# FORM S-1/A

General form of registration statement for all companies including face-amount certificate companies [amend]

Filing Date: **1998-07-22**
**SEC Accession No.** 0000950144-98-008658

(HTML Version on secdatabase.com)

## FILER

**NATIONSRENT INC**

CIK:**1062515**| IRS No.: **311570069** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **S-1/A** | Act: **33** | File No.: **333-56233** | Film No.: **98669876**
SIC: **7359** Equipment rental & leasing, nec

Mailing Address
*450 EAST LAS OLAS BLVD*
*STE 1400*
*FT LAUDERDALE FL 33301*

Business Address
*450 EAST LAS OLAS BLVD*
*STE 1400*
*FT LAUDERDALE FL 33301*
*9547606550*

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 22, 1998

REGISTRATION NO. 333-56233

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 3

TO

FORM S-1
REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933

NATIONSRENT, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

| | | |
|---|---|---|
| DELAWARE | 7353 | 31-1570069 |
| (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION) | (PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER) | (I.R.S. EMPLOYER IDENTIFICATION NUMBER) |

450 EAST LAS OLAS BOULEVARD, SUITE 1400
FT. LAUDERDALE, FLORIDA 33301
(954) 760-6550
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

JAMES L. KIRK
CHAIRMAN, CHIEF EXECUTIVE OFFICER
AND PRESIDENT
NATIONSRENT, INC.
450 EAST LAS OLAS BOULEVARD
FORT LAUDERDALE, FLORIDA 33301
(954) 760-6550
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES OF ALL COMMUNICATIONS TO:

| | |
|---|---|
| STEPHEN K. RODDENBERRY | LEIGH P. RYAN |
| AKERMAN, SENTERFITT & EIDSON, P.A. | PAUL, HASTINGS, JANOFSKY & WALKER LLP |
| ONE S.E. 3RD AVENUE, 28TH FLOOR | 399 PARK AVENUE, 31ST FLOOR |
| MIAMI, FLORIDA 33131-1704 | NEW YORK, NEW YORK 10022-4697 |
| (305) 374-5600 | (212) 318-6006 |

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO PUBLIC: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ] ___________________

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ] ___________________

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ] ___________________

If delivery of the Prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

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CALCULATION OF REGISTRATION FEE

<TABLE>
<CAPTION>

| TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED | AMOUNT TO BE REGISTERED | PROPOSED MAXIMUM OFFERING PRICE PER UNIT | PROPOSED MAXIMUM AGGREGATE OFFERING PRICE | AMOUNT OF REGISTRATION FEE |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> |
| Common Stock, par value $.01 per share............................. | 14,950,000 | $12.00 | $179,400,000 | $52,923(1) |

</TABLE>

(1) The registrant previously paid $29,500 of this filing fee on June 5, 1998 with the initial filing of this Registration Statement and $15,281 of this filing fee on July 9, 1998 with Amendment No. 2 to this Registration Statement.

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THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.



PROSPECTUS SUBJECT TO COMPLETION, DATED JULY 22, 1998

13,000,000 SHARES

(NATIONSRENT, INC. LOGO)

COMMON STOCK

All of the 13,000,000 shares of common stock, $0.01 par value per share (the "Common Stock"), offered hereby (the "Offering") are being offered by NationsRent, Inc. ("NationsRent" or the "Company"). Of the 13,000,000 shares offered hereby, the Company expects that certain trusts for the benefit of family members of H. Wayne Huizenga, a director of the Company, and certain associates of Mr. Huizenga (collectively, the "Huizenga Investors"), will purchase, for investment purposes and at the Price to Public set forth below, shares having an aggregate initial public offering price of $25,000,000 (2,272,727 shares assuming an initial public offering price of $11.00 per share, which is the midpoint of the estimated range set forth below). The balance of the shares will be offered to the public. Prior to the Offering, there has been no public market for the Common Stock. It is currently estimated that the initial public offering price will be between $10.00 and $12.00 per share. See "Underwriting" for a discussion of the factors to be considered in determining the initial public offering price. The Common Stock has been approved for listing on the New York Stock Exchange ("NYSE") under the symbol "NRI," subject to official notice of issuance.

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SEE "RISK FACTORS" BEGINNING ON PAGE 10 FOR A DISCUSSION OF CERTAIN FACTORS

THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE COMMON STOCK.

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS.
ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

<TABLE>
<CAPTION>

| | PRICE TO PUBLIC(1) | UNDERWRITING DISCOUNTS AND COMMISSIONS(2) | PROCEEDS TO COMPANY(1)(3) |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Per Share...................................... | $ | $ | $ |
| Total(4)...................................... | $ | $ | $ |

</TABLE>

(1) Includes shares expected to be purchased in the Offering by the Huizenga Investors at the Price to Public, with respect to which the Company will receive the full proceeds and no underwriting discounts or commissions will be paid by the Company or the Huizenga Investors.

