental revenue growth of approximately 19%, 18% and 12% and operating income growth of approximately 31%, 44% and 76% in 2006, 2005 and 2004, respectively.

We rent a broad selection of equipment, mainly to industrial and non-residential construction companies, ranging from large equipment such as backhoes, forklifts, air compressors, scissor lifts, booms and skid-steer loaders to smaller items such as pumps, generators, welders and electric hand tools. As of December 31, 2006, our rental fleet had an original equipment cost of $2.3 billion covering over 1,400 categories of equipment. We strive to differentiate our offerings through superior levels of equipment availability, reliability and service. The strength of our fleet lies in its age, condition and diversity. We believe our fleet is the youngest and best maintained in the industry among our key competitors, with an average fleet age of 25 months as of December 31, 2006. Our young fleet age provides us with significant operational flexibility, and we actively manage the condition of our fleet in order to provide customers with well maintained and reliable equipment and to support our premium pricing strategy. Our disciplined fleet management strategy enables us to maintain pricing discipline and optimize fleet utilization and capital expenditures. As a result, we have a high degree of equipment sharing and mobility within regions. This enables us to increase equipment utilization and react quickly by adjusting the fleet size in response to changes in customer demand. In addition to our equipment rental operations, we sell used equipment, parts, merchandise and supplies for maintenance, repair and operations.

Organizational Overview

Prior to November 27, 2006, RSC Holdings Inc. ("RSC Holdings") was wholly owned by Atlas Copco AB ("ACAB") and Atlas Copco Airpower n.v. ("ACA"), a wholly owned subsidiary of ACAB (collectively, "the Group"). On October 6, 2006, the Group announced that it had entered into a recapitalization agreement (the "Recapitalization Agreement") pursuant to which RSC Acquisition LLC and RSC Acquisition II LLC, or Ripplewood, and OHCP II RSC, LLC, OHCMP II RSC, LLC and OHCP II RSC COI, LLC, or Oak Hill and, together with Ripplewood, the Sponsors, acquired 85.5% of RSC Holdings (the "Recapitalization"). The Recapitalization closed on November 27, 2006. Prior to the closing of the Recapitalization, RSC Holdings formed RSC Holdings I, LLC, which is a direct wholly owned subsidiary of RSC Holdings; RSC Holdings II, LLC, which is a direct wholly owned subsidiary of RSC Holdings I, LLC; and RSC Holdings III, LLC, which is a direct wholly owned subsidiary of RSC Holdings II, LLC. Rental Service Corporation which is a direct subsidiary of RSC Holdings III, LLC; and Rental Service Corporation of Canada Ltd., which is a direct subsidiary of Rental Service Corporation. In February 2007 and January 2007, respectively, Rental Service Corporation and Rental Service Corporation of Canada officially changed their names to RSC Equipment Rental, Inc. ("RSC) and Rental Service Corporation of Canada Ltd. RSC is the surviving operating entity of RSC Holdings.

As part of the Recapitalization, we and RSC offered $620 million aggregate principal amount of 9 ½% Senior Notes due 2014 (the "Notes"). As of the closing of the Recapitalization, on November 27, 2006, we and RSC borrowed $1,124 million under their new senior asset-based loan facilities (the "Senior ABL Facilities") and $1,130 million under

their new senior second-lien term loan facility (the "Senior Term Facility", together with the Senior ABL Facilities, the "Senior Credit Facilities"). The net proceeds from the offering of the Notes, together with borrowings under the Senior Credit Facilities, were distributed by us to RSC Holdings.

RSC Holdings repurchased a portion of its issued and outstanding common stock from ACF for (i) a purchase price of $3,345 million (the "Purchase Price"), as adjusted pursuant to the terms of the Recapitalization Agreement and (ii) the obligation of RSC Holdings to issue up to $400 million aggregate principal amount of its contingent earn-out notes. The principal amount of the contingent earn-out notes that RSC Holdings may be obligated to issue is based on adjusted EBITDA targets. The Sponsors made a $500 million cash equity investment in RSC Holdings in exchange for a portion of the issued and outstanding common stock of RSC Holdings. In connection with the Recapitalization, Ripplewood and Oak Hill each owned 42.735% of RSC Holdings' issued and outstanding capital stock and ACF owned 14.53% of RSC Holdings' issued and outstanding capital stock.

RSC Holdings is the sole member of RSC Holdings I, LLC, which, in turn, is the sole member of RSC Holdings II, LLC, which, in turn, is the sole member of RSC Holdings III, LLC. RSC Holdings III is the parent of RSC. Because RSC Holdings III, LLC is a limited liability company that does not have a Board of Directors, its business and affairs are managed by the Board of Directors of RSC Holdings, its ultimate parent.

Corporate History

RSC Holdings, formerly known as Atlas Copco North America, Inc., acquired Prime Service, Inc. in 1997. In 1998, Rental Service Corporation acquired Canadian rental equipment business Fasco Rentals Ltd. and was itself acquired by RSC Holdings in 1999. In 2001, RSC Holdings merged the operations of Prime Service, Inc. and Rental Service Corporation to form RSC. As of the Recapitalization Closing Date, ACAB had transferred the legal entities owned by RSC Holdings (other than RSC Equipment Rental of Canada Ltd., formerly known as Rental Service Corporation of Canada Ltd.) and the Prime Energy division, which is in the business of renting and selling oil-free compressor equipment, to affiliates of ACAB. RSC Holdings completed the Recapitalization in November 2006. See "Recent Transactions—The Recapitalization."

Business Strategy

Increase market share and pursue profitable growth. Through our high quality fleet, large scale and national footprint and superior customer service position, we intend to take advantage of the opportunities for profitable growth within the North American equipment rental market by:

- continuing to drive the profitability of existing stores and pursuing same store growth;
- continuing to invest in and maintain our high quality fleet to meet local customer demands;
- leveraging our reputation for superior customer service to increase our customer base;
- increasing our market penetration by opening new stores in targeted growth markets to leverage existing infrastructure and customer relationships;
- increasing our presence in complementary rental and service offerings to increase same store revenues, margins and return on investment;
- continuing to align incentives for local management teams with both profit and growth targets; and
- pursuing selected acquisitions in attractive markets, subject to economic conditions.

Further drive profitability, cash flow and return on capital. We believe there are opportunities to further increase the profitability of our operations by continuing to:

- focus on the higher margin rental business;

- actively manage the quality, reliability and availability of our fleet and offer superior customer service, which supports our premium pricing strategy;

- evaluate each new investment in fleet based on strict return guidelines;

- deploy and allocate fleet among our operating regions based on pre-specified return thresholds to optimize utilization; and

- use our size and market presence to achieve economies of scale in capital investment.

Further enhance our industry leading customer service. We believe that our position as a leading provider of rental equipment to our customers is driven in large part by our superior customer service and our reputation for such service. We intend to continue to provide superior customer service and maintain our reputation for such service. We believe this will allow us to further expand our customer base and increase our share of the fragmented U.S. equipment rental market.

Business

Our business is focused on equipment rental and includes sales of used rental equipment and sales of merchandise that is tied to the use of our rental equipment.

We offer for rent over 1,400 categories of equipment on an hourly, daily, weekly or monthly basis. The type of equipment that we offer ranges from large equipment such as backhoes, forklifts, air compressors, scissor lifts, booms and skid-steer loaders to smaller items such as pumps, generators, welders and electric hand tools. Our rental revenues grew from $899.2 million in 2003 to $1,368.7 million in 2006, representing a compound annual growth rate of 15.0%, and we have grown significantly in Canada, with a 38% compound annual growth rate over the same period.

As a convenience for our customers, we offer for sale a broad selection of contractor supplies, including safety equipment such as hard hats and goggles, consumables such as blades and gloves, tools such as ladders, and shovels and certain other ancillary products. We also sell a small amount of new equipment. In 2006, our revenues from merchandise were $92.5 million, representing 5.6% of total revenues, down from 7.0% of revenues for 2005. This reduction of revenues from sales of merchandise reflects our shift of capital and human resources to focus on our more profitable core rental operations, which has allowed us to grow our operating margins from 10.4% in 2003 to 25.4% for 2006.

We routinely sell used rental equipment and invest in new equipment to manage the age, size and composition of our fleet and to adjust to changes in demand for specific rental products. We realize what we believe to be attractive sales prices for our used equipment due to our rigorous preventive maintenance program. We sell used rental equipment primarily through our existing branch network and, to a lesser extent through other means, including through third parties such as equipment auctions and brokers.

Operations

We are organized into three geographic divisions and operate in 10 regions across those divisions. Each of these regions is headed by a regional vice president. Our operating regions typically have eight to 10 districts headed by a district manager overseeing five to six rental location stores and each store is managed by a store manager. Our Canadian region has five districts and 20 rental locations. Operating within guidelines established and overseen by our executive management, regional and district personnel are able to make decisions based on the needs of their customers. Our executive management conducts monthly operating reviews of regional performance and also holds three formal meetings with representatives of each operating region per year. These meetings encompass operational and financial reviews, leadership development and regional near-term strategy. Regional vice presidents, district managers and store managers are responsible for management and customer service in their respective areas and are directly responsible for the financial performance of their respective region, district and store, and their variable compensation is tied to the profitability of their area.

Customers

We have long and stable relationships with most of our customers, including relationships in excess of 10 years with the majority of our top 20 customers. We have steadily increased our account activations per month over several years

and during the eighteen months ended December 31, 2006, we serviced approximately 470,000 customers, primarily in the non-residential construction and industrial markets. During the twelve months ended December 31, 2006, no one customer accounted for more than 1.4% of our total revenues, and our top 10 customers combined represented approximately 6.8% of our total revenues. We do not believe the loss of any one customer would have a material adverse effect on our business.

We have a diversified customer base consisting of two major end-markets, non-residential construction, and industrial. We also have customers in the residential construction end-market. Our customer mix across the regions is similar except for the Southern and Canadian regions which have a higher share of industrial customers. Our customers represent a wide variety of industries, such as non-residential construction, petrochemical, paper/pulp and food processing. Serving a number of different industries enables us to reduce our dependence on a single or limited number of customers in the same business and somewhat reduces our dependence on construction cycles and the seasonality of our revenues.

Customers from the non-residential construction and industrial markets accounted for 94% of our total revenues for the twelve months ended December 31, 2006. Non-residential construction customers vary in size from national and regional to local companies and private contractors and typically make use of the entire range of rental equipment and supplies that we offer. Non-residential construction projects vary in terms of length, type of equipment required and location requiring responsive and flexible services.

Industrial customers are largely geographically concentrated along the Gulf Coast of the United States, as well as in industrial centers such as Chicago and Fort McMurray in Alberta, Canada. Many of our largest accounts are oil and petrochemical facilities that require rental services grouped into the following activities:

- "run and maintain," which relates to day to day maintenance;
- "turnaround," which relates to major planned general overhaul of operations; and
- "capital projects," which relate to any expansion or modification work.

In our experience, industrial customers engage in long-term service contracts with trusted suppliers to meet their equipment requirements. In order to capitalize on this trend, we operate rental yards on-site at the facilities of some of our largest industrial customers pursuant to three to five year contracts that may be cancelled by either party upon 30 days' notice. Under these contracts, we typically agree to service all of our customers' equipment rental needs, including products we do not typically rent. We have also developed a proprietary software application, Total Control®, which provides our industrial clients with a single in-house software application that enables them to monitor and manage all their rental and off-rental equipment. This software can be integrated into the customers' enterprise resource planning system.

Residential construction customers are located throughout the country and accounted for 6% of our total revenues for the twelve months ended December 31, 2006. These customers have less frequent rental needs, often over weekends, and typically rent smaller equipment and tools.

Customer Service. To ensure prompt response to customer needs, we operate a 24/7 in-house call center, which we believe gives us a competitive advantage because few of our competitors provide this service. Our in-house call center staff is highly trained and has access to our customer related databases providing clients with best-in-class service. Additionally, customers have full access to all company employees on call, enabling appropriate support at any time. We also pursue a number of initiatives to assess and enhance customer satisfaction. With the assistance of professional research firms, we conduct customer focus groups to assess brand awareness and overall service quality perception. In addition, we contact approximately 23,000 of our customers annually to determine their overall satisfaction levels. We also test the quality of our service levels by recording randomly selected phone calls with customers for coaching opportunities and to evaluate courtesy and staff knowledge.

Fleet

As of December 31, 2006, our rental fleet had an original equipment cost of $2.3 billion covering over 1,400 categories of equipment, and in the twelve month period ended December 31, 2006, our rental revenues were $1,368.7 million. Rental terms for our equipment vary depending on the customer's needs, and the average rental term in the twelve month period ended December 31, 2006 was between nine and ten days. We believe that the size of our purchasing

program and the relative importance of our business to our suppliers allows us to purchase fleet at favorable prices and on favorable terms. We believe that our highly disciplined approach to acquiring, deploying, sharing, maintaining and divesting fleet represents a key competitive advantage and is one of the main reasons that we lead the industry in profitability and returns on invested capital. The following table provides a breakdown of our fleet in terms of original cost as of December 31, 2006.

Equipment Rental Fleet Breakdown

As of December 31, 2006	% of Total
Aerial Work Platform (AWP) booms	28.3
Fork lifts	23.1
Earth moving	19.5
AWP scissors	10.9
Trucks	4.1
Air	3.8
Generators/Light towers	2.8
Compaction	2.6
Other	4.9

Fleet Management Process. We believe that our disciplined fleet management process, with its focus on capital efficiency whereby new investments are evaluated on strict return guidelines and at a local level, enables us to maintain optimal fleet utilization. Consistent with our decentralized operating structure, each region is responsible for the quality of its allocated fleet, providing timely fleet maintenance, fleet movement and fleet availability. This process is led by regional fleet directors who make investment/divestment decisions within strict return on investment guidelines. Fleet requirements are first determined at a local level and are then evaluated for potential internal equipment reallocation on a district or regional level. Local revenues are forecasted on a store-by-store basis on the basis of targeted utilization and rental rates. Regional vice presidents use this information to develop near term regional customer demand estimates and appropriately allocate investment requirements. As a result of this process, our fleet time utilization has increased from 61% for the year ended December 31, 2002 to 72% for the year ended December 31, 2006.

The regional fleet process is overseen by our corporate fleet management, which is responsible for the overall allocation of the fleet among and between the regions. We evaluate all electronic investment requests by regional fleet directors and develop and enforce a ceiling for the fleet size for each region based on short-term local outlook, return and efficiency requirements and need at the time, and identify under-utilized equipment for sale.

Corporate fleet management will accept a new capital investment request only if such investment is deemed to achieve a pre-specified return threshold and if the request cannot be satisfied through internal fleet reallocation. Divestments or fleet transfers are implemented when the fleet generates returns below the pre-specified threshold. If corporate fleet management cannot identify a need for a piece of equipment in any region, the equipment is targeted for sale. We realize what we believe to be attractive sales prices for our used equipment due to our rigorous preventive maintenance program. We sell used rental equipment primarily through our existing branch network and, to a lesser extent through other means, including through third parties such as equipment auctions and brokers.

We also continuously monitor the profitability of our equipment through our information management systems. Each piece of equipment is tracked and evaluated on a number of performance criteria, including time utilization rate, average billing rate, preventive maintenance, age and, most importantly, return on investment. We utilize this data to help guide the transfer of equipment to locations where the highest utilization rates, highest prices and best returns can be achieved. We have a strategic pricing team fully dedicated to developing optimal pricing strategies for rental equipment. Pricing decisions are made at a local level to reflect current market conditions. Daily reports, which allow for review of agreements by customer or contract, enable local teams to monitor trends and limit heavy discounting that can suppress rental rates. We conduct continuous training to educate store managers and sales people on how to keep rental rates high by providing excellent customer service, adjusting the fleet size and improving utilization. As a result, rental rates have demonstrated strong growth and average discounts on rentals have declined significantly over the last few years.

We have also made proprietary improvements to our information management systems, such as integrating our maintenance and reservation management systems, which prioritize equipment repairs based on customer reservations and time in shop. The majority of major repairs are outsourced to enable RSC to focus on maintenance and parts replacement.

We have also implemented a rigorous preventive maintenance program that increases reliability, decreases maintenance costs, extends the equipment's useful life and improves fleet availability and the ultimate sales price we realize on the sale of used equipment. These initiatives have resulted in a reduction of unavailable fleet as a percentage of total fleet from 28.5% in the first quarter of 2001 to 8.9% in the fourth quarter of 2006. During the same period, available fleet remained constant in absolute terms. This improvement enabled us to reduce the capital expenditure requirements necessary to grow our business by approximately $613 million during that period. In addition, in December 2006, 97.7% of our fleet was current on its manufacturer's recommended preventive maintenance, and maintenance costs as a percentage of rental revenues decreased from 9.6% in 2003 to 7.5% for 2006.

Fleet Procurement. We believe that our size and focus on long-term supplier relationships enable us to purchase equipment directly from manufacturers at favorable prices and on favorable terms. We do not enter into long-term purchase agreements with equipment suppliers because we wish to preserve our ability to respond quickly and beneficially to changes in demand for rental equipment. To ensure security of supply, we do, however, maintain non-binding arrangements with our key suppliers whereby we provide information about our anticipated fleet needs for the coming year so that our suppliers can plan their production capacity needs. Accordingly, original equipment manufacturers deliver equipment to our facilities based on our current needs in terms of quantity and timing. We have negotiated favorable payment terms with the majority of our equipment suppliers. We believe that our ability to purchase equipment on what we believe are favorable terms represents a key competitive advantage afforded to us by the scale of our operations.

Over the last several years, we have reduced the number of suppliers from which we purchase rental equipment to two suppliers each for almost all major equipment categories that we offer for rent. We believe that we could readily replace any of our existing suppliers if it were no longer advantageous to purchase equipment from them. Our major equipment suppliers include JLG, Genie, Skyjack and John Deere. In 2006, we purchased $721.3 million of new rental equipment compared to $691.9 million and $419.9 million in 2005 and 2004, respectively.

Fleet Age. We believe our diverse equipment fleet is the youngest, best maintained and most reliable in our industry among our key competitors. From January 2005 to December 31, 2006, the average age of our fleet declined from 39.8 months to 25.0 months. Through our fleet management process discussed above under "—Fleet Management Process," we actively manage the condition of our fleet to provide customers with well maintained and reliable equipment and to support our premium pricing strategy.

Sales and Marketing

We market our products and services through:

- a store-based sales force operating out of our network of local stores;
- local and national advertising efforts; and
- our self-service, web-based solution: RSC Online®.

Sales Force. We believe that our sales force is one of the industry's most productive and highly trained. As of December 31, 2006, we had an inside sales team performing a variety of functions such as handling inbound customer rental requests and servicing customers at the stores and outside sales employees servicing existing customers and soliciting new business on construction or industrial sites. Our sales force uses a proprietary territory management software application to target customers in their specific area, and we develop customized marketing programs for use by our sales force by analyzing each customer group for profitability, buying behavior and product selection. All members of our sales force are required to attend frequent in-house training sessions to develop product and application knowledge, sales techniques and financial acumen. Our sales force is supported by regional sales and marketing managers.

RSC Online®. We provide our customers with a self-service, web-based solution: RSC Online®. Our customers can reserve equipment online, consult reports, use our report writer tool to create customized reports, terminate rental equipment reservations, schedule pick-ups and make electronic payments 24 hours a day, seven days a week. In addition, we maintain a home page on the Internet (http://www.rscrental.com) that includes a description of our products and services, our geographic locations and our online catalogue of used rental equipment for sale, as well as live 24/7 "click to chat" support.

Information Systems

We operate a highly customized rental information management system through which key operational and financial information is made available on a daily basis. Our executive management team uses this information to monitor current business activities closely, looking at customer trends and proactively responding to changes in the marketplace. Our enterprise resource management system is comprised of software licensed from Wynne Systems, Inc. and a number of proprietary enhancements covering, among others, financial performance, fleet utilization, service, maintenance and pricing. The system fully integrates all store operations such as rentals, sales, service and cash management, with the corporate activities, including finance, fixed asset and inventory management. All rental transactions are processed real-time through a centralized server and the system can be accessed by any employee at the point of sale to determine equipment availability, pricing and other customer specific information. Primary business servers are outsourced to IBM, including the provision of a disaster recovery system.

Members of our management can access all of these systems and databases throughout the day at all of our locations or through the Internet via a secure key to analyze items such as:

- fleet utilization and return on investment by individual asset, equipment category, store, district or region;
- pricing and discounting trends by store, district, region, salesperson, equipment category or customer;
- revenue trends by store, district, region, salesperson, equipment category or customer; and
- financial results and performance of stores, districts, regions and the overall company.

We believe that our use of information technology is a key component in our successful performance and that continued investment in this area will help us maintain and improve upon our customer satisfaction, responsiveness and flexibility.

Intellectual Property

We have registered or are in the process of registering the marks RSC and RSC Equipment Rental and certain other trademarks in the United States and Canada. We have not registered all of the trademarks we own and use in the business. Generally, registered trademarks have perpetual life, provided that they are renewed on a timely basis and continue to be used properly as trademarks. While we have not registered any copyrightable aspects of RSC Online, we believe that our use of contractual provisions and confidentiality procedures provide adequate protection of our rights in such software.

Competition

The equipment rental industry is highly competitive and highly fragmented, with large numbers of companies operating on a regional or local scale. Our competitors in the equipment rental industry range from other large national companies to small regional and local businesses. The number of industry participants operating on a national scale is, however, much smaller. We are one of the principal national-scale industry participants in the United States and Canada. In the United States and Canada, the other national-scale industry participants are United Rentals, Inc., Hertz Equipment Rental Corporation and Sunbelt Rentals. Certain of our key regional competitors are Neff Rental, Inc., Ahern Rentals, Inc. and Sunstate Equipment Co. A number of individual Caterpillar dealers also participate in the equipment rental market in the United States and Canada.

Competition in the equipment rental industry is intense, and is defined by equipment availability, price and service. Our competitors, some of which may have access to substantial capital, may seek to compete aggressively on the basis of pricing or new fleet availability. To the extent that we choose to match our competitors' downward pricing, it could have a material adverse impact on our results of operations. To the extent that we choose not to match or remain within a reasonable competitive distance from our competitors' pricing, it could also have an adverse impact on our results of operations, as we may lose rental volume.

Employees

As of December 31, 2006, we had 5,187 employees. Employee benefits in effect include group life insurance, medical and dental insurance and a defined contribution pension plan. Labor contracts covering the terms of employment of approximately 127 of our employees are presently in effect under nine collective bargaining agreements with local unions relating to 21 separate rental locations in seven states. We may be unable to negotiate new labor contracts on terms advantageous to us or without labor interruptions. We have had no material work stoppage as a result of labor problems during the last six years. We believe our labor relations to be good.

Regulatory Matters

Environmental, Health and Safety Matters

Our operations are subject to a variety of federal, state, local and foreign environmental, health and safety laws and regulations. These laws regulate releases of petroleum products and other hazardous substances into the environment as well as storage, treatment, transport and disposal of wastes, wastewater, stormwater and air quality and the remediation of soil and groundwater contamination. These laws also regulate our ownership and operation of tanks used for the storage of petroleum products and other regulated substances.

We have made, and will continue to make, expenditures to comply with environmental laws and regulations, including, among others, expenditures for the investigation and cleanup of contamination at or emanating from currently and formerly owned and leased properties, as well as contamination at other locations at which our wastes have reportedly been identified. Some of these laws impose strict and in certain circumstances joint and several liability on current and former owners or operators of contaminated sites for costs of investigation and remediation. We cannot assure you that compliance with existing or future environmental, health and safety requirements will not require material expenditures by us or otherwise have a material adverse effect on our consolidated financial position, results of operations or cash flow.

We are currently investigating and remediating contamination at several current and former facilities. As of December 31, 2006, we have accrued approximately $2.1 million for environmental liabilities, which relate primarily to obligations to investigate and remediate soil and groundwater contamination at various current and former facilities, which contamination may have been caused by historical operations (including operations conducted prior to our involvement at a site) or releases of regulated materials from underground storage tanks or other sources.

We rely heavily on outside environmental engineering and consulting firms to assist us in complying with environmental laws. While our environmental, health and safety compliance costs are not expected to have a material impact on our financial position, we do incur significant costs to purchase and maintain wash racks and storage tanks and to minimize releases of regulated materials from such sources.

Transportation, Delivery and Sales Fleet

We lease at variable interest rates vehicles we use for transportation and delivery of fleet equipment and vehicles used by our sales force under capital leases with leases typically ranging from 48 to 96 months. Our delivery fleet includes tractor trailers, delivery trucks and service vehicles. The vehicles used by our sales force are primarily pickup trucks. Capital lease obligations amounted to $128.7 million and $98.8 million at December 31, 2006 and 2005, respectively, and we had 3,844 units and 3,528 units leased at December 31, 2006 and 2005, respectively.

RECENT TRANSACTIONS

The Recapitalization

Pursuant to the Recapitalization Agreement, on the Recapitalization Closing Date, the Sponsors acquired and currently own approximately 85% of RSC Holdings' common stock. In connection with the Recapitalization, we issued and sold the Notes as well as entered into the Senior Credit Facilities.

Recapitalization Agreement

The Recapitalization Agreement contains customary representations, warranties and covenants. The Recapitalization Agreement also provides that ACAB and ACF will indemnify RSC Holdings and its affiliates, including Ripplewood and Oak Hill, and their respective officers, directors, stockholders, employees, agents and representatives with respect to breaches of representations, warranties, covenants and certain other matters, in each case, subject to certain time limitations and dollar amounts, and that RSC Holdings will indemnify ACAB, ACF and their respective affiliates and their respective officers, directors, stockholders, employees, agents and representatives with respect to breaches of representations, warranties, covenants and certain other matters, in each case, subject to certain time limitations and dollar amounts.

On the Recapitalization Closing Date, since RSC Holdings' closing capital, as determined pursuant to a modified net worth formula set forth in the Recapitalization Agreement, was estimated to be more than the agreed-upon benchmark, the Recapitalization Purchase Price was increased by the amount of such excess over the benchmark, which was $34.4 million. This $34.4 million purchase price adjustment was paid to ACF on the Recapitalization Closing Date. The Recapitalization Agreement also provides for a post-closing adjustment to the Recapitalization Purchase Price based on a preliminary closing statement prepared by RSC Holdings and revised by ACAB. Since the calculation of the final adjustments showed that ACAB's estimate of the net amount of adjustments to the Recapitalization Purchase Price was lower than the actual net amount of such adjustments by $18.0 million, on March 9, 2007, RSC paid such amount to ACAB. RSC Holdings, RSC, ACAB and ACF entered into a final closing statement agreement, dated March 9, 2007, in which (i) ACF acknowledged receipt of the $18.0 million payment, (ii) the parties thereto agreed that the preliminary closing statement, prepared by RSC Holdings and modified as a result of ACAB's review, is the final closing statement and (iii) ACAB and ACF released RSC Holdings, RSC and their affiliates from any further liability under the purchase price adjustment mechanism contained in the Recapitalization Agreement. RSC obtained the funds necessary to make the purchase price adjustment payments by drawing on available borrowings under the Senior ABL Facilities.

Contingent Earn-Out Notes

RSC Holdings may be required to issue contingent earn-out notes pursuant to the Recapitalization Agreement if RSC achieves cumulative adjusted EBITDA (as defined in the Recapitalization Agreement) targets described below. If RSC's cumulative adjusted EBITDA for the fiscal years ended December 31, 2006 and December 31, 2007 (the "2006-2007 EBITDA") is at least $1.54 billion, then on April 1, 2008, RSC Holdings will issue to ACF a contingent earn-out note, in a principal amount equal to:

(i) $150 million if the 2006-2007 EBITDA is $1.662 billion or greater;

(ii) If the 2006-2007 EBITDA is between $1.54 billion and $1.662 billion, an amount equal to (x) $150 million multiplied by (y) a fraction (A) the numerator of which is an amount equal to the 2006-2007 EBITDA minus $1.54 billion and (B) the denominator of which is $122 million; and

(iii) An additional amount, computed like interest (compounded semiannually) at the lesser of 11.5% per annum and the applicable federal rate plus 4.99% per annum from April 1, 2008 until the contingent earn-out note is issued, on the amount described in clause (i) or clause (ii) above, as applicable.

If RSC's cumulative adjusted EBITDA for the fiscal year ended December 31, 2008 (the "2008 EBITDA") is at least $880 million, then on April 1, 2009, RSC Holdings will issue to ACF a second contingent earn-out note, in a principal amount equal to:

(i) $250 million if the 2008 EBITDA is $1.015 billion or greater;

(ii) If the 2008 EBITDA is between $880 million and $1.015 billion, an amount equal to (x) $250 million multiplied by (y) a fraction (A) the numerator of which is an amount equal to the 2008 EBITDA minus $880 million and (B) the denominator of which is $135 million; and

(iii) An additional amount, computed like interest (compounded semiannually) at the lesser of 11.5% per annum and the applicable federal rate plus 4.99% per annum from April 1, 2009 until the contingent earn-out note is issued, on the amount described in clause (i) or clause (ii) above, as applicable.

Each contingent earn-out note will mature on the earlier of the date that is 11 years from issuance and the date that is six months after the final maturity date of the longest dated debt of RSC Holdings or any of its subsidiaries with a principal amount in excess of $100 million outstanding on the date of issuance of such contingent earn-out note. Interest will be added to principal semi-annually and will be payable at maturity. The interest rate will be compounded semiannually and equal to the lesser of 11.5% per annum and the applicable federal rate plus 4.99% per annum.

If, after an underwritten initial public offering of RSC Holdings' common equity, certain persons associated with the Sponsors cease to control 40% in the aggregate of the number of shares of common equity owned by such persons immediately after the closing of the Recapitalization (a "Loss of Control"), RSC Holdings must make semi-annual payments of current period interest on the contingent earn-out notes (x) first, on the longest-dated contingent earn-out notes then outstanding (pro rata among all such notes) if and to the extent 50% of available cash (as defined in the Recapitalization Agreement) on the date of such payments is sufficient to make such payments, and (y) second, on the other contingent earn-out notes then outstanding (pro rata among all such notes) if and to the extent the payments made pursuant to the foregoing clause (x) are less than 50% of available cash on such dates. Any amount of such current period interest that is not so paid on any such date shall be added to the principal. In addition, RSC Holdings will cause its subsidiaries to refrain from taking certain actions that will impair RSC Holdings' ability to pay current interest on the contingent earn-out notes. Furthermore, following a Loss of Control, additional interest under the notes shall accrue at the semiannual interest rate that, with semiannual compounding, produces an incremental annual yield to maturity of 1.50%.

Generally, if RSC Holdings receives after the Recapitalization Closing Date proceeds of certain dividends, redemptions or other distributions ("Qualifying Proceeds") in excess of $150,000,000, we are required to use 50% of such excess Qualifying Proceeds, less the aggregate amount of all optional prepayments made under all of our contingent earn-out notes (the "Aggregate Optional Prepayment"), to prepay any outstanding contingent earn-out notes. However, if, after the Recapitalization Closing Date but prior to the date on which a contingent earn-out note is first issued (the "Issue Date"), we have received Qualifying Proceeds ("Pre-Issue Proceeds") in excess of $150,000,000, we are required to use 100% of any Qualifying Proceeds received after the Issue Date ("Post-Issue Proceeds") to prepay any outstanding notes until we have prepaid an amount equal to (x) the amount by which the Pre-Issue Proceeds exceed $150,000,000 minus (y) the Aggregate Optional Prepayment. Thereafter, we are required to use 50% of all Post-Issue Proceeds, less the Aggregate Optional Prepayments, to prepay the notes.

RSC Holdings Stock Incentive Plan

On November 30, 2006, the Board approved the RSC Holdings Stock Incentive Plan (the "Stock Incentive Plan"). The Stock Incentive Plan provides for the sale of our common stock to RSC Holdings' named executive officers, other key employees and directors as well as the grant of stock options to purchase shares of our common stock to those individuals. See "Executive Compensation—Executive Compensation and Related Information—Compensation Discussion and Analysis—RSC Holdings Stock Incentive Plan."

Recent Share Purchase by Certain Members of Management

During the last quarter of 2006, RSC Holdings made an equity offering to approximately 20 of our executives. The shares sold and options granted to our executives in connection with this equity offering are subject to and governed by the terms of the Stock Incentive Plan. The offering closed on December 4, 2006 as to all of our executives except Mr. Groman, as to whom the offering closed on December 19, 2006, shortly after he joined us as our General Counsel. In connection with this offering, RSC Holdings sold 26,366.30 shares at a purchase price of $244.25 per share and granted options to purchase an additional 117,428.09 shares at an exercise price of $244.25 per share.

Item 1A. Risk Factors.

Our business is subject to a number of important risks and uncertainties, some of which are described below. Any of these risks may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Risks Related to Our Business

Our business could be hurt by a decline in non-residential construction and industrial activities or a decline in the amount of construction equipment that is rented.

As of December 31, 2006, our non-residential construction and industrial customers together accounted for approximately 94% of our total revenues. A weakness in non-residential construction or industrial activity, or a decline in the desirability of renting equipment, may decrease the demand for our equipment or depress the prices we charge for our products and services. We have identified below certain factors which may cause weakness, either temporary or long-term, in the non-residential construction and industrial sectors:

- weakness in the economy or the onset of a recession;
- an increase in the cost of construction materials;
- an increase in interest rates;
- adverse weather conditions or natural disasters which may temporarily affect a particular region; or
- terrorism or hostilities involving the United States or Canada.

A weakness in the non-residential construction and industrial sectors caused by these or other factors could have a material adverse effect on our business, financial conditions, results of operations and cash flows and may have a material adverse effect on residual values realized on the disposition of our rental equipment.

We face intense competition that may lead to our inability to increase or maintain our prices, which could have a material adverse impact on our results of operations.

The equipment rental industry is highly competitive and highly fragmented. Many of the markets in which we operate are served by numerous competitors, ranging from national equipment rental companies, like ourselves, to smaller multi-regional companies and small, independent businesses with a limited number of locations. See "Business—Competition." Some of our principal competitors are less leveraged than we are, have greater financial resources, may be more geographically diversified, may have greater name recognition than we do and may be better able to withstand adverse market conditions within the industry. We generally compete on the basis of, among other things, quality and breadth of service, expertise, reliability, price and the size, mix and relative attractiveness of our rental equipment fleet, which is significantly affected by the level of our capital expenditures. If we are required to reduce or delay capital expenditures for any reason, including due to restrictions contained in the Senior Credit Facilities, or the indenture governing the Notes, the aging of our rental fleet may place us at a disadvantage compared to our competitors and adversely impact our pricing. In addition, our competitors may seek to compete aggressively on the basis of pricing. To the extent that we choose to match our competitors' downward pricing, it could have a material adverse impact on our results of operations. To the extent that we choose not to match or remain within a reasonable competitive distance from our competitors' pricing, it could also have a material adverse impact on our results of operations, as we may lose rental volume.

We may also encounter increased competition from existing competitors or new market entrants in the future, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our revenues and operating results may fluctuate and any unexpected periods of decline could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our revenues and operating results have varied historically from period to period and may continue to do so. We have identified below certain of the factors which may cause our revenues and operating results to vary:

- changes in demand for our equipment or the prices we charge due to changes in economic conditions, competition or other factors;
- the timing of expenditures for new equipment and the disposal of used equipment;
- changes in the interest rates applicable to our variable rate debt;
- general economic conditions in the markets where we operate;
- the cyclical nature of our customers' businesses, particularly those operating in the non-residential construction and industrial sectors;
- price changes in response to competitive factors;
- seasonal rental patterns, with rental activity tending to be lowest in the winter;
- timing of acquisitions and new location openings and related costs;
- labor shortages, work stoppages or other labor difficulties;
- possible unrecorded liabilities of acquired companies;
- our effectiveness in integrating acquired businesses and new locations into our existing operations; and
- possible write-offs or exceptional charges due to changes in applicable accounting standards, impairment of obsolete or damaged equipment or other assets, or the refinancing of our existing debt.

One or a number of these factors could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our expenses could increase and our relationships with our customers could be hurt if there is an adverse change in our relationships with our equipment suppliers or if our suppliers are unable to provide us with products we rely on to generate revenues.

All of our inventory consists of equipment products that we purchase from various suppliers and manufacturers. We rely on these suppliers and manufacturers to provide us with equipment which we then rent to our customers. We have not entered into any long-term equipment supply arrangements with manufacturers. To the extent we are unable to rely on these suppliers and manufacturers, either due to an adverse change in our relationships with them, or if they significantly raised their costs, or such suppliers or manufacturers simply are unable to supply us with equipment in a timely manner, our business could be adversely affected through higher costs or the resulting potential inability to service our customers. We may experience delays in receiving equipment from some manufacturers due to factors beyond our control, including raw material shortages, and, to the extent that we experience any such delays, our business could be hurt by the resulting inability to service our customers. In addition, while we have negotiated favorable payment terms with the suppliers that provide us with the majority of our equipment, these payment terms may not be available to us at a later time.

If our operating costs increase as our rental fleet ages and we are unable to pass along such costs, our earnings will decrease.

As our fleet of rental equipment ages, the cost of maintaining such equipment, if not replaced within a certain period of time, will likely increase. The costs of maintenance may materially increase in the future. Any material increase in such costs could have a material adverse effect on our business, financial condition and results of operations.

The cost of new equipment we use in our rental fleet is increasing and therefore we may spend more for replacement equipment, and in some cases we may not be able to procure equipment on a timely basis due to supplier constraints.

The cost of new equipment used in our rental fleet increased in 2005 and 2006. These cost increases are due primarily to increased material costs, including increases in the cost of steel, which is a primary material used in most of the equipment we use, and increases in the cost of fuel, which is used in the manufacturing process and in delivering equipment to us. Although these increases did not have a significant impact on our financial conditions and results of operations in the last fiscal year, these increases could materially adversely impact our financial condition and results of operations in future periods.

Our rental fleet is subject to residual value risk upon disposition.

The market value of any given piece of rental equipment could be less than its depreciated value at the time it is sold. The market value of used rental equipment depends on several factors, including:

- the market price for new equipment of a like kind;
- wear and tear on the equipment relative to its age and the performance of preventive maintenance;
- the time of year that it is sold;
- worldwide and domestic demand for used equipment; and
- general economic conditions.

We include in income from operations the difference between the sales price and the depreciated value of an item of equipment sold. Changes in our assumptions regarding depreciation could change both our depreciation expense as well as the gain or loss realized upon disposal of equipment. Sales of our used rental equipment at prices that fall significantly below our projections, or our inability to sell such equipment at all, could have a negative impact on our results of operations.

Our reliance on available borrowings under our Senior ABL Facilities and cash from operating activities to purchase new equipment subjects us to a number of risks, many of which are beyond our control.

We rely significantly on available borrowings under our Senior ABL Facilities to purchase equipment. As of December 31, 2006, we had $505 million of available borrowings under the revolving credit portion of our Senior ABL Facilities. If our access to such financing were unavailable, reduced or were to become significantly more expensive for any reason, including, without limitation, due to our inability to meet the coverage ratio or leverage ratio tests in our Senior ABL Facilities or to satisfy any other condition in the facilities or due to an increase in interest rates generally, we may not be able to finance new equipment acquisitions on favorable terms, or at all. In addition, if we are unable to generate excess cash from operating activities after servicing our debt due to negative economic or industry trends including, among others, those set forth above under "—Our business could be hurt by a decline in non-residential construction and industrial activities or a decline in the amount of construction equipment that is rented" and "—We face intense competition that may lead to downward pricing, or an inability to increase prices, which could have a material adverse impact on our results of operations," and we are not able to finance new equipment acquisitions, we may not be able to make necessary equipment rental acquisitions at all.

Any failure of ACAB and ACF to indemnify us against and defend us from certain claims in accordance with the terms of the Recapitalization Agreement could have a material adverse effect on us.

Pursuant to the Recapitalization Agreement, and subject to certain limitations set forth therein, ACAB and ACF have agreed to indemnify RSC Holdings and its subsidiaries against and defend us from all losses, including costs and reasonable expenses, resulting from certain claims related to the Recapitalization, our business and our former businesses including, without limitation: claims alleging exposure to silica and asbestos; the transfer of certain businesses owned by RSC Holdings but not acquired by the Sponsors in connection with the Recapitalization; certain employee-related matters; any activities, operations or business conducted by RSC Holdings or any of its affiliates other than our business; and certain

tax matters. ACAB's and ACF's indemnity for claims related to alleged exposure to silica entitles us to coverage for one-half of all silica related losses until the aggregate amount of such losses equals $10 million and to coverage for such losses in excess of $10 million until the aggregate amount of such losses equals $35 million. ACAB's and ACF's general indemnity for breach of representations and warranties related to our business covers aggregate losses in excess of $33 million, excluding any individual loss of less than $75,000, and the maximum we can recover is 20% of the recapitalization purchase price set forth in the Recapitalization Agreement, or the Recapitalization Purchase Price, as adjusted in accordance with the Recapitalization Agreement. Furthermore, ACAB and ACF may not have sufficient assets, income and access to financing to enable them to satisfy their indemnification obligations under the Recapitalization Agreement or to continue to honor those obligations. If ACAB or ACF do not satisfy or otherwise honor their obligations, we may be forced to bear the losses described above. Any failure by ACAB or ACF to perform these obligations could have a material adverse effect on us.

Disruptions in our information technology systems could limit our ability to effectively monitor and control our operations and adversely affect our operating results.

Our information technology systems facilitate our ability to monitor and control our operations and adjust to changing market conditions. Any disruptions in these systems or the failure of these systems to operate as expected could, depending on the magnitude of the problem, materially adversely affect our financial condition or operating results by limiting our capacity to effectively monitor and control our operations and adjust to changing market conditions in a timely manner. In addition, because our systems contain information about individuals and businesses, our failure to maintain the security of the data we hold, whether the result of our own error or the malfeasance or errors of others, could harm our reputation or give rise to legal liabilities leading to lower revenues, increased costs and other material adverse effects on our results of operations.

The Sponsors or their affiliates may compete directly against us.

Corporate opportunities may arise in the area of potential competitive business activities that may be attractive to us as well as to one or more of the Sponsors or their affiliates, including through potential acquisitions by one or more Sponsors or their affiliates of competing businesses. Any competition could intensify if an affiliate or subsidiary of one or more of the Sponsors were to enter into or acquire a business similar to our equipment rental operations. Given that we are not controlled by any one of the Sponsors, the Sponsors and their affiliates may be inclined to direct relevant corporate opportunities to entities which they control individually rather than to us. In addition, our amended and restated certificate of incorporation will provide that the Sponsors are under no obligation to communicate or offer any corporate opportunity to us, even if such opportunity might reasonably have been expected to be of interest to us or our subsidiaries. See "Certain Relationships and Related Party Transactions—Stockholders Agreement."

ACAB may compete against us in the future.

Certain affiliates of ACAB are participants in the equipment rental industry. In addition, following the expiration of a non-compete provision in the Recapitalization Agreement two years following November 27, 2006, or the Recapitalization Closing Date, ACAB and its affiliates will be free to compete with us in the rental equipment industry in the United States and Canada. In addition, nothing in the Recapitalization Agreement prohibits ACAB and its affiliates from (i) conducting (a) any business they conduct immediately prior to closing, including the operation of the Prime Energy division's oil-free compressor equipment rental and sales business, which was transferred to an affiliate of ACAB, (b) the business of selling, renting (as long as such renting is not in competition with our business) and leasing products they manufacture, or selling used equipment, (c) the rental equipment business outside of the United States and Canada, (ii) investing in or holding not more than 10% of the outstanding capital stock of an entity that competes with us or (iii) acquiring and continuing to own and operate an entity that competes with us, provided the rental revenues of such entity in the United States and Canada account for no more than 20% of such entity's consolidated revenues at the time of such acquisition. Therefore, notwithstanding the non-compete provision of the Recapitalization Agreement, ACAB and its affiliates may, to the extent described above, compete against us.

If we acquire any businesses in the future, they could prove difficult to integrate, disrupt our business, or have an adverse effect on our results of operations.

We intend to pursue growth primarily through internal growth, but from time to time we may consider opportunistic acquisitions, which may be significant. Any future acquisition would involve numerous risks including, without limitation:

- potential disruption of our ongoing business and distraction of management;
- difficulty integrating the acquired business; and
- exposure to unknown liabilities, including litigation against the companies we may acquire.

If we make acquisitions in the future, acquisition-related accounting charges may affect our balance sheet and results of operations. In addition, the financing of any significant acquisition may result in changes in our capital structure, including the incurrence of additional indebtedness. We may not be successful in addressing these risks or any other problems encountered in connection with any acquisitions.

If we fail to retain key management and personnel, we may be unable to implement our business plan.

One of the most important factors in our ability to profitably execute our business plan is our ability to attract, develop and retain qualified personnel, particularly regional and district management. Our success in attracting and retaining qualified people is dependent on the resources available in individual geographic areas and the impact on the labor supply due to general economic conditions as well as our ability to provide a competitive compensation package and work environment.

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

We are exposed to various possible claims relating to our business. These possible claims include those relating to (1) personal injury or death caused by equipment rented or sold by us, (2) motor vehicle accidents involving our vehicles and our employees, (3) employment-related claims, (4) property damage and pollution related claims and (5) commercial claims. Our insurance policies have deductibles or self-insured retentions of $1 million for general liability and $1.5 million for automobile liability, on a per occurrence basis; $500,000 per occurrence for workers' compensation claims; and $250,000 per occurrence for pollution coverage. Currently, we believe that we have adequate insurance coverage for the protection of our assets and operations. However, our insurance may not fully protect us for certain types of claims, such as claims for punitive damages or for damages arising from intentional misconduct, which are often alleged in third party lawsuits. In addition, we may be exposed to uninsured liability at levels in excess of our policy limits.

If we are found liable for any significant claims that are not covered by insurance, our liquidity and operating results could be materially adversely affected. It is possible that our insurance carrier may disclaim coverage for any class action and derivative lawsuits against us. It is also possible that some or all of the insurance that is currently available to us will not be available in the future on economically reasonable terms, or not available at all.

We may be unable to establish and/or maintain an effective system of internal control over financial reporting and comply with Section 404 of the Sarbanes-Oxley Act of 2002 and other related provisions of the U.S. securities laws.

Upon the registration of the Notes for exchange in accordance with the registration rights agreement relating to the Notes, dated November 27, 2006, we will be required to file certain reports, including annual and quarterly periodic reports, under the Securities Exchange Act of 1934. The Commission, as required by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring every public company to include a management report on such company's internal control over financial reporting in its annual report, which contains management's assessment of the effectiveness of the company's internal control over financial reporting. In addition, an independent registered public accounting firm must attest to and report on management's assessment of the effectiveness of our internal control over financial reporting. Our reporting obligations under the U.S. securities laws will place additional burdens on our management, operational and financial resources and systems. To the extent that we are unable to establish and/or maintain effective internal control over financial reporting and/or disclosure controls and procedures, we may be unable to produce reliable financial reports and/or public

disclosure, detect and prevent fraud and comply with our reporting obligations under the U.S. securities laws on a timely basis. Any such failure could harm our business. In addition, failure to achieve and maintain effective internal control over financial reporting and/or disclosure controls and procedures could result in the loss of investor confidence in the reliability of our financial statements and public disclosure and a loss of customers, which in turn could harm our business.

Environmental, health and safety laws, regulations and requirements and the costs of complying with them, or any liability or obligation imposed under them, could adversely affect our financial position, results of operations or cash flow.

Our operations are subject to a variety of federal, state, local and foreign environmental, health and safety laws and regulations. These laws regulate releases of petroleum products and other hazardous substances into the environment as well as storage, treatment, transport and disposal of wastes, and the remediation of soil and groundwater contamination. In addition, certain of our customers require us to maintain certain safety levels. Failure to maintain such levels could lead to a loss of such customers.

These laws also regulate our ownership and operation of tanks used for the storage of petroleum products and other regulated substances.

We have made, and will continue to make, expenditures to comply with environmental laws and regulations, including, among others, expenditures for the investigation and cleanup of contamination at or emanating from, currently and formerly owned and leased properties, as well as contamination at other locations at which our wastes have reportedly been identified. Some of these laws impose strict and in certain circumstances joint and several liability on current and former owners or operators of contaminated sites for costs of investigation and remediation.

Compliance with existing or future environmental, health and safety requirements may require material expenditures by us or otherwise have a material adverse effect on our consolidated financial position, results of operations or cash flow.

We may not be able to adequately protect our intellectual property and other proprietary rights that are material to our business.

Our ability to compete effectively depends in part upon our rights in trademarks, copyrights and other intellectual property rights we own or license. Our use of contractual provisions, confidentiality procedures and agreements, and trademark, copyright, unfair competition, trade secret and other laws to protect our intellectual property and other proprietary rights may not be adequate. Litigation may be necessary to enforce our intellectual property rights and protect our proprietary information, or to defend against claims by third parties that our services or our use of intellectual property infringe their intellectual property rights. Any litigation or claims brought by or against us could result in substantial costs and diversion of our resources. A successful claim of trademark, copyright or other intellectual property infringement against us could prevent us from providing services, which could have a material adverse effect on our business, financial condition or results of operations.

We face risks related to changes in our ownership.

Certain of our agreements with third parties, including our real property leases, require the consent of such parties in connection with any change in ownership of us. We will generally seek such consents and waivers, although we may not seek certain consents if our not obtaining them will not, in our view, have a material adverse effect on our consolidated financial position or results of operations. If we fail to obtain any required consent or waiver, the applicable third parties could seek to terminate their agreement with us and, as a result, our ability to conduct our business could be impaired until we are able to enter into replacement agreements, resulting in a material adverse effect on our results of operations or financial condition.

Risks Related to Our Substantial Indebtedness

We have substantial debt and may incur substantial additional debt, which could adversely affect our financial condition, our ability to obtain financing in the future and our ability to react to changes in our business.

We have a significant amount of debt. As of December 31, 2006, we had approximately $ 3,006.4 million of debt outstanding.

Our substantial debt could have important consequences. For example, it could:

- make it more difficult for us to satisfy our obligations to the holders of our Notes and to the lenders under our Senior Credit Facilities, resulting in possible defaults on and acceleration of such indebtedness;
- require us to dedicate a substantial portion of our cash flow from operations to make payments on our debt, which would reduce the availability of our cash flow from operations to fund working capital, capital expenditures or other general corporate purposes;
- increase our vulnerability to general adverse economic and industry conditions, including interest rate fluctuations, because a portion of our borrowings, including under the Senior Credit Facilities, is at variable rates of interest;
- place us at a competitive disadvantage to our competitors with proportionately less debt or comparable debt at more favorable interest rates;
- limit our ability to refinance our existing indebtedness or borrow additional funds in the future;
- limit our flexibility in planning for, or reacting to, changing conditions in our business and industry; and
- limit our ability to react to competitive pressures, or make it difficult for us to carry out capital spending that is necessary or important to our growth strategy and our efforts to improve operating margins.

Any of the foregoing impacts of our substantial indebtedness could have a material adverse effect on our business, financial condition and results of operations.

Despite our current indebtedness levels, we and our subsidiaries may be able to incur substantial additional debt, which could further exacerbate the risks associated with our substantial indebtedness.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. The terms of the instruments governing our indebtedness do not prohibit us or fully prohibit us or our subsidiaries from doing so. Our Senior Credit Facilities provided us commitments for additional aggregate borrowings subject to, among other things, our maintenance of a sufficient borrowing base under such facilities. Both the Senior ABL Facilities and the Senior Term Facility permit additional borrowings beyond the committed financing thereunder under certain circumstances. If new debt is added to our current debt levels, the related risks that we now face would increase. In addition, the instruments governing our indebtedness do not prevent us or our subsidiaries from incurring obligations that do not constitute indebtedness.

We may not be able to generate sufficient cash to service all of our debt, and may be forced to take other actions to satisfy our obligations under such indebtedness, which may not be successful.

Our ability to make scheduled payments on, or to refinance our obligations under, our debt will depend on our financial and operating performance and that of our subsidiaries, which, in turn, will be subject to prevailing economic and competitive conditions and to the financial and business factors, many of which may be beyond our control. See the table under “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Contractual Obligations” for disclosure regarding the amount of cash required to service our debt.

We may not maintain a level of cash flow from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. If our cash flow and capital resources are insufficient to fund our debt

service obligations, we may be forced to reduce or delay capital expenditures, sell assets, seek to obtain additional equity capital or restructure our debt. In the future, our cash flow and capital resources may not be sufficient for payments of interest on and principal of our debt, and such alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. We may not be able to refinance any of our indebtedness or obtain additional financing, particularly because of our anticipated high levels of debt and the debt incurrence restrictions imposed by the agreements governing our debt, as well as prevailing market conditions. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. The instruments governing our indebtedness restrict our ability to dispose of assets and use the proceeds from any such dispositions. We may not be able to consummate those sales, or if we do, at an opportune timing, or whether the proceeds that we realize will be adequate to meet debt service obligations when due.

A significant portion of our outstanding indebtedness is secured by substantially all of our consolidated assets. As a result of these security interests, such assets would only be available to satisfy claims of our general creditors or to holders of our equity securities if we were to become insolvent to the extent the value of such assets exceeded the amount of our indebtedness and other obligations. In addition, the existence of these security interests may adversely affect our financial flexibility.

Indebtedness under our Senior Credit Facilities is secured by a lien on substantially all our assets. Accordingly, if an event of default were to occur under our Senior Credit Facilities, the senior secured lenders under such facilities would have a prior right to our assets, to the exclusion of our general creditors. In that event, our assets would first be used to repay in full all indebtedness and other obligations secured by them (including all amounts outstanding under our Senior Credit Facilities), resulting in all or a portion of our assets being unavailable to satisfy the claims of our unsecured indebtedness, including our Notes. Only after satisfying the claims of our unsecured creditors and our subsidiaries' unsecured creditors would any amount be available for our equity holders.

As of December 31, 2006, substantially all of our consolidated assets, including our equipment rental fleets, have been pledged for the benefit of the lenders under our Senior Credit Facilities. As a result, the lenders under these facilities would have a prior claim on such assets in the event of our bankruptcy, insolvency, liquidation or reorganization, and we may not have sufficient funds to pay all of our creditors. In that event, holders of our equity securities would not be entitled to receive any of our assets or the proceeds therefrom. As discussed below, the pledge of these assets and other restrictions may limit our flexibility in raising capital for other purposes. Because substantially all of our assets are pledged under these financing arrangements, our ability to incur additional secured indebtedness or to sell or dispose of assets to raise capital may be impaired, which could have an adverse effect on our financial flexibility.

Restrictive covenants in certain of the agreements and instruments governing our indebtedness may adversely affect our financial flexibility.

Our Senior Credit Facilities contain covenants that, among other things, restrict our ability to:

- incur additional indebtedness or provide guarantees;
- engage in mergers, acquisitions or dispositions;
- enter into sale-leaseback transactions;
- make dividends and other restricted payments;
- prepay other indebtedness;
- engage in certain transactions with affiliates;
- make other investments;
- change the nature of our business;
- incur liens;

- take actions other than those enumerated; and
- amend specified debt agreements.

In addition, under the Senior ABL Facilities, if we fail to maintain a specified minimum level of borrowing capacity, we will then be subject to financial covenants, including covenants that will obligate us to maintain a specified leverage ratio and a specified fixed charges coverage ratio. Our ability to comply with these covenants in future periods will depend on our ongoing financial and operating performance, which in turn will be subject to economic conditions and to financial, market and competitive factors, many of which are beyond our control. Our ability to comply with these covenants in future periods will also depend substantially on the pricing of our products and services, our success at implementing cost reduction initiatives and our ability to successfully implement our overall business strategy.

The indenture governing the Notes also contains restrictive covenants that, among other things, limit our ability and the ability of its restricted subsidiaries to:

- incur additional debt;
- pay dividends or distributions on their capital stock or repurchase their capital stock;
- make certain investments;
- create liens on their assets to secure debt;
- enter into certain transactions with affiliates;
- create limitations on the ability of the restricted subsidiaries to make dividends or distributions to their respective parents;
- merge or consolidate with another company; and
- transfer and sell assets.

Our ability to comply with the covenants and restrictions contained in the Senior Credit Facilities and the indenture governing the Notes may be affected by economic, financial and industry conditions beyond our control. The breach of any of these covenants or restrictions could result in a default under either the Senior Credit Facilities or the indenture that would permit the applicable lenders or noteholders, as the case may be, to declare all amounts outstanding thereunder to be due and payable, together with accrued and unpaid interest. In any such case, we may be unable to make borrowings under the Senior Credit Facilities and may not be able to repay the amounts due under the Senior Credit Facilities and the Notes. This could have a material adverse effect on our financial condition and results of operations and could cause us to become bankrupt or insolvent.

The instruments governing our debt contain cross default or cross acceleration provisions that may cause all of the debt issued under such instruments to become immediately due and payable as a result of a default under an unrelated debt instrument.

Our failure to comply with the obligations contained in the indenture governing our Notes and the agreements governing our Senior Credit Facilities or other instruments governing our indebtedness could result in an event of default under the applicable instrument, which could result in the related debt and the debt issued under other instruments becoming immediately due and payable. In such event, we would need to raise funds from alternative sources, which funds may not be available to us on favorable terms, on a timely basis or at all. Alternatively, such a default could require us to sell our assets and otherwise curtail our operations in order to pay our creditors. Such alternative measures could have a material adverse effect on our business, financial condition and results of operations.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

As of December 31, 2006, we operated through a network of 455 rental locations. Of these locations, 435 were in the United States and 20 were in Canada. As of December 31, 2005, we operated 447 rental locations. Of these locations, 428 were in the United States and 19 were in Canada. We lease the real estate for all but four of our locations. The majority of our leases are for five year terms with renewal options.

Our rental locations are generally situated in industrial or commercial zones. The typical location is approximately 7,500 square feet in size, located on approximately 2.0 acres and includes a customer service center, an equipment service area and storage facilities for equipment. We have expanded our network of equipment rental locations in 2006, adding 13 new locations in the United States and one in Canada. In 2007, we intend to open approximately 20 new stores.

Our corporate headquarters are located in Scottsdale, Arizona, where we occupy approximately 32,800 square feet under a lease that expires in 2008.

Item 3. Legal Proceedings

We are party to legal proceedings and potential claims arising in the ordinary course of our business, including claims related to employment matters, contractual disputes, personal injuries and property damage. In addition, various legal actions, claims and governmental inquiries and proceedings are pending or may be instituted or asserted in the future against us and our subsidiaries.

Pursuant to the Recapitalization Agreement, and subject to certain limitations set forth therein, ACAB and ACF have agreed to indemnify us against and defend us from all losses, including costs and reasonable expenses, resulting from claims related to the Recapitalization, our business and our former businesses, including, without limitation: claims alleging exposure to silica and asbestos as noted below; the transfer of certain businesses owned by RSC Holdings but not acquired by the Sponsors in connection with the Recapitalization; certain employee-related matters; any activities, operations or business conducted by RSC Holdings or any of its affiliates other than our business; and certain tax matters. ACAB's and ACF's indemnity for claims related to alleged exposure to silica entitles us to coverage for one half of all silica related losses until the aggregate amount of such losses equals $10 million and to coverage for such losses in excess of $10 million until the aggregate amount of such losses equals $35 million. ACAB's and ACF's general indemnity for breach of representations and warranties related to our business covers aggregate losses in excess of $33 million, excluding any individual loss of less than $75,000, and the maximum we can recover is 20% of the Recapitalization Purchase Price, as adjusted in accordance with the Recapitalization Agreement. ACAB and ACF may not have sufficient assets, income and access to financing to enable them to satisfy their indemnification obligations under the Recapitalization Agreement or that they will continue to honor those obligations. If ACAB or ACF do not satisfy or otherwise honor their obligations, we may be liable for any damages awarded in connection with a successful action brought against us and may have to assume the defense of such claims. Any failure by ACAB or ACF to perform these obligations could have a material adverse effect on us.

RSC Holdings is named as one of a number of co-defendants in actions filed on behalf of plaintiffs seeking damages for silicosis. RSC Holdings is also named as a defendant or co-defendant in actions filed on behalf of plaintiffs seeking damages resulting from exposure to alleged asbestos included in equipment manufactured by our former affiliates. As of March 5, 2007, RSC Holdings was a co-defendant in 14 silica cases involving approximately 40 plaintiffs (down from 162 cases involving 5,250 plaintiffs as of December 31, 2005) and two asbestos cases involving two plaintiffs (down from three cases involving 1,600 plaintiffs as of December 31, 2005). The significant decrease in these cases and the number of plaintiffs involved are due to dismissals in connection with which RSC Holdings has incurred no monetary or other damages and supports our belief that these cases are without merit. In addition, RSC Holdings is indemnified by our former parent, ACAB, against certain losses relating to such claims to the extent described above.

Litigation is subject to many uncertainties, and the outcome of the individual litigated matters is not predictable with assurance. It is possible that certain of the actions, claims, inquiries or proceedings, including those discussed above, could be decided unfavorably to us or any of our subsidiaries involved. Although the amount of liability with respect to

these matters cannot be ascertained, potential liability in excess of related accruals and available indemnification is not expected to materially affect our consolidated financial position, results of operations or cash flows.

Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II

Item 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

There is no established public trading market for our common stock.

Holders

We are a direct wholly-owned subsidiary of RSC Holdings II, LLC, which, in turn, is a direct wholly owned subsidiary of RSC Holdings I, LLC. RSC Holdings I, LLC, is a direct wholly owned subsidiary of RSC Holdings. Ripplewood and Oak Hill each own 42.27% of RSC Holdings, ACF owns 14.37% of RSC Holdings and management owns the remaining 1.09%.

Dividends

There are restrictions imposed on distributions by us and RSC to their direct and indirect parent companies by covenants contained in the Senior Credit Facilities, dated November 27, 2006 and the indenture governing the Notes, dated November 27, 2006.

Dividends of $8.0 million, $16.0 million and $16.0 million were declared and paid on the Series A Preferred Stock in the years ended December 31, 2006, 2005 and 2004 , respectively.

Item 6. Selected Financial Data

The following table presents selected consolidated financial information and other operational data for our business. The selected consolidated statements of income data presented below for the years ended December 31, 2006, 2005, 2004 and 2003 and the balance sheet data as of December 31, 2006, 2005 and 2004, have been derived from our audited financial statements. The consolidated balance sheet data at December 31, 2003 have been derived from our unaudited consolidated balance sheet for that period.

Our financial statements for the year ended December 31, 2001 were audited by Arthur Andersen LLP. Our current auditors, KPMG LLP, have been unable to obtain access to Arthur Andersen LLP's work papers for this period. In addition, KPMG LLP was not able to audit our financial statements for the year ended December 31, 2002 because an opening audited balance sheet could not be verified and relied on, due to Arthur Andersen LLP having conducted the 2001 audit of our financial statements. As such, producing audited financial statements for the year ended December 31, 2002 would be unduly burdensome and expensive. Consequently, we have not included selected financial data below for that period.

You should read the following information in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the consolidated financial statements and related notes included elsewhere in this Annual Report.

	Year Ended December 31,			
	2006	**2005**	**2004**	**2003**
	($ in thousands, except share data)			
Consolidated statements of income data:				
Revenues:				
Equipment rental revenue	$ 1,368,712	$ 1,140,329	$ 984,517	$ 899,203
Sale of merchandise	92,524	102,894	162,720	178,374
Sale of used rental equipment	191,652	217,534	181,486	140,424
Total revenues	1,652,888	1,460,757	1,328,723	1,218,001
Cost of revenues:				
Cost of equipment rentals, excluding depreciation	591,340	527,208	492,323	494,056
Depreciation—rental equipment	253,379	212,325	192,323	187,859
Cost of sales of merchandise	57,636	69,914	122,873	138,056
Cost of rental equipment sales	145,425	173,276	147,131	110,458
Total cost of revenues	1,047,780	982,723	954,650	930,429
Gross profit	605,108	478,034	374,073	287,572
Other operating expenses:				
Selling, general, and administrative	135,526	122,281	118,130	128,044
Depreciation and amortization—non-rental equipment	38,783	33,776	32,641	32,320
Recapitalization expenses	10,277	-	-	-
Total operating expenses	184,586	156,057	150,771	160,364
Operating income	420,522	321,977	223,302	127,208
Interest expense, net	197,085	134,556	74,496	79,850
Other income, net	(311)	(146)	(74)	(190)
Income before provisions for income taxes	223,748	187,567	148,880	47,548
Provision for income taxes	86,568	66,488	56,003	19,343
Net income	$ 137,180	$ 121,079	$ 92,877	$ 28,205
Preferred dividends	(7,997)	(15,995)	(15,995)	(3,999)
Net income available for common stockholders	$ 129,183	$ 105,084	$ 76,882	$ 24,206
Weighted average shares outstanding used in computing net income per common share:				
Basic and diluted (1)	1,000	1,000	1,000	1,000(2)
Net income per common share:				
Basic and diluted (1)	$ 129.2	$ 105.1	$ 76.9	$ 24.2(2)

	December 31,			
	2006	2005	2004	2003
	($ in thousands)			
Other financial data:				
Depreciation of rental equipment and depreciation and amortization of non-rental equipment	$ 292,162	$ 246,101	$ 224,964	$ 220,179
Capital expenditures:				
Rental	$ 721,258	$ 691,858	$ 419,900	$ 243,777
Non-rental	28,592	4,641	33,490	9,727
Proceeds from sales of used equipment and non-rental equipment	(207,613)	(233,731)	(215,622)	(146,956)
Net capital expenditures	$ 542,237	$ 462,768	$ 237,768	$ 106,548
Other operational data (unaudited):				
Utilization (3)	72.0%	70.6%	67.7%	63.9%
Average fleet age (months)	25.0	30.2	40.0	44.0
Same store rental revenues growth (4)	18.9%	17.6%	11.8%	0.9%
Employees (5)	5,187	4,938	4,812	4,991
Consolidated balance sheet data:				
Rental equipment, net	$ 1,738,670	$ 1,420,545	$ 1,127,481	$ 1,045,574
Total assets	3,304,976	2,764,431	2,421,674	2,330,297
Debt	3,006,426	2,352,380	2,312,626	2,435,121
Total liabilities	3,739,609	2,978,981	2,744,220	2,733,204
Total stockholders' deficit	(434,633)	(214,550)	(322,546)	(402,907)

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(1) Basic net income per common share has been computed using the weighted average number of shares of common stock outstanding during the period. Diluted net income per common share has been computed using the weighted average number of shares of common stock outstanding during the period, increased to give effect to the offering of any shares of common stock. Additionally, for purposes of calculating basic and diluted net income per common share, net income has been adjusted for preferred stock dividends. There were no potentially dilutive securities outstanding during 2006, 2005, 2004 and 2003.

(2) For 2003, weighted average shares outstanding used in computing basic and diluted net income per common share and basic and diluted net income per common share are unaudited.

(3) Utilization is defined as the average aggregate dollar value of equipment rented by customers (based on original rented equipment cost) for the relevant period divided by the average aggregate dollar value of all equipment (based on original equipment cost) for the relevant period.

The following table shows the calculation of utilization for each period presented.

	For the Year ended December 31,			
	2006	2005	2004	2003
	(in millions)			
Average aggregate dollar value of all equipment (original cost)	$ 2,197.8	$ 1,861.1	$ 1,779.0	$ 1,796.0
Average aggregate dollar value of equipment rental	1,582.8	1,314.7	1,205.1	1,148.2
Utilization	72.0%	70.6%	67.7%	63.9%

(4) Same store rental revenue growth is calculated as the year over year change in rental revenue for stores that are open at the end of the period reported and have been operating under the Company's direction for more than 12 months.

(5) Employee count is given as of the end of the period indicated and the data reflect the actual head count as of each period presented.

Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operations

Overview

We are one of the largest equipment rental providers in North America. We operate through a network of 455 rental locations across 10 regions in 39 U.S. states and four Canadian provinces. We believe we are the largest or second largest equipment rental provider in the majority of the regions in which we operate. During the eighteen months ended December 31, 2006, we serviced approximately 470,000 customers primarily in the non-residential construction and industrial markets. We rent a broad selection of equipment ranging from large equipment such as backhoes, forklifts, air compressors, scissor lifts, booms and skid-steer loaders to smaller items such as pumps, generators, welders and electric hand tools. We also sell used equipment, parts, merchandise and supplies for maintenance, repair and operations.

For the year ended December 31, 2006, we generated revenues, income before provision for income taxes and net income of $1,652.9 million, $223.7 million and $137.2 million, respectively. For the year ended December 31, 2005, we generated revenues, income before provision for income taxes and net income of $1,460.8 million, $187.6 million and $121.1 million, respectively. For the year ended December 31, 2004, we generated revenues, income before provision for income taxes and net income of $1,328.7 million, $148.9 million and $92.9 million, respectively.

For trends affecting our business and the markets in which we operate see "—Factors Affecting Our Results of Operations" below and also "Risk Factors—Risks Related to Our Business."

Factors Affecting Our Results of Operations

Our revenues and operating results are driven in large part by activities in the non-residential construction and industrial markets. These markets are cyclical with activity levels that tend to increase in line with growth in gross domestic product and decline during times of economic weakness. In addition, activity in the construction market tends to be susceptible to seasonal fluctuations in certain parts of the country. This results in changes in demand for our rental equipment. The cyclicality and seasonality of the equipment rental industry result in variable demand and, therefore, our revenues and operating results may fluctuate from period to period.

Our revenues and operating results are also affected by price increases for raw materials and energy, which have led to an increase in our equipment costs from many of our manufacturers. To the extent that demand for rental equipment falls and, in particular, if demand for such equipment falls below supply, we may not be able to set rental rates and resell used equipment at prices that will offset increased equipment costs resulting from increased raw materials and energy costs.

Critical Accounting Policies and Estimates

Our discussion and analysis of financial condition and results of operations are based upon our audited consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts in the consolidated financial statements and accompanying notes.

We believe the following critical accounting policies affect the more significant judgments and estimates used in the preparation of our financial statements and changes in these judgments and estimates may impact future results of operations and financial condition.

Accounts Receivable

Accounts receivable are stated net of allowances for doubtful accounts of $7.0 million and $7.5 million at December 31, 2006 and 2005, respectively. Management develops its estimate of this allowance based on our historical experience, its understanding of our current economic circumstances, and its own judgment as to the likelihood of ultimate payment. Bad debt expense is reflected as a component of selling, general and administrative expenses in the consolidated statements of income.

Rental Equipment

Rental equipment is recorded at cost and depreciated over the estimated useful lives of the equipment using the straight-line method. The range of estimated lives for rental equipment is one to ten years. Rental equipment is depreciated to a salvage value of zero to ten percent of cost. The incremental costs related to acquiring rental equipment and subsequently renting such equipment are expensed as incurred. Ordinary repair and maintenance costs are charged to operations as incurred. Repair and maintenance costs of $102.8 million, $90.6 million and $89.2 million are included in cost of revenues in our consolidated statements of income for the years ended December 31, 2006, 2005 and 2004, respectively. When rental fleet is disposed of, the related cost and accumulated depreciation are removed from their respective accounts, and any gains or losses are included in gross profit.

We have factory-authorized arrangements for the refurbishment of certain equipment. We continue to record depreciation expense while the equipment is out on refurbishment. The cost of refurbishment is added to the existing net book value of the asset. The combined cost is depreciated over 48 months. The total net book value of the equipment and the total refurbishment cost following completion of the refurbishment may not exceed the equipment's current fair value.

Long-Lived Assets and Goodwill

Long-lived assets such as rental equipment and property and equipment are measured for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If an impairment indicator is present, we evaluate recoverability by a comparison of the carrying amount of the assets to future undiscounted cash flows expected to be generated by the assets. If the assets are impaired, the impairment recognized is measured by the amount by which the carrying amount exceeds the fair value of the assets. Fair value is generally determined by estimates of discounted cash flows. We recognized no impairment of long-lived assets in the years ended December 31, 2006, 2005 and 2004, respectively.

Goodwill was $925.6 million at both December 31, 2006 and 2005. We review the carrying value of goodwill for impairment annually during the fourth quarter, and whenever an impairment indicator is identified. Based on our analyses, there was no impairment of goodwill in connection with the annual impairment tests that were performed during the years ended December 31, 2006 and 2005.

The goodwill impairment test involves a two-step approach. Under the first step, we determine the fair value of each reporting unit to which goodwill has been assigned. We compare the fair value of the reporting unit to its carrying value, including goodwill. We estimate the fair values of our reporting units utilizing an income approach valuation. If the estimated fair value exceeds the carrying value, no impairment loss is recognized. If the carrying value exceeds the fair value, goodwill is considered potentially impaired and the second step is completed in order to measure the impairment loss. Under the second step, we calculate the implied fair value of goodwill by deducting the fair value of all tangible and intangible net assets, including any unrecognized intangible assets, of the reporting unit from the fair value of the reporting unit as determined in the first step. We then compare the implied fair value of goodwill to the carrying value of goodwill. If the implied fair value of goodwill is less than the carrying value of goodwill, we recognize an impairment loss equal to the difference.

Revenue Recognition

We rent equipment primarily to the nonresidential construction and industrial markets. We record unbilled revenue for revenues earned in each reporting period which have not yet been billed to the customer. Rental contract terms may be daily, weekly, or monthly and may extend across financial reporting periods. Rental revenue is recognized over the applicable rental period.

We recognize revenue on merchandise sales when title passes to the customer, the customer takes ownership, assumes risk of loss, and collectibility is reasonably assured. There are no rights of return or warranties offered on product sales.

We recognize both net and gross re-rent revenue. We have entered into alliance agreements with certain suppliers whereby we will rent equipment from the supplier and subsequently re-rent such equipment to a customer. Under the alliance agreements, the collection risk from the end user is passed to the original supplier and revenue is presented on a net

basis under the provisions of Emerging Issues Task Force ("EITF") No. 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent.* When no alliance agreement exists, re-rent revenue is presented on a gross basis.

Cost of Revenues

Costs of revenues for equipment rentals consist primarily of wages and benefits for employees involved in the delivery and maintenance of rental equipment, rental location facility costs and rental equipment repair and maintenance expenses. Cost of sales of merchandise represents the costs of acquiring those items. Cost of rental equipment sales represents the net book value of rental equipment at the date of sale.

Selling, General and Administrative Expenses

Selling, general and administrative expenses primarily includes sales force compensation, information technology costs, advertising and marketing, professional fees and administrative overhead.

Reserve for Claims

Our insurance program for general liability, automobile, workers' compensation and pollution claims involves deductibles or self-insurance, with varying risk retention levels. Claims in excess of these risk retention levels are covered by insurance, up to certain policy limits. We are fully self-insured for medical claims. Our excess loss coverage for general liability, automobile, workers' compensation and pollution claims starts at $1.0 million, $1.5 million, $0.5 million and $0.25 million respectively. This coverage was in effect for the years ended December 31, 2006 and 2005. We establish reserves for reported claims that are asserted and for claims that are believed to have been incurred but not yet reported. These reserves reflect an estimate of the amounts that we will be required to pay in connection with these claims. The estimate of reserves is based upon assumptions relating to the probability of losses and historical settlement experience. These estimates may change based on, among other events, changes in claims history or receipt of additional information relevant to assessing the claims. Furthermore, these estimates may prove to be inaccurate due to factors such as adverse judicial determinations or settlements at higher than estimated amounts. Accordingly, we may be required to increase or decrease the reserves.

Income Taxes

Prior to the Recapitalization, RSC Holdings had other lines of businesses and the consolidated tax return of RSC Holdings for those periods included the results from those other lines of businesses. Our income taxes as presented in the consolidated financial statements are calculated on a separate tax return basis that does not include the results from those other lines of businesses. Under ACAB's ownership, RSC Holdings managed its tax position for the benefit of its entire portfolio of businesses, and its tax strategies were not necessarily reflective of the tax strategies that we would have followed or do follow as a stand-alone company.

Income taxes are accounted for under SFAS No. 109, *Accounting for Income Taxes*. Under SFAS No. 109 deferred income taxes reflect the tax consequences of differences between the financial statement carrying amounts and the respective tax bases of assets and liabilities and operating loss and tax credit carryforwards. A valuation allowance is provided for deferred tax assets when realization of such assets is not considered to be more likely than not. Adjustments to the deferred income tax valuation allowance are made periodically based on management's assessment of the recoverability of the related assets.

Provisions for deferred income taxes are recorded to the extent of withholding taxes and incremental taxes, if any, that arise from repatriation of dividends from those foreign subsidiaries where local earnings are not permanently reinvested. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the tax rates is recognized in income in the period that includes the enactment date.

Consideration Received from Vendors

We receive money from suppliers for various programs, primarily volume incentives and advertising. Allowances for advertising to promote a vendor's products or services which meet the criteria in EITF No. 02-16, *Accounting by a*

Customer (Including a Reseller) for Certain Consideration Received from a Vendor are offset against advertising costs in the period in which we recognize the incremental advertising cost. In situations when vendor consideration does not meet the criteria in EITF No. 02-16 to be offset against advertising costs, we consider the consideration to be a reduction in the purchase price of rental equipment acquired.

Volume incentives are deferred and amortized as an offset to depreciation expense over 36 months, which approximates the average period of ownership of the rental equipment purchased from vendors who provide us with rebates and other incentives.

The Recapitalization

Structure of the Recapitalization

The Recapitalization was accomplished through (a) the repurchase by RSC Holdings of a portion of its issued and outstanding common stock from ACF for (i) $3,345 million, as adjusted on the Recapitalization Closing Date and on March 9, 2007, as described under "Recent Transactions—The Recapitalization—Recapitalization Agreement" and (ii) the right to receive up to $400 million aggregate principal amount of contingent earn-out notes by ACF, as described under "Recent Transactions—The Recapitalization—Recapitalization Agreement—Contingent Earn-Out Notes," and (b) the $500 million cash equity investment in RSC Holdings by the Sponsors in exchange for a portion of the issued and outstanding common stock of RSC Holdings. Immediately after the Recapitalization, Ripplewood and Oak Hill each owned 42.735% of RSC Holdings' issued and outstanding capital stock and ACF owned 14.53% of RSC Holdings' issued and outstanding capital stock.

Accounting Treatment

We accounted for the Recapitalization as a leveraged recapitalization. Under leveraged recapitalization accounting, RSC Holdings' assets and liabilities remain at historical values and are not revalued and recorded at their fair value at the time of the Recapitalization.

Results of Operations

The following table sets forth for each of the periods indicated certain of our statements of income data and expresses revenue and expense data as a percentage of total revenues for the periods presented:

	Years Ended December 31,					
	2006		2005		2004	
			(in thousands)			
Revenues:						
Equipment rental revenue	$ 1,368,712	82.8%	$ 1,140,329	78.1%	$ 984,517	74.1%
Sale of merchandise	92,524	5.6	102,894	7.0	162,720	12.2
Sale of used rental equipment	191,652	11.6	217,534	14.9	181,486	13.7
Total revenues	1,652,888	100.0	1,460,757	100.0	1,328,723	100.0
Cost of revenues:						
Cost of equipment rentals, excluding depreciation	591,340	35.8	527,208	36.1	492,323	37.1
Depreciation — rental equipment	253,379	15.3	212,325	14.5	192,323	14.5
Cost of sales of merchandise	57,636	3.5	69,914	4.8	122,873	9.2
Cost of rental equipment sales	145,425	8.8	173,276	11.9	147,131	11.1
Total cost of revenues	1,047,780	63.4	982,723	67.3	954,650	71.8
Gross profit	605,108	36.6	478,034	32.7	374,073	28.2
Operating expenses:						
Selling, general, and administrative	135,526	8.2	122,281	8.4	118,130	8.9
Depreciation and amortization — non-rental equipment	38,783	2.3	33,776	2.3	32,641	2.5
Recapitalization expenses	10,277	0.6	—	—	—	—
Total operating expenses	184,586	11.2	156,057	10.7	150,771	11.3
Operating income	420,522	25.4	321,977	22.0	223,302	16.8
Interest expense, net	197,085	11.9	134,556	9.2	74,496	5.6
Other income, net	(311)	—	(146)	—	(74)	—
Income before provision for income taxes	223,748	13.5	187,567	12.8	148,880	11.2
Provision for income taxes	86,568	5.2	66,488	4.6	56,003	4.2
Net income	$ 137,180	8.3%	$ 121,079	8.3%	$ 92,877	7.0%

Year Ended December 31, 2006 Compared with Year Ended December 31, 2005

Revenues. Total revenues increased $192.1 million, or 13.2%, from $1,460.8 million for the year ended December 31, 2005 to $1,652.9 million for the year ended December 31, 2006. Equipment rental revenue increased $228.4 million, or 20.0%, from $1,140.3 million for the year ended December 31, 2005 to $1,368.7 million for the year ended December 31, 2006. The increase in equipment rental revenues was primarily the result of a $173.6 million, or 15.2%, increase in rental volume and a $54.8 million, or 4.8%, increase in rental rates.

Revenues from the sale of merchandise decreased $10.4 million, or 10.1%, from $102.9 million for the year ended December 31, 2005 to $92.5 million for the year ended December 31, 2006. The decrease was the result of our strategic decision to focus on our more profitable rental operations.

Revenues from the sale of used rental equipment decreased $25.9 million, or 11.9%, from $217.6 million for the year ended December 31, 2005 to $191.7 million for the year ended December 31, 2006, due to the fact that the quality, age and condition of the fleet reduced our need to sell and replace existing equipment.

Cost of equipment rentals, excluding depreciation, increased $64.1 million, or 12.2%, from $527.2 million for the year ended December 31, 2005 to $591.3 million for the year ended December 31, 2006, due primarily to a corresponding increase in equipment rental volume with a 20.0% increase in equipment rental revenues for the same period.

Depreciation of rental equipment increased $41.1 million, or 19.3%, from $212.3 million for the year ended December 31, 2005 to $253.4 million for the year ended December 31, 2006 due to our investment in new fleet. As a percent of equipment rental revenues depreciation decreased from 18.6% in the year ended December 31, 2005 to 18.5% in the year ended December 31, 2006. The decrease is due to our implementation of capital efficiency initiatives, including a

reduction of unavailable fleet from 10.5% to 8.9% and an increase in fleet utilization from 70.6% to 72.0% over the same period, which resulted in an increase in equipment rental revenue without a proportionate increase in fleet size.

Cost of sales of merchandise decreased $12.3 million, or 17.6%, from $69.9 million for the year ended December 31, 2005 to $57.6 million for the year ended December 31, 2006, due to the reduction of merchandise sales resulting from our strategic decision to focus on our more profitable rental operations. The gross margin for the sale of merchandise increased from 32.1% to 37.7% during that period. Increased margins are a result of our efforts to focus on targeted products that complement the rental transaction with higher margin merchandise and less emphasis on lower margin new equipment sales.

Cost of rental equipment sales decreased $27.9 million, or 16.1%, from $173.3 million for the year ended December 31, 2005 to $145.4 million for the year ended December 31, 2006 in line with the overall reduction in used rental equipment sales. Gross margin for the sale of used rental equipment increased from 20.3% to 24.1% over the same periods, respectively, due to a reduction of sales of older equipment.

Selling, general and administrative expenses increased $13.2 million, or 10.8%, from $122.3 million for the year ended December 31, 2005 to $135.5 million for the year ended December 31, 2006. Of this increase, $7.3 million was due to an increase in sales force compensation resulting from increased rental revenue and the remainder was due to an increase in general administrative and corporate costs. We expect our selling, general and administrative costs to increase approximately $4 to $7 million in 2007 as we invest in the infrastructure necessary to support our operations as a publicly traded company. Selling, general and administrative expenses decreased as a percentage of revenue from 8.4% for the year ended December 31, 2005 to 8.2% for the year ended December 31, 2006. This decrease as a percentage of revenue was due to our ability to leverage our operating efficiencies.

Depreciation and amortization — non-rental equipment increased $5.0 million, or 14.8%, from $33.8 million for the year ended December 31, 2005 to $38.8 million for the year ended December 31, 2006, primarily as a result of an initiative to replace older sales and delivery vehicles.

Recapitalization expenses of approximately $10.3 million for the year ended December 31, 2006 relate to fees and expenses incurred in connection with the consummation of the Recapitalization and not otherwise amortized or applied to stockholders' equity, for which there are no comparable amounts in 2005.

Total operating expenses increased $28.5 million, or 18.3%, from $156.1 million for the year ended December 31, 2005 to $184.6 million for the year ended December 31, 2006 as discussed above, and total operating expenses as a percentage of total revenues increased from 10.7% for the year ended December 31, 2005 to 11.2% for the year ended December 31, 2006 as a result of the Recapitalization expenses incurred in 2006.

Operating Income. Operating income increased $98.5 million, or 30.6%, from $322.0 million for the year ended December 31, 2005 to $420.5 million for the year ended December 31, 2006, representing a margin improvement from 22.0% to 25.4%. This increase was primarily the result of our continued focus on rental rate management and our ability to leverage operating costs.

Interest Expense, net. Interest expense increased $62.5 million, or 46.5%, from $134.6 million for the year ended December 31, 2005 to $197.1 million for the year ended December 31, 2006, partially due to the fact that, effective January 1, 2006, the rate charged on certain pre-Recapitalization outstanding debt changed (resulting in an increase in the effective interest rate on such debt) and partially due to an increase in total outstanding debt resulting from the Recapitalization from $2,352.4 million to $3,006.4 million from December 31, 2005 to December 31, 2006.

Provision For Income Taxes. The provision for income tax increased $20.1 million, or 30.2%, from $66.5 million for the year ended December 31, 2005 to $86.6 million for the year ended December 31, 2006, primarily due to an increase in pre-tax profits for the year ended December 31, 2006 compared to the year ended December 31, 2005.

Net Income. Net income increased $16.1 million, or 13.3%, from $121.1 million for the year ended December 31, 2005 to $137.2 million for the year ended December 31, 2006. The increase was primarily due to the continued implementation of processes focused on effective rental rate management, increased operating efficiencies and profitable rental volume growth.

Year Ended December 31, 2005 Compared with Year Ended December 31, 2004

Revenues. Total revenues increased $132.1 million, or 9.9%, from $1,328.7 million for the year ended December 31, 2004 to $1,460.8 million for the year ended December 31, 2005. Equipment rental revenues for the year ended December 31, 2005 increased $155.8 million, or 15.8%, from $984.5 million for the year ended December 31, 2004 to $1,140.3 million for the year ended December 31, 2005. The increase in equipment rental revenues was primarily the result of a $74.1 million, or 7.5%, increase in rental volume and effective rental rate management resulting in a $81.7 million, or 8.3%, increase in rental rates.

Revenues from the sale of merchandise decreased $59.8 million, or 36.8%, from $162.7 million for the year ended December 31, 2004 to $102.9 million for the year ended December 31, 2005, primarily as a result of our exiting certain non-core product lines, as well as our strategic decision to focus on our more profitable rental operations.

Revenues from the sale of used rental equipment increased $36.0 million, or 19.9%, from $181.5 million for the year ended December 31, 2004 to $217.5 million for the year ended December 31, 2005, as a result of concentrated sales efforts to optimize the quality and condition of the rental fleet.

Cost of equipment rentals, excluding depreciation, increased $34.9 million, or 7.1%, from $492.3 million for the year ended December 31, 2004 to $527.2 million for the year ended December 31, 2005, primarily due to a corresponding increase in equipment rental revenue volume with a 15.8% increase in equipment rental revenues for the same period.

Depreciation of rental equipment increased $20.0 million, or 10.4%, from $192.3 million for the year ended December 31, 2004 to $212.3 million for the year ended December 31, 2005, while decreasing as a percent of equipment rental revenues from 19.5% in the year ended December 31, 2004 to 18.6% for the year ended December 31, 2005. This decrease was due to our implementation of capital efficiency initiatives, including a reduction of unavailable fleet from 12.9% to 10.5% and an increase in fleet utilization from 67.7% to 70.6% over the same period.

Cost of sales of merchandise decreased $53.0 million, or 43.1%, from $122.9 million for the year ended December 31, 2004 to $69.9 million for the year ended December 31, 2005, primarily as a result of our exiting certain non-core product lines. Gross margin for the sale of merchandise increased from 24.5% for the year ended December 31, 2004 to 32.1% for the year ended December 31, 2005, largely due to a reduction of lower margin new equipment sales and a shift to higher margin merchandise items that complement the related rental transaction.

Cost of rental equipment sales increased $26.2 million, or 17.8%, from $147.1 million for the year ended December 31, 2004 to $173.3 million for the year ended December 31, 2005. As a result of the increased sales of used rental equipment, gross margin for the sale of rental equipment increased from 18.9% during the year ended December 31, 2004 to 20.3% for the year ended December 31, 2005, due to a reduction of sales of older and under-utilized equipment.

Selling, general and administrative expenses increased $4.2 million, or 3.5%, from $118.1 million for the year ended December 31, 2004 to $122.3 million for the year ended December 31, 2005 primarily as a result of an increase of $3.6 million in marketing and advertising programs focused on promoting equipment rental. Selling, general and administrative expenses decreased as a percentage of total revenue from 8.9% for the year ended December 31, 2004 to 8.4% for the year ended December 31, 2005 due to increased revenue resulting from increased equipment rental volume, rental rate management resulting in increased rental rates and increased operating efficiencies.

Depreciation and amortization of non-rental equipment remained essentially flat from the year ended December 31, 2004 to the year ended December 31, 2005.

Total operating expenses increased $5.3 million, or 3.5%, from $150.8 million for the year ended December 31, 2004 to $156.1 million for the year ended December 31, 2005 due to the reasons discussed above, and total operating expenses as a percentage of total revenues decreased from 11.3% in the year ended December 31, 2004 to 10.7% in the year ended December 31, 2005.

Operating Income. Operating income increased $98.7 million, or 44.2%, from $223.3 million for the year ended December 31, 2004 to $322.0 million for the year ended December 31, 2005, representing a margin improvement from

16.8% to 22.0%. This increase was primarily the result of increased equipment rental revenue due to increased equipment volume growth, rental rate management resulting in increased rental rates and effective cost management.

Interest Expense, net. Interest expense increased $60.1 million, or 80.6%, from $74.5 million for the year ended December 31, 2004 to $134.6 million for the year ended December 31, 2005, primarily due to an increase in the interest rate on January 1, 2005 charged by an ACAB affiliate, resulting in an increase in the effective interest rate on such debt.

Provision For Income Taxes. The provision for income tax expense increased $10.5 million, or 18.7%, from $56.0 million for the year ended December 31, 2004 to $66.5 million for the year ended December 31, 2005. The increase is primarily the result of an increase in pre-tax profits for the year ended December 31, 2005, compared to the same period in 2004.

Net Income. Net income increased $28.2 million, or 30.4%, from $92.9 million for the year ended December 31, 2004 to $121.1 million for the year ended December 31, 2005. The increase was primarily due to increased revenues of $132.1 million and effective cost management.

Liquidity and Capital Resources

Cash and Cash Flows

As of December 31, 2006, we had cash and cash equivalents of $46.2 million, an increase of $39.1 million from December 31, 2005. As of December 31, 2005, we had cash and cash equivalents of $7.1 million, an increase of $2.6 million from December 31, 2004. As of December 31, 2004, we had cash and cash equivalents of $4.5 million, an increase of $4.0 million from December 31, 2003.

Our operations are funded primarily by cash provided by operating activities. Net cash provided by operating activities during the year ended December 31, 2006 was $442.9 million, a decrease of $5.7 million from the year ended December 31, 2005. This decrease was primarily due to normal variations in purchasing patterns. Net cash provided by operating activities was $488.6 million for the year ended December 31, 2005, an increase of $81.5 million from the year ended December 31, 2004, primarily due to increased net income and improved vendor terms that allowed us to make payments on favorable terms after delivery of equipment.

Our business is highly capital intensive and our primary use of cash in investing activities is for the acquisition of rental equipment. Net cash used in investing activities during the year ended December 31, 2006 was $542.2 million, an increase of $79.4 million from the year ended December 31, 2005. This increase is primarily due to investment in rental fleet. Net cash used in investing activities was $462.8 million for the year ended December 31, 2005, an increase of $225.0 million from the year ended December 31, 2004. The increase during 2005 was primarily due to an increase in net expenditures for rental equipment. For the year ended December 31, 2006, our expenditures for rental equipment were $721.3 million, partially offset by proceeds from the disposal of such equipment of $191.7 million. For the year ended December 31, 2005, our expenditures for rental equipment were $691.9 million, partially offset by proceeds from the disposal of such equipment of $217.5 million. For the year ended December 31, 2004, our expenditures for rental equipment were $419.9 million, partially offset by proceeds from the disposal of such equipment of $181.5 million.

For the year ended December 31, 2006, our capital expenditures for property and non-rental equipment were $28.6 million. For the year ended December 31, 2005, our capital expenditures for property and non-rental equipment were $4.6 million. This increase was primarily the result of the initiative to replace older sales and delivery vehicles. For the year ended December 31, 2004, our capital expenditures for property and non-rental equipment were $33.5 million. See "—Capital Expenditures" below.

Indebtedness

As of December 31, 2006, we had $3,006.4 million of indebtedness outstanding, consisting primarily of $1,127.7 million under the Senior ABL Facilities, $1,130.0 million under the Senior Term Facility and $620.0 million of Notes.

Liquidity Following the Recapitalization

We are highly leveraged and a substantial portion of our liquidity needs arise from debt service on indebtedness incurred in connection with the Recapitalization and from the funding of our costs of operations, working capital and capital expenditures.

We rely primarily on cash generated from operations and borrowings under our Senior ABL Facilities to purchase equipment for our rental fleet. As of December 31, 2006, we had a balance of $878 million and available borrowings of $505 million related to the revolving portion of the Senior ABL Facilities. The available borrowings as of December 31, 2006 were reduced by $41 million of outstanding letters of credit and is subject to our maintenance of a sufficient borrowing base under the Senior ABL Facilities. For a discussion of risks related to our reliance on borrowings under our Senior ABL Facilities to purchase equipment, see "Risk Factors—Risks Related to Our Business—Our reliance on available borrowings under our Senior ABL Facilities and cash from operating activities to purchase new equipment subjects us to a number of risks, many of which are beyond our control."

Also, substantially all of our rental equipment and all our other assets are subject to liens under our Senior ABL Facilities and our Senior Term Facility. None of such assets will be available to satisfy the claims of our general creditors.

We believe that cash generated from operations, together with amounts available under the Senior ABL Facilities, will be adequate to permit us to meet our debt service obligations, ongoing costs of operations, working capital needs and capital expenditure requirements for the foreseeable future. Our future financial and operating performance, ability to service or refinance our debt and ability to comply with covenants and restrictions contained in our debt agreements will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control. See "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements."

Indebtedness Following the Recapitalization

On the Recapitalization Closing Date, RSC entered into a series of financing and refinancing transactions. For a description of the Recapitalization, see "Recent Transactions—The Recapitalization."

Senior ABL Facilities. In connection with the Recapitalization, RSC and certain of its parent companies and subsidiaries, as borrower, entered into a senior secured asset based credit facility with Deutsche Bank AG, New York Branch ("DBNY"), as administrative agent, Citicorp North America, Inc. ("Citigroup"), as syndication agent, and the other financial institutions party thereto from time to time. The facility consists of a $1,450 million revolving credit facility and a $250 million term loan facility. As of December 31, 2006, we had $505 million available under the revolving credit facility. The revolving loans under the Senior ABL Facilities mature five years from the Recapitalization Closing Date. The term loans under the Senior ABL Facilities will mature six years from the Recapitalization Closing Date. The term loans under the Senior ABL Facilities amortize in equal quarterly installments of one percent of the aggregate principal amount thereof per annum until their maturity date. The Senior ABL Facilities contain a number of covenants that, among other things, limit or restrict the ability of the borrowers and the guarantors to incur additional indebtedness; provide guarantees; engage in mergers, acquisitions or dispositions; enter into sale-leaseback transactions; make dividends and other restricted payments; prepay other indebtedness (including the notes); engage in certain transactions with affiliates; make other investments; change the nature of its business; incur liens; with respect to RSC Holdings II, LLC, take actions other than those enumerated; and amend specified debt agreements. In addition, under the Senior ABL Facilities, upon excess availability falling below certain levels, the borrowers will be required to comply with specified financial ratios and tests, including a minimum fixed charge coverage ratio of 1.00 to 1.00 and a maximum leverage ratio as of the last day of any test period during any period set forth in the following table:.

Fiscal Quarter Ending	Consolidated Leverage Ratio
December 31, 2006	5.00:1.00
March 31, 2007	5.00:1.00
June 30, 2007	5.00:1.00
September 30, 2007	5.00:1.00
December 31, 2007	5.00:1.00
March 31, 2008	4.75:1.00
June 30, 2008	4.75:1.00

Fiscal Quarter Ending	Consolidated Leverage Ratio
September 30, 2008	4.75:1.00
December 31, 2008	4.75:1.00
March 31, 2009	4.50:1.00
June 30, 2009	4.50:1.00
September 30, 2009	4.50:1.00
December 31, 2009	4.50:1.00
March 31, 2010 and at all times thereafter	4.25:1.00

As of December 31, 2006, if the coverage ratio and leveraged ratio tests had been triggered by a reduction in excess availability under the Senior ABL Facilities, the borrowers would have been in compliance with such financial ratios and tests.

Senior Term Facility. In connection with the Recapitalization, RSC and certain of its parent companies, as borrower, entered into an up to $1,130 million senior secured second-lien term loan facility with DBNY, as administrative agent, Citigroup, as syndication agent, General Electric Capital Corporation ("GECC"), as co-documentation agent and the other financial institution as party thereto from time to time. As of December 31, 2006, no additional amounts are available to us under this facility. The Senior Term Facility matures seven years from the Recapitalization Closing Date. The term loans will not amortize. The Senior Term Facility contains a number of covenants substantially identical to, but no more restrictive than, the covenants contained in the Senior ABL Facilities. However, under the Senior Term Facility, the borrowers are not required to comply with covenants relating to borrowing base reporting or to specified financial maintenance covenants.

The Notes. In connection with the Recapitalization, we and RSC issued $620 million aggregate principal amount of 9½% senior notes due 2014. The indenture for the Notes contains covenants that, among other things, limits our ability, as described more fully in the indenture, to incur more debt, pay dividends, redeem stock or make other distributions, make investments, create liens, transfer or sell assets, merge or consolidate and enter into certain transactions with affiliates. The Notes are redeemable, at RSC's option, in whole or in part, at any time and from time to time on and after December 1, 2010 and prior to maturity at the applicable redemption price set forth in the indenture. Any such redemption may, in RSC's discretion, be subject to the satisfaction of one or more conditions precedent, including but not limited to the occurrence of a change of control (as defined in the indenture governing the Notes). In addition, at any time and from time to time on or prior to December 1, 2009, we and RSC may redeem up to 35% of the original aggregate principal amount of the Notes, with funds in an equal aggregate amount up to the aggregate proceeds of certain equity offerings of RSC, at a redemption price of 109.5%, for Notes, plus accrued and unpaid interest, if any, to the redemption date. This redemption provision is subject to a requirement that Notes in an aggregate principal amount equal to at least 65% of the original aggregate principal amount of Notes must remain outstanding after each such redemption of Notes. On the Recapitalization Closing Date, we and RSC entered into a Registration Rights Agreement pursuant to which we and RSC agreed to use our commercially reasonable efforts to file with the Commission one or more registration statements under the Securities Act relating to an exchange offer pursuant to which new notes substantially identical to the Notes will be offered in exchange for the then outstanding Notes tendered at the option of the holders thereof. We and RSC have further agreed to use our commercially reasonable efforts to cause the exchange offer Registration Statement to become effective within 360 days following the Recapitalization Closing Date. If we and RSC do not cause the exchange offer to become effective within 360 days following the Recapitalization Closing Date, or if we and RSC fail to complete the exchange offer pursuant to the Registration Rights Agreement within 390 days following the Recapitalization Closing Date, or if certain other conditions set forth in the Registration Rights Agreement are not met, we and RSC will be obligated to pay additional interest on the Notes.

Contractual Obligations

The following table details the contractual cash obligations for debt, operating leases and purchase obligations as of December 31, 2006. The contractual obligations presented below do not give effect to the contingent earn-out notes. For information regarding the contingent earn-out notes, see "Recent Transactions — The Recapitalization — Contingent Earn-Out Notes" and note 1 to our financial statements.

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
			(in millions)		
Contractual Obligations (as of December 31, 2006)					
Debt	$ 2,877.7	$ 2.5	$ 5.0	$ 883.3	$ 1,986.9
Capital Leases	128.7	29.2	51.7	31.8	16.0
Interest on Debt and Capital Leases(1)	1,541.6	247.4	489.6	477.7	326.9
Operating Leases	153.7	43.5	66.0	34.8	9.4
Total	$ 4,701.7	$ 322.6	$ 612.3	$ 1,427.6	$ 2,339.2

(1) Estimated interest for debt for all periods presented is calculated using the interest rate effective as of December 31, 2006 of (i) 7.1% for the Senior ABL Facilities, (ii) 8.86% for the Senior Term Facility, (iii) 0.25% on the $572 million of undrawn capacity under the revolving portion of the Senior ABL Facilities and (iv) 9.50% on the Notes. Principal payments are reflected when contractually required, and no early paydowns are reflected. Capital lease interest is based upon contractually agreed upon amounts.

Capital Expenditures

The table below shows rental equipment and property and non-rental equipment capital expenditures and related disposal proceeds received by year for 2006, 2005 and 2004.

	Rental Equipment			Property and Non-Rental Equipment		
	Gross Capital Expenditures	Disposal Proceeds	Net Capital Expenditures	Gross Capital Expenditures	Disposal Proceeds	Net Capital Expenditures
			(in millions)			
2006	$ 721.3	$ 191.7	$ 529.6	$ 28.6	$ 16.0	$ 12.6
2005	691.9	217.5	474.4	4.6	16.2	(11.6)
2004	419.9	181.5	238.4	33.5	34.1	(0.6)
	$ 1,833.1	$ 590.7	$ 1,242.4	$ 66.7	$ 66.3	$ 0.4

Recent Accounting Pronouncements

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and SFAS No. 3. SFAS No. 154 requires retrospective application to prior periods' financial statements for changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS No. 154 also requires that retrospective application of a change in accounting principle be limited to the direct effects of the change. Indirect effects of a change in accounting principle should be recognized in the period of the accounting change. SFAS No. 154 further requires a change in depreciation, amortization or depletion method for long-lived, nonfinancial assets to be accounted for as a change in accounting estimate affected by a change in accounting principle. Unless adopted early, SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS No. 154 did not have a material impact on our results of operations, financial position or cash flows.

In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109 ("FIN 48"). Fin 48 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. We are assessing the impact of FIN 48 and have not yet determined the impact that the adoption of FIN 48 will have on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. This standard defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurements. This pronouncement applies to other accounting standards that require or permit fair value measurements. Accordingly, this statement does not require any new fair value measurement. This statement is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company will be required to adopt SFAS No. 157 in the first quarter of the year ending December

31, 2008. We are assessing the requirements of SFAS No. 157 and have not yet determined the impact of adoption on our results of operations, financial position or cash flows.

In September 2006, the SEC staff issued Staff Accounting Bulletin ("SAB") 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements. SAB 108 requires analysis of misstatements using both an income statement (rollover) approach and a balance sheet (iron curtain) approach in assessing materiality and provides for a one-time cumulative effect transition adjustment. SAB 108 is only effective for public companies. We will adopt SAB 108 upon becoming a public company. We do not expect the adoption will have a material impact on our results of operations, financial position or cash flows.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115. This statement permits entities to choose to measure many financial instruments at fair value. A business entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. We will be required to adopt SFAS No. 159 in the first quarter of the year ending December 31, 2008. We are assessing the impact of SFAS No. 159 and have not yet determined the impact of adoption on our results of operations, financial positions or cash flows.

Item 7A. Quantitative and Qualitative Disclosure About Market Risks

We are potentially exposed to market risk associated with changes in interest rates and foreign currency exchange rates. For more information on these exposures, see note 2 to the notes to our audited consolidated financial statements included in this Annual Report.

Interest Rate Risk

We have a significant amount of debt under the Senior Credit Facilities with a variable rates of interest based generally on an adjusted London inter-bank offered rate, or "LIBOR", or an alternate interest rate, in each case, plus an applicable margin (or, in the case of Canadian dollar borrowings under the Senior ABL Facilities, variable borrowing costs based generally on bankers' acceptance discount rates, plus a stamping fee equal to an applicable margin, or on the Canadian prime rate, plus an applicable margin). Increases in interest rates could therefore significantly increase the associated interest payments that we are required to make on this debt. We have assessed our exposure to changes in interest rates by analyzing the sensitivity to our earnings assuming various changes in market interest rates. Assuming a hypothetical increase of 1% in interest rates on our debt portfolio, for the year ended December 31, 2006, our net interest expense would increase by an estimated $22.5 million, without taking into account any potential hedging under the instruments governing our debt. Pursuant to the terms of the agreements governing the Senior Credit Facilities, we may hedge a portion of the floating rate interest exposure thereunder to provide protection in respect of such exposure.

Currency Exchange Risk

The functional currency for our Canadian operations is the Canadian dollar. In 2006 and 2005, 4.0% and 3.4%, respectively, of our revenues were generated by our Canadian operations. As a result, our future earnings could be affected by fluctuations in the exchange rate between the U.S. and Canadian dollars. Based upon the level of our Canadian operations during 2006 and 2005 relative to our operations as a whole, a 1% change in this exchange rate would not have a material impact on our earnings.

Inflation

The increased acquisition cost of rental equipment is the primary inflationary factor affecting us. Many of our other operating expenses are also expected to increase with inflation, including health care costs. Management does not expect that the effect of inflation on our overall operating costs will be greater for us than for our competitors.

Item 8. Financial Statements and Supplementary Data

Financial Statements

Our financial statements required by this item are contained on pages F-1 through F-27 of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

The Company believes that its internal controls and procedures provide reasonable assurance that the disclosure submitted by the Company is recorded, processed, summarized and reported, within the time periods required by the indenture governing the Notes, and that information required to be disclosed in the reports the Company files or submits is accumulated and communicated to management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. The Company will comply with sections 307 and 308 of Regulation S-K, as applicable, once it becomes subject to sections 13(a) or 15(d) of the Exchange Act.

This Annual Report does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the Company's independent registered public accounting firm since the Company is not yet subject to Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended.

Item 9B. Other Information

None.

PART III

Item 10. Directors and Executive Officers

Directors and Executive Officers

As discussed above, because we are a limited liability company, our affairs and business are effectively managed by the Board of Directors of RSC Holdings. Set forth below are the names, ages and positions of our directors and executive officers of RSC Holdings as of April 16, 2007. The directors and executive officers of RSC Holdings listed below also serve in those same capacities at RSC. RSC Holdings I, LLC, is a direct wholly owned subsidiary of RSC Holdings; RSC Holdings II, LLC, is a direct wholly owned subsidiary of RSC Holdings I, LLC; and RSC Holdings III, LLC, is a direct wholly owned subsidiary of RSC Holdings II, LLC. RSC is a direct subsidiary of RSC Holdings III, LLC; and RSC Equipment Rental of Canada Ltd. is a direct subsidiary of RSC.

Name	Age	Position
Erik Olsson	44	President, Chief Executive Officer and Director
Charles Foster	47	Senior Vice President of Operations
Homer Graham	55	Senior Vice President of Operations
Kevin Groman	36	Senior Vice President, General Counsel and Corporate Secretary
Phillip Hobson	40	Senior Vice President, Corporate Operations
David Ledlow	48	Senior Vice President of Operations
Keith Sawottke	50	Senior Vice President and Chief Financial Officer
Joseph Turturica	39	Senior Vice President and Chief People Officer
Denis Nayden	52	Director, Chairman of the Board
Timothy Collins	50	Director
Edward Dardani	44	Director
Douglas Kaden	35	Director
Christopher Minnetian	37	Director
John R. Monsky	48	Director
Scott Spielvogel	33	Director
Donald Wagner	43	Director
Fredrik Nijdam	66	Director

Erik Olsson has served as President and Chief Executive Officer of RSC since August 2006. Mr. Olsson joined RSC in 2001 as Chief Financial Officer and in 2005 became RSC's Chief Operating Officer. During the 13 years prior to 2001, Mr. Olsson held various senior financial management positions at Atlas Copco Group in Sweden, Brazil and the United States, most recently serving as Chief Financial Officer for Milwaukee Electric Tool Corporation in Milwaukee, Wisconsin, an Atlas Copco Group owned company at that time, from 1998 to 2000.

Charles Foster has served as Senior Vice President, Operations (Southeast, Southern and Texas Regions) of RSC since 2006. Mr. Foster joined the corporation in 1984 as a management trainee of Prime Equipment, a predecessor to Prime Service, Inc., which merged into Rental Service Corporation to form RSC. Mr. Foster has held several management positions within RSC, including Regional Vice President for operations in Georgia, Florida and Alabama, Regional Vice President for the Southern Region from 2001 to 2004 and, most recently, Regional Vice President for the Southeast Region from 2004 to 2006.

Homer Graham has served as Senior Vice President, Operations (Northeast, Midwest and Great Lakes Regions) of RSC since 2006. Mr. Graham joined Rental Service Corporation, a predecessor to RSC, in 1998, holding various field management positions, serving most recently as Regional Vice President for the Northeast Region. Prior to joining RSC, Mr. Graham served as a general manager for Approved Equipment Company, later acquiring the company and operating it for 18 years.

Kevin Groman has served as Senior Vice President, General Counsel and Corporate Secretary of RSC since December 2006. Prior to joining RSC, Mr. Groman served as Vice President, Associate General Counsel, Deputy Compliance Officer and Assistant Secretary of PetSmart, Inc., a specialty pet retail supplies and services company. Mr. Groman held various positions at PetSmart from 2000 to 2006. From 1995 to 2000, Mr. Groman held several counsel positions including Senior Counsel and Assistant Secretary with CSK Auto Corporation, an auto parts retailer operating under the names Checker, Schuck's, and Kragen Auto Parts Stores.

Phillip Hobson has served as Senior Vice President, Corporate Operations of RSC since February 2007. From 2005 to 2007, Mr. Hobson served as Vice President, Innovation, and as its Director of Internal Audit from 2004 to 2005. From 2002 to 2004 he served as Director of Financial Planning, and he joined RSC in 1998, as a financial analyst. Prior to joining RSC, Mr. Hobson held various financial management related positions with Sunstate Equipment Co. and the Northwest Division of Pizza Hut.

David Ledlow has served as Senior Vice President, Operations (Mountain, Western and Canadian Regions) of RSC since 2006. Mr. Ledlow joined Rental Service Corporation, a predecessor to RSC, in 1984 and has occupied positions in outside sales, sales management, regional management, and served as Regional Vice President for the Southeast Region from 1996 to 2000 and Regional Vice President for the Western/Mountain Region from 2001 to 2006. Prior to joining RSC, Mr. Ledlow was Vice President of Sales at Walker Jones Equipment, a company later acquired by Rental Service Corporation, a predecessor to RSC.

Keith Sawottke has served as Senior Vice President and Chief Financial Officer of RSC since 2005. Mr. Sawottke served as RSC's Vice President of Finance and Accounting from 2002 through 2005, and as its Controller from 2001 to 2002. Prior to joining RSC, Mr. Sawottke held financial management positions with MicroAge Technologies Services, Inc., Russcor Technology, Inc., Pacific Atlantic Systems Leasing, Inc. and Bell Atlantic Systems Leasing, Inc., and was an auditor with Arthur Andersen and Co.

Joseph Turturica has served as Senior Vice President and Chief People Officer of RSC since 2006. Mr. Turturica joined RSC as Vice President of Human Resources in 2005. Prior to RSC, Mr. Turturica served as Vice President of Staffing and Associate Relations at Penske Truck Leasing from 2000 to 2005 and Vice President of Human Resources at Detroit Diesel Corporation, an affiliate of Penske Corporation from 1994 to 2000.

Denis Nayden has served as a director and Chairman of the Board of RSC Holdings and RSC since shortly after the Recapitalization. He is a Managing Partner of Oak Hill Capital Management, LLC and has been with the firm in that position since 2003. Mr. Nayden co-heads the Oak Hill industry groups focused on investments in basic industries and business and financial services. Prior to joining Oak Hill Capital Management, LLC in 2003, Mr. Nayden was Chairman and Chief Executive Officer of GE Capital from 2000 to 2002 and had a 27-year tenure at General Electric Co., during which time he also served as Chief Operating Officer, Executive Vice President, Senior Vice President and General Manager in the Structured Finance Group, Vice President and General Manager in the Corporate Finance Group and Marketing Administrator for Air/Rail Financing as well as in various other positions of increasing responsibility. Mr. Nayden serves on the Boards of Directors of Duane Reade, Inc., Genpact Global Holdings, GMH Communities Trust, Healthcare Services, Inc. and Primus International, Inc.

Timothy Collins has served as a director of RSC Holdings and RSC since shortly after the Recapitalization. Mr. Collins founded Ripplewood Holdings L.L.C. in 1995 and has been CEO and Senior Managing Director since its inception. Prior to founding Ripplewood Holdings L.L.C., Mr. Collins managed the New York office of Onex Corporation, a Toronto-based investment company, from 1990 to 1995. Prior to Onex, Mr. Collins was a Vice President at Lazard Frères & Company from 1984 to 1990. Previously, he worked from 1981 to 1984 with the management consulting firm of Booz, Allen & Hamilton, specializing in strategic and operational issues of major industrial and financial firms. Mr. Collins is also the Chief Executive Officer of RHJ International SA. Mr. Collins currently serves as a director of Commercial International Bank and RHJ International, each of which is publicly traded, and Supresta LLC, which is a portfolio company of Ripplewood Holdings L.L.C.

Edward Dardani has served as a director of RSC Holdings and RSC since shortly after the Recapitalization. He is a Partner of Oak Hill Capital Management, LLC and has been with the firm since 2002. Mr. Dardani is responsible for investments in the business and financial services industry group. Prior to joining Oak Hill Capital Management, LLC in 2002, he worked in merchant banking at DB Capital Partners from 1999 to 2002, as a management consultant at McKinsey & Company, and in the high-yield and emerging-growth companies groups at Merrill Lynch. Mr. Dardani serves on the Boards of Directors of American Skiing Company, Arnold Logistics, LLC, Cargo 360, Inc. and Exl Service Holdings, Inc.

Douglas Kaden has served as a director of RSC Holdings and RSC since shortly after the Recapitalization. He is a Partner of Oak Hill Capital Management, LLC and has been with the firm since 1997. Mr. Kaden is responsible for investments in the business and financial services industry group. Prior to joining Oak Hill Capital Management, LLC, he

worked at James D. Wolfensohn, Inc, a mergers and acquisitions advisory firm. Mr. Kaden serves on the Board of Directors of VTX Holdings Ltd. and as an observer on the Board of Directors of Genpact Global Holdings.

Christopher Minnetian has served as a director of RSC Holdings and RSC since shortly after the Recapitalization. Mr. Minnetian is a Managing Director and General Counsel of Ripplewood Holdings L.L.C., having been with the firm since 2001. Previously, Mr. Minnetian was an attorney with the law firm of DLA Piper where he was a member of the firm's Corporate & Securities practice group. At DLA Piper, his practice focused on domestic and international mergers and acquisitions, venture capital transactions, private equity investments and associated general corporate matters. Prior to such time, Mr. Minnetian worked at the law firm of Reed Smith, LLP. Mr. Minnetian currently serves as a director of Delavau LLC, Direct Holdings Worldwide LLC, Last Mile Connections, Inc., Saft Power Systems and Supresta LLC, each of which is a portfolio company of Ripplewood Holdings L.L.C.

John R. Monsky has served as a director of RSC Holdings and RSC since February 2007. Mr. Monsky is a Partner and General Counsel of Oak Hill Capital Management, LLC. He also serves as general counsel of Oak Hill Advisors, LP. He has served with such firms, and their related entities, since 1993. Previously, Mr. Monsky served as a mergers and acquisitions attorney at Paul, Weiss, Rifkind, Wharton & Garrison LLP, an assistant counsel to a Senate committee on the Iran-Contra affair and a law clerk to the Hon. Thomas P. Griesa of the Southern District of New York. Mr. Monsky serves on the Boards of Directors of Genpact Investment Co. (Lux) and W.A. Butler Company.

Scott Spielvogel has served as a director of RSC Holdings and RSC since shortly after the Recapitalization. Mr. Spielvogel has been Vice President of Ripplewood Holdings L.L.C. since 2005. Prior to joining Ripplewood Holdings L.L.C., from 1998 to 2005 Mr. Spielvogel was a Principal at Windward Capital Partners, a private equity firm focused on leveraged buyouts of middle market companies in a wide variety of industries. From 1995 to 1998, Mr. Spielvogel was an associate at boutique investment banking firm The Argosy Group, LP and its successor CIBC Oppenheimer. Mr. Spielvogel currently serves as a director of Last Mile Connections and Saft Power Systems, each of which is a portfolio company of Ripplewood Holdings L.L.C.

Donald Wagner has served as a director of RSC Holdings and RSC since shortly after the Recapitalization. Mr. Wagner is a Managing Director of Ripplewood Holdings L.L.C., having been with the firm since 2000. Mr. Wagner is responsible for investments in several areas and heads the industry group focused on investments in basic industries. Previously, Mr. Wagner was a Managing Director of Lazard Frères & Co. LLC and had a 15 year career at that firm and its affiliates in New York and London. He was the firm's chief credit and capital markets expert in its merger advisory and corporate finance activities and specialized in corporate finance assignments involving leveraged companies. Mr. Wagner was also a member of all of the firm's Underwriting Committees and sat on the Investment Committees of Lazard Capital Partners and Lazard Technology Partners. Mr. Wagner currently serves as a director of Aircell, Saft Power Systems and Supresta LLC, each of which is a portfolio company of Ripplewood Holdings L.L.C.

Fredrik Nijdam has served as a director of RSC Holdings since shortly after the Recapitalization, and has been one of RSC's directors since 2002, and from 2002 to 2005 he was RSC's Chairman and CEO. Mr. Nijdam is Vice President of ACAB, a position he has held since 2005. From 1995 to 2005, Mr. Nijdam was a Senior Executive Vice President with ACAB, and before 1995 he held various positions with affiliates of ACAB. Mr. Nijdam is Chairman of Atlas Copco UK Holding, Atlas Copco Canada Holding, Atlas Copco Mexicana, and a director of Atlas Copco North America LLC, Atlas Copco Germany, Atlas Copco Beheer Netherlands and Putzmeister AG, which is not affiliated with ACAB.

Composition of our Board of Directors

Board of Directors

Our business and affairs are managed under the direction of our Board. Our Board is currently composed of ten directors, one of whom is Mr. Olsson, our President and Chief Executive Officer. Mr. Nayden is the Chairman of the Board. ACF has the right to appoint one director, unless RSC Holdings has issued common stock in an initial public offering or ACF owns less than 7.5% of the outstanding common stock of RSC Holdings.

Audit Committee

Our audit committee is currently comprised of Messrs. Kaden and Wagner. While each member of our audit committee has significant financial experience, our Board has not designated any member of the audit committee as an "audit committee financial expert" but expects to do so in the future. None of the current members of the audit committee is considered "independent" as defined under the federal securities laws.

Executive and Governance Committee

Our executive and governance committee is currently comprised of Messrs. Collins, Dardani, Nayden, Olsson and Wagner.

Compensation Committee

Our compensation committee is currently comprised of Messrs. Dardani and Wagner.

Item 11. Executive Compensation

Executive Compensation and Related Information

Compensation Discussion and Analysis

Overview

As discussed above, because we are a limited liability company, our affairs and business are effectively managed by the Board of Directors of RSC Holdings. The directors and executive officers of RSC Holdings listed below also serve in those same capacities at RSC. This compensation discussion and analysis is intended to provide information regarding the compensation program of RSC Holdings for its named executive officers as it has been recently designed by our Compensation Committee and as it existed in 2006. It will discuss the philosophy of our compensation program and the structure and manner in which it was developed and continues to evolve, including the elements, the determination of executive compensation, and the reasons we use those elements, in our compensation program.

At the beginning of 2006 ACAB, the parent company of RSC Holdings, announced its intention to divest its interest in RSC Holdings. On November 27, 2006, ACAB sold approximately 85% of RSC to the Sponsors. As a result of this Recapitalization, it was essential for RSC Holdings to develop a compensation program and philosophy that is consistent with U.S. compensation practices, which increasingly delivers compensation through elements linked to achievement of performance targets and long-term equity growth, versus a European based compensation philosophy, which traditionally has been less performance based.

Compensation Philosophy

The compensation philosophy of RSC Holdings is based on our desire to attract, retain and motivate highly talented and qualified executives while rewarding the achievement of strategic goals that are aligned with the long-term interest of stockholders. This philosophy supports the need to retain and attract executive talent with specific skill sets, including leadership, team work, long-term strategic vision, a customer-centric focus and strong results orientation. Our compensation philosophy is aligned with our desire for profitable growth in our business resulting in our belief that a significant portion of overall compensation should be at risk through performance-based incentive awards and equity-based compensation. This compensation program supports our results driven culture instilling in management the economic incentives of ownership and encouraging executives to focus on stockholder return.

Structure

Prior to the Recapitalization, RSC Holdings followed the established compensation approval guidelines put in place by ACAB. All compensation decisions regarding the Chief Executive Officer were approved by the President of ACAB. Compensation decisions for the other named executive officers were proposed by the Chief Executive Officer of RSC Holdings and approved by the President of ACAB.

Following the Recapitalization the Board of Directors created a Compensation Committee to assist it in fulfilling its responsibility to stockholders with respect to the oversight of the policies and programs that govern all aspects of the compensation of our executive officers. The Compensation Committee created and will continue to review our compensation philosophy and approve all elements of our compensation program for our executive officers.

Management assists the Compensation Committee with the alignment of strategy through benchmarking, plan design, and administration of our compensation program. Our Chief Executive Officer, for example, makes recommendations on potential merit increases for the other named executive officers.

Compensation Elements

The four elements of executive compensation (1) base salary, (2) annual performance based incentive, (3) long-term equity incentive compensation and (4) benefits are designed to:

- ensure that we continue to attract, retain, and motivate highly talented and qualified executives;
- ensure profitable and responsible growth;
- align annual performance based incentives with our strategic goals; and
- align equity compensation with the long-term interests of our stockholders.

Therefore, we have designed our programs to measure and reward performance based on short and long-term company objectives, including revenue growth, profitability, cash flow and value creation. These elements of compensation, along with overall levels of compensation, are evaluated and adjusted every year. As part of the evaluation process, we compare the compensation of our senior executives with the compensation of similarly situated executives at surveyed companies across all industries with revenues of $1 billion to $2.5 billion. We accomplish this utilizing recognized published compensation surveys purchased from leading compensation consulting organizations. We also review other considerations, such as business and individual performance, retention, market conditions, and corporate governance. Following are each of the four elements of our compensation program discussed in greater detail:

1. Annual Base Salary

We provide named executive officers with an annual base salary to compensate them for services rendered. On an individual level, we adjust base salaries generally on an annual basis in June taking into account our compensation philosophy while assessing each individual's performance and contribution to our business. During 2006, we increased annual base salaries for several of our named executive officers due to promotions and market based adjustments.

Mr. Olsson became our President and Chief Executive Officer and Messrs. Graham, Foster and Ledlow were promoted to Senior Vice Presidents of Operations. In addition, Mr. Sawottke received a partial market based adjustment. At fiscal year end, the base salaries of our named executive officers were as follows: Mr. Olsson, $550,000, Mr. Sawottke, $249,100, and Messrs. Graham, Foster and Ledlow were each at $260,000.

2. Annual Performance Incentive

We provide annual incentives to drive and reward above-average performance and, accordingly, incentive targets reflect goal achievement.

Annual incentive payouts were determined by performance against pre-determined goals established by the Board of Directors. Target annual performance is equal to achieving 100% of these goals and maximum annual performance reflect results exceeding 112% of these goals. After giving effect to bonus payments, minimum goal attainment is set at a 90% threshold of these goals. Attainment of performance criteria was determined by the Compensation Committee of the Board of Directors. For fiscal year 2006, target and maximum level bonuses for our named executive officers were capped at 50% of base salary.

For 2006, the goals and performance results for our named executive officers were as follows:

	EBIT (%)		ROCE (%)	
	Target	Actual	Target	Actual(1)
Erik Olsson	22.9	26.5	25.9	27.1
Keith Sawottke	22.9	26.5	25.9	27.1

(1) For purposes of this calculation, ROCE gives effect to certain adjustments we made in connection with the Recapitalization.

	Q1 EBIT %			Q2 EBIT %			Q3 EBIT %			Q4 EBIT %		
	Target	Actual	Growth	Target	Actual	Growth	Target	Actual	Growth	Target	Actual	Growth
Charles Foster	25.10	30.81	25.77	27.20	32.50	30.02	27.50	30.05	22.67	25.40	28.99	8.80
Homer Graham	17.40	22.26	28.42	24.60	27.59	20.69	26.80	28.98	14.65	23.90	26.18	12.92
David Ledlow	19.30	23.61	32.02	24.80	29.54	26.72	27.40	31.71	22.54	24.70	29.16	19.52

In 2006 Messrs. Olsson and Sawottke were eligible to receive an annual variable compensation payment of 50% of earned base salary based on the achievement of two key financial metrics, EBIT Margin (EBIT %) and Return On Capital Employed (ROCE) (see table above). EBIT Margin is the ratio of earnings (before interest and taxes) to sales. ROCE is the calculation of annual EBIT divided by the average of the last thirteen month's Net Capital Employed.

In 2006 Messrs. Foster, Graham and Ledlow were eligible to receive quarterly variable compensation payments ranging from 35% at target to 50% at maximum of earned base salary for the quarter based on the achievement of one key financial metric, EBIT Margin (EBIT%) (see table above). Messrs. Foster, Graham and Ledlow were also eligible for a revenue growth multiplier that could increase the percentage bonus payment not to exceed the 50% maximum. The multiplication factor is achieved when year-over-year quarterly growth targets exceed 8.1%, and EBIT% goals are achieved.

Under our annual incentive program the Compensation Committee of the Board of Directors has the authority, in its discretion, to increase or reduce the actual annual incentive paid to our named executive officers. The Compensation Committee may take into account any factors it considers appropriate, which may include overall performance of the Company, his or her individual contribution to that performance, as well as the performance of the business unit that he or she leads (when relevant). In 2006, Messrs. Foster and Graham were granted additional bonuses of $45,000 and $37,500, respectively, for above-average performances in 2006.

In accordance with the Commission's rules, what we refer to below as the retention bonus is reported in the Summary Compensation Table under the column "Bonus," while what we refer to as the annual incentive is reported in the Summary Compensation Table under the column "Non-equity incentive plan compensation."

3. Long-Term Incentive Compensation

We provide long-term incentive compensation in the form of equity-based compensation to create a long-term incentive for our named executive officers' successful execution of our business plan, to attract and retain key leaders, to align management with shareholder interests, and to focus our senior management on our long-term business strategy. In 2004, ACAB, our parent company at that time, discontinued granting share appreciation rights under their equity-based incentive compensation plan. ACAB instead replaced it with a cash based incentive of 20% of base salary for certain executives. For fiscal year 2006, no 20% cash bonus was paid due to the Recapitalization and in its place we established a new equity compensation program. The new program operates through the RSC Holdings Stock Incentive Plan (the "Stock Incentive Plan"), which provided for the sale of our common stock to RSC Holdings' named executive officers, as well as the grant of stock options to purchase shares of our common stock to those individuals and others.

As part of the equity compensation program, each named executive officer made an investment, at his own discretion, in our shares of common stock in an amount that was, for him, a material personal investment, and each executive officer received the grant of a significant number of options to purchase shares of our common stock. The options are subject to vesting over a five-year period with one-third of the options vesting based on continued employment, and two-thirds of the options generally vesting based on RSC Holdings' performance against pre-established financial targets based on RSC's performance against financial targets to be established annually. All options have a term of ten years from the date of grant.

Each year up to 20% of the performance-based options may vest as follows: 50% of the performance-based options will vest if 80% of the pre-determined performance targets are achieved; 100% vest if 100% of the pre-determined performance targets are achieved; and ratable vesting of between 50% and 100% if between 80% and 100% of the performance targets are achieved. Performance targets may be adjusted if the Company consummates a significant acquisition, disposition or other transaction that, in the judgment of the compensation committee, would impact the consolidated earnings of the Company. If performance targets are not achieved during any fiscal year, options that failed to vest as a result may still vest the following year based on the achievement of the combined performance targets for the two applicable fiscal years.

Stock options were not granted under the Stock Incentive Plan until December of 2006. Therefore, no financial performance targets were established for 2006. For years after 2006 financial performance targets will be established by the Compensation Committee of the Board of Directors each year and will be based on a formula-based determination of RSC Holdings' year-end equity value, which we believe will appropriately incentivize our named executive officers to build our business in a manner fully aligned with the interests of our shareholders.

Our Board determined the specific number of shares to be offered and options to be granted to individual employees under the Stock Incentive Plan. The number of options granted to a particular named executive officer was determined based on a number of factors, including the amount of his investment in our shares, his position with the company, and his anticipated contribution to our success. The 2006 offering to our named executive officers closed on December 4, 2006.

All option grants were of non-qualified options with a per-share exercise price no less than the fair market value of one share of RSC Holdings stock on the grant date. Under the terms of the Stock Incentive Plan, the Board or Compensation Committee may accelerate the vesting of an option at any time. The following table describes the post-termination and change of control provisions to which options are generally subject; capitalized terms in the table are defined in the Stock Incentive Plan.

Event	Consequence
Termination of employment for Cause	All options are cancelled immediately.
Termination of employment without Cause (except as a result of death or Disability)	All unvested options are cancelled immediately. All vested options generally remain exercisable through the earliest of the expiration of their term or 90 days following termination of employment (180 days if the termination is due to a retirement that occurs after normal retirement age).
Termination of employment as a result of death or Disability	Unvested time-vesting options become vested, and vested options generally remain exercisable through the earliest of the expiration of their term or 180 days following termination of employment.
Change in Control	Unvested time-vesting options will be cancelled in exchange for a payment unless options with substantially equivalent terms and economic value are substituted for existing options in place of the cancellation.

Generally, employees recognize ordinary income upon exercising options equal to the fair market value of the shares acquired on the date of exercise, minus the exercise price, and we will have a corresponding tax deduction at that time.

4. Benefits

We provide health and welfare and 401(k) retirement benefits to our named executive officers and all eligible employees. We do not provide pension arrangements or post retirement health coverage for our executives or employees. We also offer a Nonqualified Deferred Compensation Plan that allows our named executives and certain other employees to contribute on a pre-tax basis a portion of their base and variable compensation. We do not provide any matching contributions to the Nonqualified Deferred Compensation Plan.

We believe perquisites for executive officers should be extremely limited in scope and value, yet beneficial in a cost-effective manner to help us attract and retain our senior executives. As a result, we provide our named executive officers with a limited financial planning allowance via taxable reimbursements for financial planning services like financial advice, estate planning and tax preparation, which are focused on assisting officers in achieving the highest value from their compensation package. In addition, our named executive officers also receive an automobile allowance. Lastly, we do not provide dwellings for personal use other than for temporary job relocation housing. However, during 2006, our Chief Executive Officer, due to his expatriate status and consistent with the ACAB policy for expatriate employees was on a housing allowance and received certain other expatriate benefits. These expatriate benefits were discontinued in April of 2006.

Compensation in connection with the Recapitalization—Retention Bonus

Prior to the Recapitalization and in order to ensure business continuity, ACAB determined it was necessary to provide our named executive officers with retention benefit agreements to encourage them to remain in their positions during the Recapitalization and for a period of time afterwards. The retention benefit agreements were based on the successful sale of the company providing for a payout of a multiple of base salary, 300%, 150%, 100%, 100% and 75% for Messrs. Olsson, Sawottke, Graham, Foster and Ledlow, respectively. The amounts were determined based upon the amount

of activity required by each individual to successfully represent the company during the Recapitalization process. The payments under the agreements were to be made 50% at the closing of any such restructuring and 50% 12 months following the closing, provided that the named executive officer was continuously employed by us until then. In connection with the Recapitalization, the agreements were amended to provide for a 100% payout at the Recapitalization Closing Date, so long as the payout was invested in equity of the company in connection with the Recapitalization. These amounts are reflected in the Summary Compensation Table under the column titled "Bonus."

Although we have entered into new employment agreements with our named executive officers—see the section titled "Employment Agreements" following the Grants of Plan-Based Awards Table—we have not entered into new retention benefit agreements with our named executive officers following the Recapitalization.

Impact on Compensation Design of Tax and Accounting Considerations

In designing its compensation programs, the company considers and factors into the design of such program the tax and accounting aspects of these programs. Principal among the tax considerations is the potential impact of Section 162(m) of the Internal Revenue Code, which generally disallows a tax deduction for public companies for compensation in excess of $1 million paid in any year to the Chief Executive Officer and to the four next most highly compensated executive officers, unless the amount of such excess is payable based solely upon the attainment of objective performance criteria. Our general approach is to structure the annual incentive bonuses and stock options payable to our executive officers in a manner that preserves the tax deductibility of that compensation.

Other tax considerations are factored into the design of the company's compensation programs, including compliance with the requirements of Section 409A of the Internal Revenue Code, which can impose additional taxes on participants in certain arrangements involving deferred compensation, and Sections 280G and 4999 of the Internal Revenue Code, which affect the deductibility of, and impose certain additional excise taxes on, certain payments that are made upon or in connection with a change of control.

Accounting considerations are also taken into account in designing the compensation programs made available to our executive officers. Principal among these is FAS 123(R), which addresses the accounting treatment of certain equity-based compensation.

Compensation of Directors

Our directors who are not also our employees do not receive any compensation.

Summary Compensation Table

The following Summary Compensation Table summarizes the total compensation awarded to our Named Executive Officers in 2006.

Name (a)	Year (b)	Salary ($)(c)	Bonus (1)($)(d)	Option Awards (2)($)(f)	Non-Equity Incentive Plan Compensation (3)($)(g)	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($)(h)	All Other Compensation (4)($)(i)	Total ($)(j)
Erik Olsson President and Chief Executive Officer since August 4, 2006	2006	445,499	1,650,000	66,990	222,750	—	256,407(5)	2,637,083
Keith Sawottke Chief Financial Officer	2006	229,344	373,650	21,757	114,672	—	21,583	759,524
Charles Foster Senior Vice President, Operations (Southeast, Southern and Texas Regions)	2006	234,839	305,000	19,038	117,420	—	14,654	689,654
Homer Graham Senior Vice President, Operations (Northeast, Midwest and Great Lakes Regions)	2006	231,682	297,500	21,757	115,841	—	13,799	679,097
David Ledlow Senior Vice President, Operations (Pacific, Southwest, and Canada)	2006	238,830	195,000	29,916	119,415	—	17,649	598,773
Thomas B. Zorn President and Chief Executive Officer until August 4, 2006	2006	354,777	—	—	—	—	15,752	370,529

(1) Consists of amounts paid to the named executive officers pursuant to the retention benefit agreements in connection with the Recapitalization and in the case of Messrs. Foster and Graham, an additional bonus of $45,000 and $37,500 respectively for above average performance in 2006.

(2) Valuation based on the dollar amount of option grants recognized for financial statement reporting purposes pursuant to SFAS 123R as described in note 12 to our financial statements.

(3) Consists of the bonus earned in 2006 pursuant to our annual performance-based incentive program.

(4) Consists of reimbursed car payments for Messrs. Zorn ($8,746), Sawottke ($14,285) and Graham ($2,769), use of a company car by Messrs. Olsson ($8,312), Foster ($3,581), Graham ($3,191) and Ledlow ($10,528), certain travel expenses for Mr. Foster and his spouse ($4,021), matching 401(k) contributions of approximately $6,600 for each of these executives, and group term life insurance for each of these executives.

(5) In addition to the items listed in footnote 4 above, the amount in this column includes relocation benefits provided to Mr. Olsson in connection with his acceptance of employment with us and the relocation of Mr. Olsson and his family to the United States, including a partial year housing allowance equal to approximately $32,705, pension plan payments equal to approximately $126,700, a relocation tax-gross up equal to approximately $75,676 and certain other relocation and expatriate benefits consistent with the ACAB policy for expatriate employees. These benefits were discontinued in April of 2006.

Grants of Plan-Based Awards

The following Grants of Plan-Based Awards Table summarizes the awards made to the Named Executive Officers under any plan in 2006.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)					
Name (a)	Grant Date (b)	Threshold ($) (c)	Target ($) (d)	Maximum ($) (e)	Threshold (#) (f)	Target (#) (g)	Maximum (#) (h)	All Other Option Awards: Number of Securities Underlying Options (#) (3) (j)	Exercise or Base Price of Option Awards ($/sh) (4) (k)	Grant Date Fair Value of Stock and Option Awards ($) (5) (l)
Erik Olsson	12/12/05	133,650	222,750	222,750						
	12/04/06				8,403.81	16,807.63	16,807.63	8,403.81	244.25	2,392,313
Keith Sawottke	12/12/05	68,803	114,672	114,642						
	12/04/06				2,729.43	5,458.87	5,458.87	2,729.43	244.25	776,988
Charles Foster	12/12/05	11,338	18,896	26,994						
		10,679	17,798	25,425						
		21,000	35,000	35,000						
		18,000	30,000	30,000						
	12/04/06				2,388.25	4,776.50	4,776.50	2,388.25	244.25	679,863
Homer Graham	12/12/05	10,916	18,193	25,990						
		10,438	17,396	24,851						
		21,000	35,000	35,000						
		18,000	30,000	30,000						
	12/04/06				2,729.43	5,458.87	5,458.87	2,729.43	244.25	776,988
David Ledlow	12/12/05	12,749	21,249	30,356						
		10,928	18,213	26,019						
		19,824	33,040	33,040						
		18,000	30,000	30,000						
	12/04/06				3,752.99	7,505.97	7,505.97	3,752.99	244.25	1,068,363
Thomas Zorn	—	—	—	—	—	—	—	—	—	—

(1) Represents possible annual incentive plan payments for 2006. Actual earned amounts are shown in the Summary Compensation Table under the column "Non-Equity Incentive Plan Compensation." Bonuses are awarded as a percentage of the executives' base salary and payment is based on actual base salary for the time period in which the bonus is paid. Estimated possible payouts for Messrs. Foster, Graham and Ludlow are represented on a quarterly basis.

(2) Represents performance-based options granted in 2006. Each year up to 20% of the performance-based options may vest as follows: 50% of the performance-based options will vest if 80% of the pre-determined performance targets are achieved, 100% vests if 100% of the pre-determined performance targets are achieved and ratable vesting of between 50 and 100% for achievement between 80 and 100%.

(3) Represents service-based options granted in 2006, which will vest in five equal annual installments.

(4) This column shows the exercise price for the stock options granted in 2006 to the named executive officers. This price is the same as the per share price established in the Recapitalization.

(5) This column shows the full grant date fair value of the stock options under SFAS 123R. In general, the full grant date fair value is the amount that RSC Holdings would expense in its financial statements over the option's vesting schedule. Fair value for these purposes was determined using the Black Scholes valuation method. For additional information on the valuation assumptions, refer to note 12 to our financial statements.

Employment Agreements

We entered into an employment agreement with Mr. Olsson, our President and Chief Executive Officer, effective as of August 4, 2006 and entered into employment agreements with the other named executive officers with the exception of Thomas Zorn, effective as of November 28, 2006. Thomas Zorn is no longer employed by us.

Under the agreements, our named executive officers are entitled to base salary and variable compensation. The agreements fix base salaries at the levels noted in the section titled "Annual Base Salary", and bonus targets and maximums are expressed as a percentage of base salary under the RSC Holdings variable compensation plan. The actual amount of the annual bonus is discretionary and determined based upon our performance. The executives will also be eligible to participate in RSC Holdings' employee benefit and equity programs, and will receive an annual car allowance (or in certain circumstances, use of the company car), and an annual tax and financial planning service allowance. The employment agreements with the named executive officers will continue in effect until terminated by either party, and provide that if the employment of the executive is terminated without cause or for good reason (as defined in the agreement), the executive will receive continued payment of base salary, a pro-rata bonus and certain benefits for a fixed period of time. All named executive officers are also subject to confidentiality requirements and post-termination non-competition and non-solicitation provisions.

RSC Holdings Stock Incentive Plan

On November 30, 2006, our Board of Directors approved the RSC Holdings Stock Incentive Plan (the "Stockholders Incentive Plan"). The Stock Incentive Plan provides for the sale of our common stock to RSC Holdings' named executive officers, other key employees and directors as well as the grant of stock options to purchase shares of our common stock to those individuals. Our Board of Directors, or a committee designated by it, selects the officers, employees and directors eligible to participate in the Stock Incentive Plan and either the Board or the Compensation Committee may determine the specific number of shares to be offered or options to be granted to an individual employee or director. A maximum of 154,693.70 shares are reserved for issuance under the Stock Incentive Plan. The Stock Incentive Plan was approved by our stockholders on December 6, 2006.

All option grants will be non-qualified options with a per-share exercise price no less than fair market value of one share of RSC Holdings stock on the grant date. Any stock options granted will generally have a term of ten years, and unless otherwise determined by the Board or the Compensation Committee will vest in five equal annual installments. The Board or Compensation Committee may accelerate the vesting of an option at any time. In addition, unvested time-vesting options will be cancelled in exchange for a payment if we experience a change in control (as defined in the Stock Incentive Plan) unless options with substantially equivalent terms and economic value are substituted for existing options in place of the cancellation. Vesting of time-based options will be accelerated in the event of an employee's death or disability (as defined in the Stock Incentive Plan). Upon a termination for cause (as defined in the Stock Incentive Plan), all options held by an employee are immediately cancelled. Following a termination without cause, vested options will generally remain exercisable through the earliest of the expiration of their term or 90 days following termination of employment (180 days in the case of death, disability or retirement at normal retirement age).

Generally, employees recognize ordinary income upon exercising options equal to the fair market value of the shares acquired on the date of exercise, minus the exercise price and we will have a corresponding tax deduction at that time.

Unless sooner terminated by our Board of Directors, the Stock Incentive Plan will remain in effect until December 1, 2016.

During the last quarter of 2006, RSC Holdings made an equity offering to approximately 20 of RSC's officers and employees, including our named executive officers. The shares sold and options granted to our named executive officers in connection with this equity offering are subject to and governed by the terms of the Stock Incentive Plan. The offering closed on December 4, 2006 as to all of our officers and employees except Mr. Groman, whose offering closed on December 19, 2006, shortly after he joined us.

Outstanding Equity Awards at Fiscal Year-End

The following table summarizes the number of securities underlying the stock and option awards for each Named Executive Officer as of the end of 2006.

	Option Awards				
Name(a)	**Number of Securities Underlying Unexercised Options (#) Exercisable (b)**	**Number of Securities Underlying Unexercised Options (#) Unexercisable (c)**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options(1) (#)(d)**	**Option Exercise Price ($)(e)**	**Option Expiration Date (f)**
Erik Olsson			25,211.44	244.25	12/04/16
Keith Sawottke			8,188.30	244.25	12/04/16
Charles Foster			7,164.75	244.25	12/04/16
	2,939(2)			9.69	11/27/08
Homer Graham			8,188.30	244.25	12/04/16
	2,368(2)			9.69	11/27/08
David Ledlow			11,258.96	244.25	12/04/16
Thomas Zorn					

(1) Approximately one-third of the options granted to the named executive officers in 2006 and disclosed in this column are service-based options that will vest in five equal annual installments. The remaining two-thirds of the options granted to the named executive officers in 2006 and disclosed in this column are performance-based options that will vest 20% each year based on RSC Holdings' achievement of certain pre-determined performance goals.

(2) Represents outstanding ACAB share appreciation rights.

Option Exercised and Stock Vested

The following Option Exercises and Stock Vested Table summarizes the options exercised by and stock vesting with respect to our Named Executive Officers in 2006.

	Option Awards		Stock Awards(1)	
Name(a)	Number of Shares Acquired on Exercise (#)(b)	Value Realized Upon Exercise(2) ($)(c)	Number of Shares Acquired on Vesting (#)(d)	Value Realized on Vesting(3)($)(e)
Erik Olsson				59,652
Keith Sawottke				63,042
Charles Foster				132,076
Homer Graham				124,336
David Ledlow				480,991
Thomas Zorn				

_____

(1) Represents the exercise of share appreciation rights that were granted to the CEO and the other named executive officers by ACAB.
(2) Value based on aggregate difference between the closing market price on the date of exercise and the exercise price.
(3) Value based on the aggregate difference between the price of ACAB's A shares on the date of exercise and the price of those shares at the grant date.

Pension Benefits

We do not sponsor any qualified or non-qualified defined benefit plans.

Nonqualified Deferred Compensation

The following Nonqualified Deferred Compensation Table summarizes contributions, earnings, withdrawals and balances, if any, relating to nonqualified deferred compensation plans and attributable to our Named Executive Officers for 2006.

Name(a)	Executive Contributions in Last FY ($)(b)	Registrant Contributions in Last FY ($)(c)	Aggregate Earnings in Last FY ($)(d)	Aggregate Withdrawals/ Distributions ($)(e)	Aggregate Balance at Last FYE ($)(f)
Erik Olsson	0	0	0	0	0
Keith Sawottke	19,346	0	8,009	0	66,165
Charles Foster	0	0	0	0	0
Homer Graham	0	0	677	0	21,035
David Ledlow	0	0	54,058	0	1,064,990
Thomas Zorn	9,029	0	1,786	44,159	0

Potential Payments upon Termination or Change in Control

Each of the named executive officers is entitled to receive severance if they are terminated without Cause or for Good Reason. Under the terms of each of the employment agreements "Cause" is defined as (i) the failure of the executive to implement or adhere to material policies, practices, or directives of RSC Holdings, including the Board, (ii) conduct of a

fraudulent or criminal nature; (iii) any action of the executive that is outside the scope of his employment duties that results in material financial harm to RSC Holdings, (iv) conduct that is in violation of any provision of the employment agreement or any other agreement between the company and the executive and (v) solely for purposes of death or disability. "Good Reason" means any of the following occurrences without the executives consent: (a) a material diminution in, or assignment of duties material inconsistent with the executives position (including status, offices, titles and reporting relationships), (b) a reduction in base salary that is not a part of an across the board reduction, (c) a relocation of the executive's principal place of business to a location that is greater than 50 miles from its current location or (d) RSC Holdings' material breach of the employment agreement.

Under the terms of each of the employment agreements, assuming the employment of our named executive officers were to be terminated without Cause or for Good Reason as of December 31, 2006, each named executive officer would be entitled to the following payments and benefits:

- For Mr. Olsson, continuation of base salary for 36 months and for Messrs. Sawottke, Foster, Graham, and Ledlow, continuation of base salary for 30 months if terminated prior to November 28, 2007 (continuation of base salary for 24 months if terminated following November 28, 2007). The potential amounts of the post-employment compensation with respect to the continuation of base salary would be as follows: Mr. Olsson, $1,650,000, Mr. Sawottke, $622,750 and Messrs. Foster, Graham and Ledlow, $650,000, in each case, to be paid in accordance with RSC Holdings' regular payroll practices;

- Pro-rata portion of variable compensation for the year of termination. The potential amounts of the post-employment compensation with respect to the pro-rata bonus would be as follows: Mr. Olsson, $222,750, Mr. Sawottke, $114,672, Mr. Foster, $117,420, Mr. Graham, $115,841 and Mr. Ledlow, $119,415, in each case, to be paid at the time that other variable compensation payments are made;

- Continued payment of the same proportion of medical and dental insurance premiums that was paid for by RSC Holdings prior to termination for the period in which the executive is receiving severance payments or until executive is eligible to receive coverage from another employer;

- Continued life insurance coverage for the period in which the executive is receiving severance payments;

- Accelerated vesting under our 401(k) plan and/or other retirement/pension plan on the date of separation;

- Outplacement counseling and services on the date of separation; and

- Reasonable association fees related to the executive officer's former duties during the period in which the executive officer is receiving severance payments.

We are not obligated to make any cash payments to these executives if their employment is terminated by us for Cause or by the executive without Good Reason. No severance benefits are provided for any of the executive officers in the event of death or disability. The severance payments are contingent upon the executive continuing to comply with a confidentiality provision and for the CEO an 18 month and for the other named executive officers, a 12 month, non-compete and non-solicitation covenant.

Director Compensation

None of our current directors received any additional compensation for serving as a director in 2006. Each of our directors is either an employee of RSC Holdings or associated with the Sponsors or ACAB.

Limitation of Liability of Directors; Indemnification of Directors

RSC Holdings' certificate of incorporation provides that no officer or director will be personally liable to it or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent that this limitation on or exemption from liability is not permitted by the Delaware General Corporation Law and any amendments to that law.

The principal effect of the limitation on liability provision is that a stockholder will be unable to prosecute an action for monetary damages against a director unless the stockholder can demonstrate a basis for liability for which indemnification is not available under the Delaware General Corporation Law. This provision, however, does not eliminate or limit director liability arising in connection with causes of action brought under the federal securities laws. RSC Holdings' certificate of incorporation does not eliminate its directors' duty of care. The inclusion of this provision in its certificate of incorporation may, however, discourage or deter stockholders or management from bringing a lawsuit against directors for a breach of their fiduciary duties, even though such an action, if successful, might otherwise have benefited it and its stockholders. This provision should not affect the availability of equitable remedies such as injunction or rescission based upon a director's breach of the duty of care.

RSC Holdings' certificate of incorporation provides that we are required to indemnify and advance expenses to its directors to the fullest extent permitted by law, except in the case of a proceeding instituted by the director without the approval of RSC Holdings' Board of Directors. RSC Holdings' by-laws provide that it is required to indemnify its directors, to the fullest extent permitted by law, for all judgments, fines, settlements, legal fees and other expenses incurred in connection with pending or threatened legal proceedings because of the director's position with it or another entity that the director serves at its request, subject to various conditions, and to advance funds to its directors to enable them to defend against such proceedings. To receive indemnification, the director must have been successful in the legal proceeding or have acted in good faith and in what was reasonably believed to be a lawful manner in its best interest.

In addition, RSC's certificate of incorporation provides that no director will be personally liable to it or its stockholders, except to the extent that this limitation on or exemption from liability is not permitted under Arizona law. RSC's bylaws provide, subject to certain limitations, that RSC is required to indemnify its directors and officers to the fullest extent permitted by Arizona Business Corporation Law if such director or officer acted in good faith and in a manner the director or officer reasonably believed to be (i) in the case of conduct in an official RSC capacity, in RSC's best interests, (ii) in certain other circumstances, at least not opposed to RSC's best interests and (iii), with respect to any criminal action or proceeding, lawful; provided that RSC is not obliged to indemnify its directors and officers in respect of a proceeding (or part thereof) instituted by such director or officer unless such proceeding (or part thereof) has been authorized by RSC's Board of Directors or RSC has separately agreed to indemnify such director or officer pursuant to an agreement authorized by RSC's Board of Directors.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

We are a direct wholly-owned subsidiary of RSC Holdings II, LLC, which, in turn, is a direct wholly owned subsidiary of RSC Holdings I, LLC. RSC Holdings I, LLC, is a direct wholly owned subsidiary of RSC Holdings. The presentation below, therefore, presents our beneficial ownership at the RSC Holdings level. RSC is a direct wholly owned subsidiaries of ours. As of April 16, 2007, there were 2,421,466 shares of common stock of RSC Holdings outstanding and 36 holders of the common stock of RSC Holdings and no holders of the preferred stock of RSC Holdings. The following table sets forth information as of March 26, 2007 with respect to the ownership of the common stock of RSC Holdings by:

- each person known to own beneficially more than 5% of the common stock of RSC Holdings;
- each of our directors;
- each of the named executive officers in the Summary Compensation table above; and
- all of our executive officers and directors as a group.

The amounts and percentages of shares beneficially owned are reported on the basis of the Commission's regulations governing the determination of beneficial ownership of securities. Under the Commission's rules, a person is deemed to be a "beneficial owner" of a security if that person has or shares voting power or investment power, which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. Securities that can be so acquired are deemed to be outstanding for purposes of computing such person's ownership percentage, but not for purposes of computing any other person's percentage. Under these rules, more than one person may be deemed to be a beneficial owner of the same securities and a person may be deemed to be a beneficial owner of securities as to which such person has no economic interest.

Except as otherwise indicated in the footnotes to this table, each of the beneficial owners listed has, to our knowledge, sole voting and investment power with respect to the indicated shares of common stock. Unless otherwise indicated, the address for each individual listed below is c/o RSC Holdings Inc., 6929 E. Greenway Parkway, Scottsdale, AZ 85254.

	Shares Beneficially Owned	
Name and Address of Beneficial Owner	Number**	Percentage
RSC Acquisition LLC(1)	566,290	23.39%
RSC Acquisition II LLC(1)	457,260	18.88%
OHCP II RSC, LLC(2)	704,181	29.08%
OHCMP II RSC, LLC(2)	63,481	2.62%
OHCP RSC COI, LLC(2)	255,888	10.57%
ACF	348,000	14.37%
Erik Olsson	4,094.16	*
Keith Sawottke	1,774.13	*
Joseph Turturica	1,774.13	*
David Ledlow	2,456.49	*
Homer E. Graham III	1,774.13	*
Charles Foster	1,432.95	*
Kevin Groman	1,637.66	*
Phillip Hobson	736.94	*
Denis Nayden(3)	—	—
Timothy Collins(4)	—	—
Edward Dardani(3)	—	—
Douglas Kaden(3)	—	—
Christopher Minnetian(4)	—	—
John R. Monsky(3)	—	—
Scott Spielvogel(4)	—	—
Donald Wagner(4)	—	—
Frederik Nijdam(5)	—	—
All directors and executive officers as a group (17 persons)	—	*

* Less than 1%

** Reflects a 100 for 1 stock split of RSC Holdings Common Stock effected on November 27, 2006.

(1) Represents shares held by funds associated with Ripplewood Holdings L.L.C.: (i) RSC Acquisition LLC, whose sole member is Ripplewood Partners II, L.P., whose general partner is Ripplewood Partners II GP, L.P., whose general partner is RP II GP, LLC; and (ii) RSC Acquisition II LLC, who is managed by RP II GP, LLC. The sole member of RP II GP, LLC is Collins Family Partners, L.P, who is managed by its general partner, Collins Family Partners Inc. Timothy Collins, as the president and sole shareholder of Collins Family Partners Inc., may be deemed to share beneficial ownership of the shares shown as beneficially owned by RSC Acquisition LLC and RSC Acquisition II, LLC. Mr. Collins disclaims such beneficial ownership.

(2) Represents shares held by funds associated with Oak Hill Capital Management, LLC: (i) OHCP II RSC, LLC, whose sole member is Oak Hill Capital Partners II, L.P., whose general partner is OHCP GenPar II, L.P., whose general partner is OHCP MGP II, LLC; (ii) OHCMP II RSC, LLC, whose sole member is Oak Hill Capital Management Partners II, L.P., whose general partner is OHCP GenPar II, L.P., whose general partner is OHCP MGP II, LLC; and (iii) OHCP II RSC COI, LLC, whose sole member is OHCP GenPar II, L.P., whose general partner is OHCP MGP II, L.L.C. J. Taylor Crandall, John Fant, Steve Gruber, Greg Kent, Kevin G. Levy, Denis J. Nayden, Ray Pinson and Mark A. Wolfson, as managers of OHCP MGP II, LLC, may be deemed to share beneficial ownership of the shares shown as beneficially owned by OHCP II RSC, LLC, OHCMP II RSC, LLC and OHCP II RSC COI, LLC. Such persons disclaim such beneficial ownership.

(3) Does not include shares of common stock held by OHCP II RSC, LLC, OHCMP II RSC, LLC and OHCP II RSC COI, LLC, funds associated with Oak Hill Capital Management, LLC. Messrs. Nayden, Dardani, Monsky and Kaden are directors of RSC Holdings and RSC and executives of Oak Hill Capital Management, LLC. Such persons disclaim beneficial ownership of the shares held by OHCP II RSC, LLC, OHCMP II RSC, LLC and OHCP II RSC COI, LLC.

(4) Does not include shares of common stock held by RSC Acquisition LLC and RSC Acquisition II LLC, funds associated with Ripplewood Holdings L.L.C. Messrs. Collins, Wagner, Minnetian and Spielvogel are directors of RSC Holdings and RSC and executives of Ripplewood Holdings L.L.C. Such persons disclaim beneficial ownership of the shares held by RSC Acquisition LLC and RSC Acquisition II LLC.

(5) Does not include shares of common stock held by Atlas Copco Finance S.à.r.l., an indirect wholly-owned subsidiary of Atlas Copco AB. Mr. Nijdam is a director of RSC Holdings and RSC and an executive of Atlas Copco AB. Mr. Nijdam disclaims beneficial ownership of the shares held by Atlas Copco Finance S.à.r.l.

Item 13. Certain Relationships and Related Transactions

All of the transactions and agreements set forth below were approved by our Board of Directors at the time they were entered into. Upon the registration of the Notes for exchange in accordance with the registration rights agreement relating to the Notes, dated November 27, 2006, we will adopt a written policy which requires all future transactions between us and any related persons (as defined in Item 404 of Regulation S-K under the Securities Act) to be approved in advance by our audit committee.

Stockholders Agreement

On the Recapitalization Closing Date, RSC Holdings entered into the Stockholders Agreement with ACF, Ripplewood and Oak Hill. The Stockholders Agreement sets the number of directors of the RSC Holdings Board of Directors initially at 10, with each of Ripplewood and Oak Hill having the right to designate four directors each, subject to reduction if their equity ownership in RSC Holdings drops below the thresholds specified in the Stockholders Agreement. In addition, the Stockholders Agreement reserves to ACF the right to appoint one director, unless RSC Holdings has issued common stock in an initial public offering or ACF owns less than 7.5% of the outstanding common stock of RSC Holdings, and specifies that, unless otherwise agreed by the Board, the chief executive officer shall be a member of the Board.

The Stockholders Agreement requires that all actions of the RSC Holdings Board of Directors must be approved by a majority of the directors designated by Ripplewood and Oak Hill ("Majority Approval") as well as a majority of directors present. In addition, the Stockholders Agreement provides that any Sponsor that ceased to own 35% of its original shareholdings would be able to exercise a limited set of special governance rights, including rights of approval over certain corporate and other transactions and certain rights regarding the appointment and removal of directors and Board committee members. The Stockholders Agreement also gives the Sponsors preemptive rights with respect to certain issuances of equity

securities of RSC Holdings and its subsidiaries, subject to certain exceptions, and contains restrictions on the transfer of shares of RSC Holdings, as well as tag-along and drag along rights and rights of first offer.

The Stockholders Agreement grants to each of Ripplewood, Oak Hill and ACF, so long as each such entity holds at least 5% of the total shares of common stock outstanding at such time, the right, following the initial public offering of common stock of RSC Holdings and subject to certain limitations, to cause RSC Holdings, at its own expense, to use its best efforts to register such securities held by such entity for public resale. The exercise of this right is not limited to a certain number of requests. In the event RSC Holdings registers any of its common stock following its initial public offering, each stockholder of RSC Holdings has the right to require RSC Holdings to use its best efforts to include shares of common stock of RSC Holdings held by it, subject to certain limitations, including as determined by the underwriters. The Stockholders Agreement also provides for RSC Holdings to indemnify the stockholders party to that agreement and their affiliates in connection with the registration of RSC Holdings' securities.

Monitoring, Transaction and Indemnification Agreements

On the Recapitalization Closing Date, RSC Holdings and RSC entered into a monitoring agreement with Ripplewood Holdings and Oak Hill Capital Management, pursuant to which Ripplewood Holdings and Oak Hill Capital Management will provide RSC Holdings and its subsidiaries, including RSC, with financial, management advisory and other services. We will pay Ripplewood Holdings and Oak Hill Capital Management an aggregate annual fee of $6.0 million for such services, plus expenses. In connection with the Recapitalization, RSC Holdings and RSC also entered into a transaction agreement with Ripplewood Holdings and Oak Hill Capital Management, pursuant to which RSC Holdings has paid Ripplewood Holdings and Oak Hill Capital Management a fee of $20 million each ($40 million in the aggregate) for certain direct acquisition and finance related services provided by Ripplewood and Oak Hill.

In connection with the Recapitalization, RSC Holdings and RSC also entered into an indemnification agreement with Ripplewood Holdings, Oak Hill Capital Management, ACF and the Sponsors, pursuant to which RSC Holdings and RSC will indemnify the Sponsors, ACF, Ripplewood Holdings and Oak Hill Capital Management and their respective affiliates, directors, officers, partners, members, employees, agents, advisors, representatives and controlling persons, against certain liabilities arising out of the Recapitalization or the performance of the monitoring agreement and certain other claims and liabilities.

Agreements with ACAB

We bought certain of our equipment from affiliates of ACAB for approximately $31.5 million in 2004, $50.5 million in 2005 and $41.2 million in 2006, and certain affiliates of ACAB are participants in the equipment rental industry. The Recapitalization Agreement contains a non-compete provision that expires two years following the Recapitalization Closing Date, and, upon its expiration, ACAB and its affiliates will be free to compete with us in the rental equipment industry in the United States and Canada. In addition, nothing in the Recapitalization Agreement prohibits ACAB and its affiliates from (i) conducting (a) any business they conduct immediately prior to closing, including the operation of the Prime Energy division's oil-free compressor equipment rental and sales business, which RSC Holdings will transfer to an affiliate of ACAB prior to the closing of the Recapitalization, (b) the business of selling, renting (as long as such renting is not in competition with our business) and leasing products they manufacture, or selling used equipment, (c) the rental equipment business outside of the United States and Canada, (ii) investing in or holding not more than 10% of the outstanding capital stock of an entity that competes with us or (iii) acquiring and continuing to own and operate an entity that competes with us, provided the rental revenues of such entity in the United States and Canada account for no more than 20% of such entity's consolidated revenues at the time of such acquisition.

For 30 months following the Recapitalization, ACAB and its affiliates will sell us any product manufactured for sale or distributed by their portable air and construction tools divisions on 180 day payment terms, without credit support, at a reasonably competitive market price that does not reflect sales on extended credit terms.

For two years following the Recapitalization, ACAB and its affiliates will not, with certain exceptions, hire any executive or senior officer (including any regional vice president), regional director, corporate director or district manager of RSC or any of its subsidiaries or knowingly solicit any other employee of RSC or any of its subsidiaries. In addition, for two years following the Recapitalization, we will not directly or indirectly engage or invest in any business in the United States

or Canada in competition with our Prime Energy division, which will be retained by two of ACAB's affiliates in respect of renting oil-free compressors.

Oak Hill Note Purchase

In connection with the Notes offering, one of the Oak Hill Partnerships purchased $20.0 million of the Notes for its own account.

Item 14. Principal Accountant Fees and Services

Aggregate fees billed to the RSC Holdings consolidated group during the fiscal year ended December 31, 2006 by our principal accounting firm, KPMG LLP, are set forth in the table below. All auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for us by our independent auditor must be pre-approved by the Board of Directors or to a committee or member thereof as so delegated by the Board of Directors.

The following table sets forth the fees paid or accrued by us for audit and other services provided by KPMG:

	Year ended December 31, 2006
Audit Fees	$ 3,067,500
Audit – Related Fees	100,000
Tax Fees	8,555
Total	$ 3,176,055

Audit Fees. Audit fees consist of fees paid for the audit of our annual financial statements, review of quarterly financial information, and other services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements. These fees consisted of $2.0 million for the annual audit and quarterly reviews for 2006, and $1.1 million for the three-year US GAAP carve-out audits for 2003, 2004, and 2005.

Audit - Related Fees. Audit related fees consist of fees for services, other than the services described under "Audit Fees" above, that are reasonably related to the audit of our annual financial statements and review of quarterly financial information. These fees were primarily related to the issuance of a comfort letter associated with our offering of debt securities in November 2006.

Tax Fees. Tax fees consist of fees for professional services rendered for tax compliance, tax advice and tax planning. These fees were primarily related to the preparation of expatriate tax returns.

INDEX TO FINANCIAL STATEMENTS
RSC HOLDINGS III, LLC and Subsidiaries

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
RSC Holdings III, LLC:

We have audited the accompanying consolidated balance sheets of RSC Holdings III, LLC and subsidiaries (the Company) as of December 31, 2006 and 2005, and the related consolidated statements of income, stockholders' deficit and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of RSC Holdings III, LLC and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 12 to the consolidated financial statements, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 123R, *Share-Based Payment*, effective January 1, 2006.

/s/ KPMG LLP

Phoenix, Arizona
April 6, 2007

RSC HOLDINGS III, LLC AND SUBSIDIARIES
Consolidated Balance Sheets
(In thousands, except share data)

	December 31,	
Assets	**2006**	**2005**
Cash and cash equivalents	$ 46,188	$ 7,134
Accounts receivable, net	268,383	245,606
Inventory	18,489	19,011
Rental equipment, net	1,738,670	1,420,545
Property and equipment, net	170,192	131,490
Goodwill	925,621	925,621
Deferred financing costs	67,915	—
Other assets	69,518	15,024
Total assets	$ 3,304,976	$ 2,764,431
Liabilities and Stockholders' Deficit		
Accounts payable	$ 296,086	$ 330,757
Accrued expenses and other liabilities	143,016	121,556
Debt	3,006,426	2,352,380
Deferred income taxes	294,081	174,288
Total liabilities	3,739,609	2,978,981
Commitments and contingencies		
Stockholders' deficit		
Series A preferred stock (200 shares authorized at December 31, 2005, with 154 shares issued and outstanding at December 31, 2005; cancelled in 2006)	—	350,000
Common stock, no par value (1,000 shares authorized, issued and outstanding at December 31, 2006 and 2005)	15,955	1,564
Accumulated deficit	(459,372)	(575,564)
Accumulated other comprehensive income	8,784	9,450
Total stockholders' deficit	(434,633)	(214,550)
Total liabilities and stockholders' deficit	$ 3,304,976	$ 2,764,431

See accompanying notes to consolidated financial statements.

(Continued)

RSC HOLDINGS III, LLC AND SUBSIDIARIES
Consolidated Statements of Income
(In thousands, except share data)

	Years Ended December 31,		
	2006	**2005**	**2004**
Revenues:			
Equipment rental revenue	$ 1,368,712	$ 1,140,329	$ 984,517
Sale of merchandise	92,524	102,894	162,720
Sale of used rental equipment	191,652	217,534	181,486
Total revenues	1,652,888	1,460,757	1,328,723
Cost of revenues:			
Cost of equipment rentals, excluding depreciation	591,340	527,208	492,323
Depreciation – rental equipment	253,379	212,325	192,323
Cost of sales of merchandise	57,636	69,914	122,873
Cost of rental equipment sales	145,425	173,276	147,131
Total cost of revenues	1,047,780	982,723	954,650
Gross profit	605,108	478,034	374,073
Operating expenses:			
Selling, general, and administrative	135,526	122,281	118,130
Depreciation and amortization – non-rental equipment	38,783	33,776	32,641
Recapitalization expenses	10,277	—	—
Total operating expenses	184,586	156,057	150,771
Operating income	420,522	321,977	223,302
Interest expense, net	197,085	134,556	74,496
Other income, net	(311)	(146)	(74)
Income before provision for income taxes	223,748	187,567	148,880
Provision for income taxes	86,568	66,488	56,003
Net income	$ 137,180	$ 121,079	$ 92,877
Preferred dividends	(7,997)	(15,995)	(15,995)
Net income available for common stockholders	$ 129,183	$ 105,084	$ 76,882
Weighted average shares outstanding used in computing net income per common share:			
Basic and diluted	1,000	1,000	1,000
Net income per common share:			
Basic and diluted	$ 129.2	$ 105.1	$ 76.9

See accompanying notes to consolidated financial statements.

(Continued)

RSC HOLDINGS III, LLC AND SUBSIDIARIES
Consolidated Statements of Stockholders' Deficit and Comprehensive Income
(In thousands, except share data)

	Series A preferred stock		Common stock		Accumulated deficit	Comprehensive income	Accumulated other comprehensive income	Total
	Shares	Amount	Shares	Amount				
Balance, January 1, 2004	154	$ 350,000	1,000	$ 325	$ (757,530)		$ 4,298	$(402,907)
Components of comprehensive income:								
Net income	—	—	—	—	92,877	$ 92,877	—	92,877
Foreign currency translation adjustments, net of tax	—	—	—	—	—	3,082	3,082	3,082
Total comprehensive income						$ 95,959		
Cash dividends on Series A preferred stock	—	—	—	—	(15,995)		—	(15,995)
Capital contributions	—	—	—	397	—		—	397
Balance, December 31, 2004	154	350,000	1,000	722	(680,648)		7,380	(322,546)
Components of comprehensive income:								
Net income	—	—	—	—	121,079	$ 121,079	—	121,079
Foreign currency translation adjustments, net of tax	—	—	—	—	—	2,070	2,070	2,070
Total comprehensive income						$ 123,149		
Cash dividends on Series A preferred stock	—	—	—	—	(15,995)		—	(15,995)
Capital contributions	—	—	—	842	—		—	842
Balance, December 31, 2005	154	350,000	1,000	1,564	(575,564)		9,450	(214,550)
Components of comprehensive income:								
Net income	—	—	—	—	137,180	$ 137,180	—	137,180
Foreign currency translation adjustments, net of tax	—	—	—	—	—	(666)	(666)	(666)
Total comprehensive income						$ 136,514		
Cash dividends on Series A preferred stock	—	—	—	—	(7,997)		—	(7,997)
Capital contributions	—	—	—	14,079	—		—	14,079
Effect of Recapitalization	(154)	(350,000)	—	—	(12,991)		—	(362,991)
Share-based compensation	—	—	—	312	—		—	312
Balance, December 31, 2006	—	$ —	1,000	$15,955	$(459,372)		$ 8,784	$(434,633)

See accompanying notes to consolidated financial statements.

(Continued)

RSC HOLDINGS III, LLC AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands)

	Years Ended December 31,		
	2006	**2005**	**2004**
Cash flows from operating activities:			
Net income	$ 137,180	$ 121,079	$ 92,877
Adjustments to reconcile net income to net cash provided by operating activities:			
Bonus expense paid by the Group	4,730	—	—
Depreciation and amortization	292,162	246,101	224,964
Amortization of deferred financing costs	1,001	—	—
Share-based compensation expense	312	—	—
Gain on sales of rental and non-rental property and equipment, net of non-cash writeoffs	(43,866)	(45,227)	(37,019)
Deferred income taxes	48,458	50,217	50,283
Changes in operating assets and liabilities:			
Accounts receivable, net	(22,776)	(31,065)	(25,283)
Inventory	412	6,203	23,024
Other assets	414	(3,014)	(2,071)
Accounts payable	(49,890)	120,177	72,507
Accrued expenses and other liabilities	74,783	24,170	7,881
Net cash provided by operating activities	442,920	488,641	407,163
Cash flows from investing activities:			
Purchases of rental equipment	(721,258)	(691,858)	(419,900)
Purchases of property and equipment	(28,592)	(4,641)	(33,490)
Proceeds from sales of rental equipment	191,652	217,534	181,486
Proceeds from sales of property and equipment	15,961	16,197	34,136
Net cash used in investing activities	(542,237)	(462,768)	(237,768)
Cash flows from financing activities:			
Cash consideration paid to RSC Holdings	(2,794,921)	—	—
Issuance of senior ABL facilities	1,124,000	—	—
Issuance of senior term facility	1,130,000	—	—
Issuance of senior notes	620,000	—	—
Proceeds from senior ABL revolver	4,291	—	—
Deferred financing costs	(68,916)	—	—
Payments on senior ABL term loan	(625)	—	—
Payments on capital leases and other debt	(33,010)	(26,785)	(21,674)
Net proceeds (payments on) affiliated debt	141,428	13,738	(134,782)
Capital contribution from RSC Holdings	6,440	—	—
Cash dividends paid	(7,997)	(15,995)	(15,995)
Capital contributions for share appreciation rights	2,909	842	397
Increase in outstanding checks in excess of cash balances	14,774	—	—
Net cash provided by (used in) financing activities	138,373	(28,200)	(172,054)
Effect of foreign exchange rates on cash	(2)	4,938	6,716
Net increase in cash and cash equivalents	39,054	2,611	4,057
Cash and cash equivalents at beginning of year	7,134	4,523	466
Cash and cash equivalents at end of year	$ 46,188	$ 7,134	$ 4,523
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 33,759	$ 20,932	$ 14,390
Supplemental schedule of non-cash investing and financing activities:			
Purchase of assets under capital lease obligations	$ 62,886	$ 47,870	$ 31,276

See accompanying notes to consolidated financial statements.

(Continued)

(1) Organization

Business and Basis of Presentation

Description of Business

RSC Holdings III, LLC and its wholly owned subsidiaries (collectively, the "Company") are engaged primarily in the rental of a diversified line of construction and industrial equipment, geographically disbursed throughout the United States and Canada through its wholly owned subsidiaries. In February 2007, the wholly owned subsidiaries Rental Service Corporation and Rental Service Corporation of Canada officially changed their names to RSC Equipment Rental, Inc. and Rental Service Corporation of Canada Ltd., respectively (collectively, "RSC"). The Company is a wholly owned subsidiary of RSC Holdings Inc. ("RSC Holdings").

Basis of Presentation

Prior to November 27, 2006, RSC Holdings was wholly owned by Atlas Copco AB ("ACAB") and Atlas Copco Airpower n.v. ("ACA"), a wholly owned subsidiary of ACAB (collectively, "the Group"). At December 31, 2005 and 2004, ACAB and ACA owned 40.2% and 59.8% of the outstanding common shares of RSC Holdings, respectively.

On October 6, 2006, the Group announced that it had entered into a recapitalization agreement ("Recapitalization") pursuant to which Ripplewood Holdings L.L.C. ("Ripplewood") and Oak Hill Capital Partners ("Oak Hill" and collectively with Ripplewood, "the Sponsors") would acquire 85.5% of RSC Holdings. The Recapitalization closed on November 27, 2006. The Recapitalization was accomplished through (a) the repurchase by RSC Holdings of a portion of its issued and outstanding stock from the Group and (b) a cash equity investment in RSC Holdings by the Sponsors for stock. The Recapitalization was accounted for as a leveraged recapitalization with no change in the book basis of assets and liabilities.

Prior to the closing of the Recapitalization, RSC Holdings formed RSC Holdings I, LLC, which is a direct wholly owned subsidiary of RSC Holdings; RSC Holdings II, LLC, which is a direct wholly owned subsidiary of RSC Holdings I, LLC; and RSC Holdings III, LLC, which is a direct wholly owned subsidiary of RSC Holdings II, LLC. Each of the newly formed entities were created for legal, tax or other corporate purposes and have nominal assets. RSC is the surviving operating entity of RSC Holdings and is wholly owned by RSC Holdings III, LLC.

In connection with the Recapitalization, RSC and RSC Holdings III, LLC entered into new senior asset-based loan facilities ("Senior ABL Facilities"), comprised of a $250.0 million term loan and a $1,450.0 million revolving credit facility, and a new $1,130.0 million senior second-lien term loan facility ("Senior Term Facility") and issued $620.0 million aggregate principal amount of senior notes ("Senior Notes").

Contemporaneously with the Recapitalization, the Sponsors made a $500.0 million cash equity investment in RSC Holdings in exchange for a portion of the new common stock of RSC Holdings. The net consideration paid, and accrued to be paid, to the Group by RSC Holdings for the repurchased stock was $3,357.9 million. Of this amount, the Company paid and accrued to be paid, $2,812.9 million to RSC Holdings (through RSC Holdings II and RSC Holdings I) which funds were generated from the issuance of the Senior ABL Facilities, Senior Term Facility and Senior Notes. The remaining amount of the consideration paid to the Group by RSC Holdings was primarily generated from the cash equity investment from the Sponsors. The Group is responsible for certain liabilities existing as of the closing date, including liabilities relating to income taxes, personal property and real property taxes, stock appreciation right shares, and certain other liabilities.

Costs and fees totaling $74.4 million were incurred by the Company in conjunction with the Recapitalization. The Company recorded $68.9 million of those costs that directly related to the issuance of debt as deferred financing fees. Indirect expenses and other fees and expenses of $5.5 million not directly related to the issuance of debt were expensed. In addition, the Company recorded $4.7 million of compensation expense for executive bonuses paid by ACAB upon the closing of the Recapitalization, for a total of $10.3 million of

Recapitalization expenses. Normal recurring bonuses paid to management are included in cost of revenues or selling, general and administrative expenses in the consolidated statement of income.

The following table presents a reconciliation of the consideration paid to RSC Holdings to the amount recorded in accumulated deficit in the consolidated statements of stockholders' deficit and comprehensive income for the year ended December 31, 2006:

	(in 000s)
Base consideration paid to RSC Holdings	$ 2,760,521
Working capital adjustment (paid to RSC Holdings in 2006 and 2007)	52,395
Total consideration paid to RSC Holdings	2,812,916
Contribution of Series A preferred stock from ACAB to the Company	(350,000)
Relief of intercompany debt with affiliate of ACAB	(2,394,924)
Assumption by ACAB of certain liabilities of the Company	(55,001)
Consideration paid to RSC Holdings in excess of book value	$ 12,991

In addition to the consideration noted above, RSC Holdings may be required to issue contingent earn-out notes to the Group of up to $400.0 million pursuant to the Recapitalization Agreement if RSC achieves cumulative adjusted EBITDA (as defined in the Recapitalization Agreement) targets for the years ended December 31, 2006-2007 (cumulatively) and 2008. The issuance of the notes would be recorded as an adjustment to accumulated deficit. Each contingent earn-out note will mature on the earlier of the date that is 11 years from issuance and the date that is six months after the final maturity date of the longest dated debt of the Company with a principal amount in excess of $100.0 million on the date of issuance of the contingent note. Interest will be added to principal semi-annually and will be payable at maturity. The interest rate will be compounded semi-annually and will equal the lesser of 11.5% per annum and the applicable federal rate plus 4.99% per annum.

If, after an underwritten initial public offering by RSC Holdings, certain persons associated with the Sponsors cease to control 40% in the aggregate of the number of shares of common equity owned by the Sponsors and their affiliates immediately after the closing of the Recapitalization, the Company may be required to make semi-annual interest payments in connection with the earn-out notes up to an amount calculated by formula as defined in the Recapitalization Agreement. Furthermore, if these conditions are met, additional interest shall accrue at the semi-annual interest rate that, with semi-annual compounding, produces an incremental annual yield to maturity of 1.50%. In addition, the Company may be required to prepay a portion of the earn-out notes if certain dividends, redemptions or other distributions are received that exceed pre-defined levels.

In December 2006, RSC Holdings sold to certain of its officers, or trusts of which its officers were beneficiaries, RSC Holdings new common stock for an aggregate price of approximately $6.4 million. The cash received was contributed by RSC Holdings to the Company and is included within capital contributions in the consolidated statements of stockholders' deficit and comprehensive income.

Prior to the Recapitalization

Through November 26, 2006, the consolidated financial statements represent a carve-out of the activities of the Company as they related to its wholly owned subsidiary RSC. The consolidated financial statements exclude RSC's Prime Energy division, which was retained by the Group as part of the Recapitalization. The historical financial statements of the Company include investments in other consolidated or non-consolidated operations which are not included in these consolidated financial statements as such investments were retained by the Group. The consolidated financial statements reflect indebtedness with an affiliate in which interest charged may not be reflective of rates and terms and conditions offered by a third party lender. Management believes the assumptions underlying the consolidated financial statements are reasonable. However, the consolidated financial statements included herein may not necessarily reflect the Company's results of operations, financial

position and cash flows in the future or what its results of operations, financial position and cash flows would have been had the Company been a stand-alone company during the periods presented.

All material intercompany transactions and balances have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies

Use of Estimates

The preparation of the consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amounts of long-lived assets, goodwill, and inventories; the allowance for doubtful accounts; deferred income taxes; environmental liabilities; reserves for claims; assets and obligations related to employee benefits; and determination of share-based compensation amounts. Management believes that its estimates and assumptions are reasonable in the circumstances; however, actual results may differ from these estimates.

Cash Equivalents

The Company considers all highly liquid instruments with insignificant interest rate risk and with maturities of three months or less at purchase to be cash equivalents.

Foreign Currency Translation

The financial statements of the Company's foreign subsidiary are translated into U.S. dollars in accordance with the Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 52, *Foreign Currency Translation*. Assets and liabilities of the foreign subsidiary are translated into U.S. dollars at year-end exchange rates. Revenue and expense items are translated at the average rates prevailing during the period. Resulting translation adjustments are included in stockholders' deficit as a component of accumulated other comprehensive income. Income and losses that result from foreign currency transactions are included in earnings. The Company recognized $311,000, $146,000, and $74,000 of foreign currency transaction gains for the years ended December 31, 2006, 2005, and 2004, respectively.

The Company reports accumulated other comprehensive income in the consolidated statement of stockholders' deficit and comprehensive income in accordance with SFAS No. 130, *Reporting Comprehensive Income*. Accumulated other comprehensive income consists solely of accumulated foreign currency translation adjustments.

Fair Value of Financial Instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. The fair values of cash, accounts receivable and accounts payable approximate carrying values due to the short maturity of these financial instruments. The fair values of the Senior ABL Facilities and the Senior Term Facilities approximate the carrying value of these financial instruments due to the fact that these instruments include provisions to adjust interest rates based on market conditions. The estimated value of the Senior Notes approximate fair value due to the recent nature of their issuance and the lack of material change in the interest rate market or credit risk associated with the Company since issuance in November 2006.

The Company considers the determination of the fair value of affiliated debt to be impracticable as the counterparty is a related party, there is no stated maturity date, and no similar financial instruments are available to provide a comparable analysis.

Accounts Receivable

Accounts receivable are stated net of allowances for doubtful accounts of $7.0 million and $7.5 million at December 31, 2006 and 2005, respectively. Management develops its estimate of this allowance based on the Company's historical experience, its understanding of the Company's current economic circumstances, and its own judgment as to the likelihood of ultimate payment. Bad debt expense is reflected as a component of selling, general and administrative expenses in the consolidated statements of income. Accounts receivable consist of the following at:

	December 31, (in 000s)	
	2006	**2005**
Trade receivables	$ 270,707	$ 244,732
Receivables from affiliates	—	3,283
Other receivables	4,654	5,065
Less allowance for doubtful accounts	(6,978)	(7,474)
Accounts receivable, net	$ 268,383	$ 245,606

The following table summarizes activity for allowance for doubtful accounts:

	2006	**2005**	**2004**
Beginning balance at January 1,	$ 7,474	$ 9,166	$ 7,006
Provision for bad debt	5,076	5,395	9,249
Charge offs, net	(5,572)	(7,087)	(7,089)
Ending balance at December 31,	$ 6,978	$ 7,474	$ 9,166

Inventory

Inventory consists primarily of merchandise and parts. Inventory is primarily accounted for using the weighted average cost method.

Rental Equipment

Rental equipment is recorded at cost and depreciated over the estimated useful lives of the equipment using the straight-line method. The range of estimated lives for rental equipment is one to ten years. Rental equipment is depreciated to a salvage value of zero to ten percent of cost. The incremental costs related to acquiring rental equipment and subsequently renting such equipment are expensed as incurred. Ordinary repair and maintenance costs are charged to operations as incurred. Repair and maintenance costs of $102.8 million, $90.6 million and $89.2 million are included in cost of revenues in our consolidated statements of income for the years ended December 31, 2006, 2005 and 2004, respectively. When rental fleet is disposed of, the related cost and accumulated depreciation are removed from their respective accounts, and any gains or losses are included in gross profit.

The Company has factory-authorized arrangements for the refurbishment of certain equipment. The Company continues to record depreciation expense while the equipment is out on refurbishment. The cost of refurbishment is added to the existing net book value of the asset. The combined cost is

depreciated over 48 months. The total net book value of the equipment and the total refurbishment cost following completion of the refurbishment may not exceed the equipment's current fair value.

The following table provides a breakdown of rental equipment at:

	December 31, (in 000s)	
	2006	**2005**
Rental equipment	$ 2,399,109	$ 2,030,516
Less accumulated depreciation	(660,439)	(609,971)
Rental equipment, net	$ 1,738,670	$ 1,420,545

Property and Equipment

Property and equipment is recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets ranging from three to thirty years. Leasehold improvements are amortized over the life of the lease or life of the asset, whichever is shorter. Maintenance and repair costs are charged to expense as incurred. Expenditures that increase productivity or extend the life of an asset are capitalized. Upon disposal, the related cost and accumulated depreciation are removed from their respective accounts, and any gains or losses are included in operating expenses.

Property and equipment consists of the following at:

	December 31, (in 000s)	
	2006	**2005**
Leased equipment	$ 190,076	$ 162,627
Buildings and leasehold improvements	43,800	32,455
Non-rental machinery and equipment	32,529	32,787
Data processing hardware and purchased software	13,237	22,588
Furniture and fixtures	9,931	8,215
Construction in progress	4,183	4,724
Land and improvements	714	892
	294,470	264,288
Less accumulated depreciation and amortization	(124,278)	(132,798)
Property and equipment, net	$ 170,192	$ 131,490

Long-Lived Assets and Goodwill

Long-lived assets such as rental equipment and property and equipment are measured for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If an impairment indicator is present, the Company evaluates recoverability by a comparison of the carrying amount of the assets to future undiscounted cash flows expected to be generated by the assets. If the assets are impaired, the impairment recognized is measured by the amount by which the carrying amount exceeds the fair value of the assets. Fair value is generally determined by estimates of discounted cash flows. The Company recognized no impairment of long-lived assets in the years ended December 31, 2006, 2005 and 2004, respectively.

Goodwill was $925.6 million at both December 31, 2006 and 2005. The Company reviews the carrying value of goodwill for impairment annually during the fourth quarter, and whenever an impairment indicator is identified. Based on the Company's analyses, there was no impairment of goodwill in connection with the annual impairment tests that were performed during the years ended December 31, 2006 and 2005.

The goodwill impairment test involves a two-step approach. Under the first step, the Company determines the fair value of each reporting unit to which goodwill has been assigned. The Company compares the fair value of the reporting unit to its carrying value, including goodwill. The Company estimates the fair values of its reporting units utilizing an income approach valuation. If the estimated fair value exceeds the carrying value, no impairment loss is recognized. If the carrying value exceeds the fair value, goodwill is considered potentially impaired and the second step is completed in order to measure the impairment loss. Under the second step, the Company calculates the implied fair value of goodwill by deducting the fair value of all tangible and intangible net assets, including any unrecognized intangible assets, of the reporting unit from the fair value of the reporting unit as determined in the first step. The Company then compares the implied fair value of goodwill to the carrying value of goodwill. If the implied fair value of goodwill is less than the carrying value of goodwill, the Company recognizes an impairment loss equal to the difference.

Revenue Recognition

The Company rents equipment primarily to the nonresidential construction and industrial markets. The Company records unbilled revenue for revenues earned each reporting period which have not yet been billed to the customer. Rental contract terms may be daily, weekly, or monthly and may extend across financial reporting periods. Rental revenue is recognized over the applicable rental period.

The Company recognizes revenue on merchandise sales when title passes to the customer, the customer takes ownership, assumes risk of loss, and collectibility is reasonably assured. There are no rights of return or warranties offered on product sales.

The Company recognizes both net and gross re-rent revenue. The Company has entered into alliance agreements with certain suppliers whereby the Company will rent equipment from the supplier and subsequently re-rent such equipment to a customer. Under the alliance agreements, the collection risk from the end user is passed to the original supplier and revenue is presented on a net basis under the provisions of Emerging Issues Task Force ("EITF") No. 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent*. When no alliance agreement exists, re-rent revenue is presented on a gross basis.

Cost of Revenues

Costs of revenues for equipment rentals consist primarily of wages and benefits for employees involved in the delivery and maintenance of rental equipment, rental location facility costs and rental equipment repair and maintenance expenses. Cost of sales of merchandise represents the costs of acquiring those items. Cost of rental equipment sales represents the net book value of rental equipment at the date of sale.

Selling, General and Administrative Expenses

Selling general and administrative expenses primarily includes sales force compensation, information technology costs, advertising and marketing, professional fees and administrative overhead.

Reserves for Claims

The Company's insurance program for general liability, automobile, workers' compensation and pollution claims involves deductibles or self-insurance, with varying risk retention levels. Claims in excess of these risk retention levels are covered by insurance up to policy limits. The Company is fully self-insured for medical claims. The Company's excess loss coverage for general liability, automobile, workers' compensation and pollution claims starts at $1.0 million, $1.5 million and $500,000 and $250,000, respectively. This coverage was in effect for both years ended December 31, 2006 and 2005. The Company establishes reserves for reported claims that are asserted and for claims that are believed to have been incurred but not yet reported. These reserves reflect an estimate of the amounts that the Company will be required to pay in connection with these claims. The estimate of reserves is based upon assumptions relating to the probability of losses and historical settlement experience. These estimates may change based on, among other events, changes in claims history or receipt of additional information relevant to assessing the claims. Furthermore, these estimates may prove to be inaccurate due to factors such as adverse judicial determinations or settlements at higher than estimated amounts. Accordingly, the Company may be required to increase or decrease the reserves.

Earnings per Share

Basic and diluted net income per common share are presented in conformity with SFAS No. 128, *Earnings Per Share* ("SFAS No. 128"). In accordance with SFAS No. 128, basic net income per common share has been computed using the weighted average number of shares of common stock outstanding during the period. Diluted net income per common share has been computed using the weighted average number of shares of common stock outstanding during the period, increased to give effect to any potentially dilutive securities. Additionally, for purposes of calculating basic and diluted net income per common share, net income has been adjusted for preferred stock dividends.

There were no potentially dilutive securities outstanding during 2006, 2005 and 2004.

Income Taxes

Prior to the Recapitalization, RSC Holdings had other lines of businesses and the consolidated tax return of RSC Holdings for those periods included the results from those other lines of businesses. The Company's income taxes as presented in the consolidated financial statements are calculated on a separate tax return basis that does not include the results from those other lines of businesses. Under ACAB's ownership, RSC Holdings managed its tax position for the benefit of its entire portfolio of businesses, and its tax strategies were not necessarily reflective of the tax strategies that the Company would have followed or do follow as a stand-alone company.

Income taxes are accounted for under SFAS No. 109, *Accounting for Income Taxes*. Under SFAS No. 109 deferred income taxes reflect the tax consequences of differences between the financial statement carrying amounts and the respective tax bases of assets and liabilities and operating loss and tax credit carryforwards. A valuation allowance is provided for deferred tax assets when realization of such assets is not considered to be more likely than not. Adjustments to the deferred income tax valuation allowance are made periodically based on management's assessment of the recoverability of the related assets.

Provisions for deferred income taxes are recorded to the extent of withholding taxes and incremental taxes, if any, that arise from repatriation of dividends from those foreign subsidiaries where local earnings are not permanently reinvested. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary

differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the tax rates is recognized in income in the period that includes the enactment date.

Consideration Received from Vendors

The Company receives money from suppliers for various programs, primarily volume incentives and advertising. Allowances for advertising to promote a vendor's products or services which meet the criteria in EITF No. 02-16, *Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor* are offset against advertising costs in the period in which the Company recognizes the incremental advertising cost. In situations when vendor consideration does not meet the criteria in EITF No. 02-16 to be offset against advertising costs, the Company considers the consideration to be a reduction in the purchase price of rental equipment acquired.

Volume incentives are deferred and amortized as an offset to depreciation expense over 36 months, which approximates the average period of ownership of the rental equipment purchased from vendors who provide the Company with rebates and other incentives.

Marketing and Advertising costs

The Company advertises primarily through trade publications and yellow pages. These costs are charged in the period incurred. Marketing and advertising costs are included in selling, general and administrative expenses in the accompanying consolidated statements of income. Marketing and advertising expense, net of qualifying cooperative advertising reimbursements under EITF No. 02-16 was $9.9 million, $10.2 million, and $6.0 million for the years ended December 31, 2006, 2005, and 2004, respectively.

Share-Based Compensation

Prior to January 1, 2006, the Company applied the intrinsic value based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees,* and related interpretations including FASB Interpretation No. 44, *Accounting for Certain Transactions involving Stock Compensation, an interpretation of APB Opinion No. 25,* to account for share appreciation rights issued by ACAB to selected key employees of the Company.

Effective January 1, 2006, the Company adopted the modified prospective method of SFAS 123 (revised 2004), *Share Based Payment.* Under that method, the Company recognizes compensation expense for new share-based awards, awards modified after the effective date, and the remaining portion of the fair value of the unvested awards at the adoption date based on grant date fair values. See Note 12 for further discussion.

Deferred Financing Costs

Deferred financing costs are amortized through interest expense over the respective terms of the debt instruments using the effective interest rate method.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentration of credit risk consist principally of cash and accounts receivable. The Company maintains cash with high quality financial institutions. Concentration of credit risk with respect to accounts receivable is limited because the Company's customer base is large and geographically diverse. No single customer accounts for more than 5% of the Company's total revenues in the years ended December 31, 2006, 2005 or 2004 or more than 5% of total receivables at December 31, 2006 or December 31, 2005.

New Accounting Pronouncements

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*, a replacement of APB Opinion No. 20 and SFAS No. 3. SFAS No. 154 requires retrospective application to prior periods' financial statements for changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS No. 154 also requires that retrospective application of a change in accounting principle be limited to the direct effects of the change. Indirect effects of a change in accounting principle should be recognized in the period of the accounting change. SFAS No. 154 further requires a change in depreciation, amortization or depletion method for long-lived, nonfinancial assets to be accounted for as a change in accounting estimate affected by a change in accounting principle. Unless adopted early, SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS No. 154 did not have a material impact on the Company's results of operations, financial position or cash flows.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109* ("FIN 48"). Fin 48 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is assessing the impact of FIN 48 and has not yet determined the impact that the adoption of FIN 48 will have on its consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements.* This standard defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurements. This pronouncement applies to other accounting standards that require or permit fair value measurements. Accordingly, this statement does not require any new fair value measurement. This statement is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company will be required to adopt SFAS No. 157 in the first quarter of the year ending December 31, 2008. The Company is assessing the requirements of SFAS No. 157 and has not yet determined the impact of adoption on the Company's results of operations, financial position or cash flows.

In September 2006, the SEC staff issued Staff Accounting Bulletin ("SAB") 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*. SAB 108 requires analysis of misstatements using both an income statement (rollover) approach and a balance sheet (iron curtain) approach in assessing materiality and provides for a one-time cumulative effect transition adjustment. SAB 108 is only effective for public companies. The Company will adopt SAB 108 upon becoming a public company. The Company does not expect the adoption to have a material impact on the Company's results of operations, financial position or cash flows.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115.* This statement permits entities to choose to measure many financial instruments at fair value. A business entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The Company will be required to adopt SFAS No. 159 in the first quarter of the year ending December 31, 2008. The Company is assessing the impact of SFAS No.

159 and has not yet determined the impact of adoption on the Company's results of operations, financial positions or cash flows.

(3) Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consist of the following at:

	December 31, (in 000s)	
	2006	**2005**
Compensation-related accruals	$ 28,815	$ 31,706
Accrued income and other taxes	53,136	58,590
Reserves for claims	35,940	27,116
Accrued interest payable	19,095	—
Other	6,030	4,144
Total	$ 143,016	$ 121,556

(4) Debt

Debt consists of the following at:

	December 31, (in 000s)	
	2006	**2005**
Senior ABL revolving credit facility	$ 878,291	$ —
Senior ABL term loan	249,375	—
Senior Term Facility	1,130,000	—
Senior Notes	620,000	—
Indebtedness due to affiliate	—	2,253,497
Capitalized lease obligations	128,688	98,782
Other	72	101
Total	$ 3,006,426	$ 2,352,380

The required principal payments for all borrowings for each of the five years following the balance sheet date are as follows (in 000s)(a):

2007	$ 31,713
2008	29,810
2009	26,909
2010	21,212
2011	893,855
Thereafter	2,002,927
Total	$ 3,006,426

a) The required principal payments presented above do not give effect to the contingent earn-out notes discussed in Note 1.

Senior ABL Facilities. As of November 27, 2006, in connection with the Recapitalization, RSC and certain of its parent companies and subsidiaries, as borrower, entered into a senior secured asset based credit facility with Deutsche Bank AG, New York Branch ("DBNY"), as administrative agent and

collateral agent, Citicorp North America, Inc. as syndication agent, and the other financial institutions party thereto from time to time. The facility consists of a $1,450.0 million revolving credit facility and a term loan facility in the initial amount of $250.0 million. The revolving loans under the Senior ABL Facilities mature five years from the Recapitalization closing date. The term loans under the Senior ABL Facilities amortize in equal quarterly installments of one percent of the aggregate principal amount thereof per annum until its maturity date, November 30, 2012, at which time the remaining balance is due.

At the Company's election, the interest rate per annum applicable to the loans under the Senior ABL Facilities are based on a fluctuating rate of interest measured by reference to either adjusted LIBOR, plus a borrowing margin; or, an alternate base rate plus a borrowing margin. As of December 31, 2006, the interest rate on the Senior ABL Facilities was 7.10%.

As of December 31, 2006, the Company had $504.8 million available on the Senior ABL revolving credit facility. A portion of the revolving loan facility is available for swingline loans and for the issuance of letters of credit. The Company will pay fees on the unused commitments of the lenders under the revolving loan facility; a letter of credit fee on the outstanding stated amount of letters of credit plus facing fees for the letter of credit issuing banks and any other customary fees.

The Senior ABL Facilities contain covenants that, among other things, limit or restrict the ability of the Company to incur indebtedness; provide guarantees; engage in mergers, acquisitions or dispositions; enter into sale-leaseback transactions; and make dividends and other restricted payments. In addition, under the Senior ABL Facilities, upon excess availability falling below certain levels, the borrowers will be required to comply with specified financial ratios and tests, including a minimum fixed charge coverage ratio and a maximum leverage ratio. The Company is currently in compliance with the covenants related to the Senior ABL Facilities.

Senior Term Facility. In connection with the Recapitalization, the Company, as borrower, entered into an $1,130.0 million senior secured second-lien term loan facility with DBNY, as administrative agent and collateral agent, Citigroup, as syndication agent, General Electric Capital Corporation, as co-documentation agent and the other financial institution as party thereto from time to time. The Senior Term Facility matures seven years from the Recapitalization closing date.

At the Company's election, the interest rate per annum applicable to the Senior Term Facility is based on a fluctuating rate of interest measured by reference to either adjusted LIBOR, plus a borrowing margin; or, an alternate base rate plus a borrowing margin. As of December 31, 2006, the interest rate on the Senior Term Facility was 8.86%

The Senior Term Facility contains a number of covenants substantially identical to, but no more restrictive than, the covenants contained in the Senior ABL Facilities. However, under the Senior Term Facility, the borrowers are not required to comply with covenants relating to borrowing base reporting or to specified financial maintenance covenants.

Senior Notes. In connection with the recapitalization, RSC and RSC Holdings, III LLC issued $620.0 million aggregate principal amount of 9 ½% senior notes due 2014. Interest on the Senior Notes is paid semi-annually, on June 1 and December 1 in each year and the Senior Notes mature December 1, 2014.

The Senior Notes are redeemable, at the Company's option, in whole or in part, at any time and from time to time on and after December 1, 2010 at the applicable redemption price set forth below:

Redemption Period	Price
2010	104.750%
2011	102.375%
2012 and thereafter	100.000%

In addition, at any time on or prior to December 1, 2009, the Company may redeem up to 35% of the original aggregate principal amount of the Senior Notes, with funds in an equal aggregate amount up to the aggregate proceeds of certain equity offerings of the Company, at a redemption price of 109.5%.

The indenture governing the Senior Notes contain covenants that, among other things, limit the Company's ability to incur additional indebtedness or issue preferred shares; pay dividends on or make other distributions in respect to capital stock or other restricted payments; make certain investments; and sell certain assets.

The Company has agreed to make an offer to exchange the Senior Notes for registered, publicly tradable notes that have substantially identical terms of the Senior Notes, including redemption and repurchase prices, covenant and transfer restrictions. If the Company does not cause the exchange offer to become effective by November 22, 2007, or if certain other conditions set forth in the Registration Rights Agreement are not met, the Company will be obligated to pay additional interest on the Senior Notes.

Indebtedness due to affiliate. The Company's indebtedness to affiliate prior to the Recapitalization represents an estimate of remaining indebtedness associated with RSC Holdings' acquisition of the operations included in these consolidated financial statements, RSC's operational borrowings, and adjustments related to operations which were retained by the Group. These consolidated financial statements reflect interest cost computed under historical borrowing arrangements between the Company and the affiliate. Except for the term loan, interest was charged using an average annual rate of prime for the period subsequent to January 1, 2005. Accrued interest was added to the outstanding debt balance. The average interest rate for the outstanding borrowings, excluding the term loan, at December 31, 2005 was 6.18%. The indebtedness to affiliate has no stated maturity date and no associated covenants. This debt was settled in conjunction with the Recapitalization.

Capital leases. Capital lease obligations consist of vehicle leases with periods expiring at various dates through 2014 at variable interest rates ranging from 3.75% to 7.75%.

(5) Common and Preferred Stock

Common Stock

The Company has authorized 1,000 shares of no-par common stock. At December 31, 2006 there were 1,000 shares issued and outstanding. All shares are owned by RSC Holdings II, LLC.

The Company's ability to pay dividends to holders of common stock is limited as a practical matter by the Senior Credit Facilities and the indenture governing the Senior Notes. In addition, if the contingent earn-out notes are issued, the Company's ability to pay dividends will be restricted by its obligation to make certain mandatory prepayments to the holders of such notes.

Preferred Stock

As of December 31, 2005, RSC had authorized 200 shares of Series A preferred stock, of which 154 shares were issued and outstanding with an affiliate. Holders of the Series A preferred stock were entitled to receive dividends when declared by the Board. Dividends of $8.0 million, $16.0 million and $16.0 million were paid for the years ending December 31, 2006, 2005 and 2004, respectively. These shares were cancelled as part of the Recapitalization.

(6) Income Taxes

The components of the provision for income taxes are as follows:

	Year ended December 31, (in 000s)		
	2006	**2005**	**2004**
Domestic federal:			
Current	$ 26,869	$ 8,566	$ 5,522
Deferred	46,428	50,155	40,500
	73,297	58,721	46,022
Domestic state			
Current	7,861	5,000	—
Deferred	770	(1,275)	8,376
Total domestic	81,928	62,446	54,398
Foreign federal:			
Current	3,349	2,705	198
Deferred	1,291	1,337	1,407
Total foreign	4,640	4,042	1,605
	$ 86,568	$ 66,488	$ 56,003

Prior to the Recapitalization, RSC Holdings had other lines of businesses and the consolidated tax return of RSC Holdings for those periods included the results from those other lines of businesses. The Company's income taxes as presented in the consolidated financial statements are calculated on a separate tax return basis that does not include the results from those other lines of businesses. The Company was required to assess its deferred tax assets (including net operating loss and alternative minimum tax loss carryforwards) and the need for a valuation allowance on a separate return basis, even though at December 31, 2006 and 2005 no such loss carryforwards existed at the RSC Holdings consolidated level, since those assets have been utilized by other members of the RSC Holdings Group. Upon the Company's separation from the Group as a result of the Recapitalization, those assets were treated as an intercompany balance and eliminated. This assessment required judgment on the part of management with respect to benefits that could be realized from future income, as well as other positive and negative factors.

A reconciliation of the provision for income taxes and the amount computed by applying the statutory federal income tax rate of 35% to income before provision for income taxes is as follows:

	Year ended December 31, (in 000s)		
	2006	**2005**	**2004**
Computed tax at statutory tax rate	$ 78,312	$ 65,648	$ 52,108
Permanent items	875	(4,938)	(4,938)
State income taxes, net of federal tax benefit	9,300	2,421	5,444
Difference between federal statutory and foreign tax rate	(208)	(61)	(46)
Change in valuation allowance	—	(1,486)	—
Other	(1,711)	4,904	3,435
Provision for income taxes	$ 86,568	$ 66,488	$ 56,003

The Company's investment in its foreign subsidiary is permanently invested abroad and will not be repatriated to the U.S. in the foreseeable future. In accordance with APB Opinion No. 23, *Accounting for Income Taxes—Special Areas*, because those earnings are considered to be indefinitely reinvested, no U.S. federal or state deferred income taxes have been provided thereon. Total undistributed earnings at December 31, 2006 and 2005 were $28.1 million and $19.8 million, respectively. Upon distribution of those earnings, in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the foreign country.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows at:

	December 31, (in 000s)	
	2006	**2005**
Deferred tax assets:		
Accruals	$ 20,080	$ 14,953
Alternative minimum tax credit carryforwards	—	72,261
Net Operating Loss carryforwards	—	11,673
Total gross deferred tax assets	20,080	98,887
Deferred tax liabilities:		
Intangibles	29,942	18,030
Capitalized leases	7,178	2,216
Property and equipment	271,770	248,933
Foreign	5,271	3,996
Total gross deferred liabilities	314,161	273,175
Net deferred tax liability	$ 294,081	$ 174,288

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred

tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

The reduction in the deferred tax valuation allowance in 2005 related to management's belief that it was more likely than not that alternative minimum tax credit carryforwards would be realized based on projected future taxable income.

(7) Commitments and Contingencies

At December 31, 2006, the Company had total available irrevocable letters of credit facilities of $148.6 million, of which $106.2 million were outstanding. Such irrevocable commercial and standby letters of credit facilities support various agreements, leases, and insurance policies. The total outstanding letters of credit include amounts with various suppliers that guarantee payment of rental equipment purchases upon reaching the specified payment date (normally 180 day terms).

RSC Holdings may be required to issue contingent earn-out notes to the Group of up to $400.0 million pursuant to the Recapitalization Agreement if RSC achieves cumulative adjusted EBITDA (as defined in the Recapitalization Agreement) targets for the years ended December 31, 2006-2007 (cumulatively) and 2008. The issuance of the notes would be recorded as an adjustment to accumulated deficit.

The Company is subject to various laws and related regulations governing environmental matters. Under such laws, an owner or lessee of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances located on or in, or emanating from, such property, as well as investigation of property damage. The Company incurs ongoing expenses and records applicable accruals associated with the removal of underground storage tanks and the performance of appropriate remediation at certain of its locations. The Company believes that such removal and remediation will not have a material adverse effect on the Company's financial position, results of operations, or cash flows.

(8) Leases

Included in property and equipment in the consolidated balance sheets are the following assets held under capital leases at:

	December 31, (in 000s)	
	2006	**2005**
Leased equipment	$ 190,076	$ 162,627
Less accumulated depreciation and amortization	(60,088)	(60,982)
Leased equipment	$ 129,988	$ 101,645

Capital lease obligations consist primarily of vehicle leases with periods expiring at various dates through 2014 at variable interest rates. Capital lease obligations amounted to $128.7 million and $98.8 million at December 31, 2006, and 2005, respectively.

The Company also rents equipment, real estate and certain office equipment under operating leases. Certain real estate leases require the Company to pay maintenance, insurance, taxes and certain other

expenses in addition to the stated rentals. Lease expense under operating leases amounted to $36.2 million, $35.0 million, and $34.3 million for the years ended December 31, 2006, 2005, and 2004, respectively.

Future minimum lease payments, by year and in the aggregate, for noncancelable capital and operating leases with initial or remaining terms of one year or more are as follows at:

	December 31, (in 000s)	
	Capital leases	**Operating leases**
2007	$ 36,376	$ 43,547
2008	32,847	36,835
2009	28,421	29,152
2010	21,344	21,558
2011	14,695	13,285
Thereafter	17,357	9,353
Total minimum lease payments	151,040	$ 153,730
Less amount representing interest (at rates ranging from 3.75% to 7.75%)	(22,352)	
Capital lease obligations	$ 128,688	

The Company has a variety of real estate leases that contain rent escalation clauses. The Company records the related rental expense on a straight-line basis over the lease term and records the difference between the amount charged to expense and the rent paid as a deferred rent liability. The balance of the deferred rent liability amounted to $1.0 million and $1.1 million at December 31, 2006 and 2005, respectively.

(9) Legal and Insurance Matters

The Company is party to legal proceedings and potential claims arising in the ordinary course of its business. In the opinion of management, the Company has adequate legal defenses, reserves, and insurance coverage with respect to these matters so that the ultimate resolution will not have a material adverse effect on the Company's financial position, results of operations, or cash flows. The Company has recorded accrued liabilities of $35.9 million and $27.1 million at December 31, 2006 and 2005, respectively, to cover the uninsured portion of estimated costs arising from these pending claims and other potential unasserted claims. The Company records claim recoveries from third parties when such recoveries are certain of being collected.

(10) Affiliated Company Transactions

Sales and rentals to affiliated companies of $125,000, $177,000, and $151,000 in 2006, 2005, and 2004, respectively, are included in revenues in the accompanying consolidated statements of income. Rental equipment and other purchases from affiliated companies were $41.2 million, $50.5 million, and $31.5 million in 2006, 2005, and 2004, respectively. Affiliated payables were $15.1 million and $6.4 million at December 31, 2006 and 2005, respectively. Included in accounts payables at December 31, 2006 is an $18.0 million payable to the Group related to a working capital adjustment in conjunction with the Recapitalization.

As part of the Recapitalization, the Group assumed certain liabilities of the Company existing on the closing date, including tax liabilities for personal property and real estate. Additionally, the Group agreed to indemnify the Company of any and all liabilities for income taxes which are imposed on the Company for a taxable period prior to the closing date of the Recapitalization. As the legal obligation for any such

payments still resides with the Company, on the date of the Recapitalization the Company has a receivable for any recorded liabilities to be paid by the Group. At December 31, 2006, the Company has a receivable of $49.4 million for such amounts, which is recorded within other assets in the consolidated balance sheet.

On the Recapitalization closing date, the Company entered into a monitoring agreement with the Sponsors, pursuant to which the Sponsors will provide the Company with financial, management advisory and other services. The Company will pay the Sponsors an annual aggregate fee of $6.0 million for such services. For the year ended December 31, 2006, the Company recorded $559,000 of management expenses pursuant to this agreement.

(11) Employee Benefit Plans

The Company currently sponsors a defined contribution 401(k) plan that is subject to the provisions of ERISA. The Company also sponsors a defined contribution pension plan for the benefit of full-time employees of its Canadian subsidiary. Under these plans, the Company matches a percentage of the participants' contributions up to a specified amount. Company contributions to the plans were $4.7 million, $3.9 million, and $3.7 million for the years ended December 31, 2006, 2005, and 2004, respectively.

The Company sponsors a deferred compensation plan whereby amounts earned and contributed by an employee are invested and held in a Company created "rabbi trust". Rabbi trusts are employee directed and administered by a third party. As the assets of the trust are available to satisfy the claims of general creditors in the event of Company bankruptcy, under EITF No. 97-14, *Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested*, the amounts held in the trust are accounted for as an investment and a corresponding deferred liability in the accompanying consolidated balance sheets and amounted to $2.0 million and $2.1 million at December 31, 2006 and 2005, respectively.

(12) Share-Based Compensation Plans

On January 1, 2006, the Company adopted SFAS No. 123 (Revised 2004), *Share-Based Payment* ("SFAS No. 123R"), which replaces SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS No. 123") and supersedes APB 25. SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized as compensation expense over the requisite service period (generally the vesting period) in the consolidated financial statements based on their fair values. The Company did not grant any employee stock options prior to the Recapitalization in November 2006. Prior to the Recapitalization, certain employees were eligible to receive share appreciation rights ("SARS") for ACAB A-shares. SARS do not entitle the holder to acquire shares, but only to receive the difference between the price of ACAB's A-share at exercise and the price determined at the grant date. As of January 1, 2006, the SARS were substantially vested. The adoption of SFAS No. 123R did not have a material impact on the Company's results of operations, financial position or cash flows.

Prior to January 1, 2006, the Company accounted for stock-based employee compensation using the intrinsic value method under the recognition and measurement principles of APB 25 as interpreted by FASB Interpretation No. 28, *Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans, an interpretation of APB Opinions No. 15 and 25.*

Share Appreciation Rights

SARS were offered each year from 2000 to 2003. No SARS have been granted since 2003. SARS were formally granted and issued by ACAB, have a term of 6 years from the grant date and vest at rates of one-third per year at each anniversary of the grant date. Unvested rights expire at termination of employment, while vested rights are exercisable within one month (grant year 2000 and 2001) or three

months (grant year 2002 and 2003) after termination of employment (12 months in case of retirement). SARS have been granted free of charge as part of certain compensation packages and are not transferable. The exercise price/grant price is equal to 110% of the average share price during a limited period before the grant date. There are no other performance conditions required to earn the award.

Prior to the Recapitalization, the cash payments to employees upon exercise of the SARS were reimbursed by ACAB and, accordingly, were reflected as capital contributions in the consolidated statements of stockholders' equity (deficit) and comprehensive income. As part of the terms of the Recapitalization, ACAB agreed to assume the remaining liability of SARS payments and directly pay the employees upon exercise.

At December 31, 2006 there were 114,755 SARS outstanding, as compared to 280,971 and 564,549 SARS outstanding at December 31, 2005 and 2004, respectively. At the time of the Recapitalization a significant number of SARS were exercised. SARS expense for 2006, 2005, and 2004 was $1.7 million, $3.1 million and $1.3 million, respectively. At December 31, 2006, the SARS were fully vested. As a result, the Company does not expect to recognize significant SARS expense (benefit) in future periods.

Stock Option Plan

After the Recapitalization, RSC Holdings adopted a stock-based compensation plan (the "Plan") under which the Company's eligible employees and directors receive awards of options to purchase RSC Holdings' new common stock. The Board of Directors administers the Plan, which was adopted in December 2006. The Plan authorizes grants of non-qualified stock options to eligible employees and directors for up to 154,694 shares of common stock of which 37,266 shares remain available for grant at December 31, 2006. The exercise price for stock options granted under the Plan will be no less than market value on the date of grant. Options granted under the Plan generally vest ratably over a five-year vesting period and have a ten-year contractual term. In addition to the service based options described above, RSC Holdings also grants performance based options with equivalent terms to those described above except that the annual vesting is contingent on the Company achieving certain defined performance targets.

The fair values of option awards are estimated using a Black-Scholes option pricing model that uses the assumptions noted in the following table. Expected volatilities are based on the historical stock price volatility of comparable companies. Expected term, which represents the period of time that options granted are expected to be outstanding, is estimated using expected term data disclosed by comparable companies. Due to the limited number and homogeneous nature of optionees, the expected term was evaluated using a single group, senior management. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve.

The following weighted average assumptions were used during 2006:

Expected volatility	46%
Dividend yield	—
Expected term (in years)	5
Risk-free interest rate	4.54%
Weighted average grant date fair value of options granted	$111.63

The following table summarizes stock option activity for the year ended December 31, 2006:

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value
Outstanding January 1, 2006	—			
Granted	117,428	$ 244.25		
Exercised	—			
Forfeited or expired	—			
Outstanding December 31, 2006	117,428	$ 244.25	9.9	(a)
Exercisable at December 31, 2006	—			—

(a) The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the stock option. The fair market value per share of $244.25 determined in the Recapitalization represents the best estimate of fair value at December 31, 2006. Consequently, there is no intrinsic value at December 31, 2006.

No options were exercised during 2006. As of December 31, 2006, the Company had $10.8 million of total unrecognized compensation cost related to non-vested stock-based compensation arrangements granted under the Plan that will be recognized on a straight line basis over the requisite service periods. That cost is expected to be recognized over a weighted-average period of 3.6 years. For the year ended December 31, 2006, total stock-based compensation expense was $312,000.

(13) Business Segment and Geographic Information

The Company manages its operations on a geographic basis. Financial results of geographic regions are aggregated into one reportable segment since their operations have similar economic characteristics. These characteristics include similar products and services, processes for delivering these services, types of customers, and long-term average gross margins.

The Company operates in the United States and Canada. Revenues are attributable to countries based on the location of the customers. The information presented below shows geographic information relating to revenues from external customers:

	Year ended December 31, (in 000s)		
	2006	**2005**	**2004**
Revenues from external customers:			
Domestic	$ 1,586,714	$ 1,411,517	$ 1,295,624
Foreign	66,174	49,240	33,099
Total	$ 1,652,888	$ 1,460,757	$ 1,328,723

The information presented below shows geographic information relating to rental equipment and property and equipment at:

	December 31, (in 000s)	
	2006	**2005**
Rental equipment, net		
Domestic	$ 1,670,181	$ 1,367,382
Foreign	68,489	53,163
Total	$ 1,738,670	$ 1,420,545
Property and equipment, net		
Domestic	$ 163,049	$ 127,709
Foreign	7,143	3,781
Total	$ 170,192	$ 131,490

(14) Subsequent Event

On February 13, 2007 RSC Holdings filed a Registration Statement on Form S-1 with the Securities and Exchange Commission in connection with the proposed initial public offering of its common stock. The number of shares to be offered and the price range for the offering have not yet been determined.