(2) The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"). See "Underwriting." With respect to the shares expected to be purchased in the Offering by the Huizenga Investors, the Company will receive the full proceeds and no underwriting discounts or commissions will be paid by the Company or the Huizenga Investors .

(3) Before deducting expenses of the Offering payable by the Company estimated at $2,000,000.

(4) The Company has granted to the Underwriters a 30-day option to purchase up to 1,950,000 additional shares of Common Stock on the same terms and conditions as set forth above solely to cover over-allotments, if any. If this option is exercised in full, the Price to Public, Underwriting Discounts and Commissions and Proceeds to Company will be $ , $ and $ , respectively. See "Underwriting."

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The shares of Common Stock are offered, subject to prior sale, when, as and if delivered to and accepted by the Underwriters, subject to certain conditions including the approval of certain legal matters by counsel for the Underwriters. The Underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the shares of Common Stock will be made against payment therefor on or about , 1998 at the office of Bear, Stearns & Co. Inc., 245 Park Avenue, New York, New York 10167.

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BEAR, STEARNS & CO. INC.
BT ALEX- BROWN
DONALDSON, LUFKIN & JENRETTE
NATIONSBANC MONTGOMERY SECURITIES LLC

The date of this Prospectus is , 1998.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES

IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.



NATIONSRENT

MARKETS AND LOCATIONS

68 locations

10 Markets

Southern Michigan (2 locations)

Central/Northern Ohio (19 locations)

SW Pennsylvania (1 location)

Ohio River Valley (5 locations)

Louisville/Lexington KY (3 locations)

SW Ohio/Kentucky (5 locations)

Indianapolis/Northern IN (9 locations)

Florida Panhandle (6 locations)

Florida Gulf Coast (4 locations)

Texas/Louisiana Gulf Coast (14 locations)

[PHOTO OF EXTERIOR SIGNAGE]

[MAP OF LOCATIONS]

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CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE COMMON STOCK INCLUDING OVER-ALLOTMENT, STABILIZING AND SHORT-COVERING TRANSACTIONS AND THE IMPOSITION OF PENALTY BIDS. SEE "UNDERWRITING."



[Photo of exterior of location]

[Photos of rental equipment]

[Photos of interior of location]

[Photo of training session]



## PROSPECTUS SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial data, including the consolidated financial statements and the notes thereto ("Consolidated Financial Statements") and the pro forma consolidated financial statements and the notes thereto appearing elsewhere in this Prospectus. Unless the context otherwise requires, all references to "NationsRent" or the "Company" include NationsRent, Inc. and its subsidiaries. Unless otherwise indicated (i) all information contained in this Prospectus assumes that the Underwriters' over-allotment option is not exercised, (ii) the description of the business of the Company reflects all equipment rental businesses acquired by the Company as of the date of this Prospectus (collectively, the "Acquisitions") and (iii) all historical share information contained in this Prospectus has been adjusted to reflect a 2,500 for 1 split of the Common Stock which occurred on June 2, 1998 (the "Stock Split").

## THE COMPANY

NationsRent is one of the fastest growing equipment rental companies in the United States. The Company has acquired a core platform of equipment rental businesses concentrated in selected markets and intends to build a network of nationally branded locations. NationsRent expects to become a leading provider of rental equipment in each market it enters by acquiring platform businesses and opening or acquiring additional locations concentrated around those businesses. The Company believes that this "cluster" strategy enables it to (i) increase profitability in its acquired stores and (ii) achieve profitability in its newly opened locations more quickly than its competitors.

The Company's locations offer a comprehensive selection of high quality, well-maintained rental equipment, including backhoes, bulldozers, skid steer loaders, aerial lifts and work platforms, compressors and generators. The Company markets its products and services primarily to a broad range of construction and industrial customers, including heavy highway contractors, general contractors, subcontractors, manufacturing plants and distribution centers. The Company also sells used and new equipment, spare parts and supplies, and provides maintenance and repair services. Since its formation in August 1997, the Company has acquired 16 equipment rental businesses operating in Florida, Indiana, Kentucky, Louisiana, Michigan, Ohio, Pennsylvania, Texas and West Virginia. The Company operates 68 locations and for the year ended December 31, 1997, on a pro forma basis after giving effect to the Acquisitions, the Company had revenue of $213.8 million and operating income of $36.7 million.

NationsRent is capitalizing on the current dynamics in the equipment rental industry. According to industry sources, the United States equipment rental industry grew from an estimated $614 million in revenue in 1982 to an estimated $20 billion in 1997, which represents a compound annual growth rate of more than 26%. This growth has been driven primarily by construction and industrial companies increasingly outsourcing their equipment needs to reduce investment in non-core assets and convert costs from fixed to variable. According to industry sources, the United States equipment rental industry is expected to grow to an estimated $40 billion in annual revenue over the next five years due to the overall growth in the economy and a continuing trend from sales to rentals. In addition, the United States equipment rental industry is highly fragmented, with more than 20,000 companies. According to industry sources, the 100 largest equipment rental companies have a combined market share of less than 20%, no single equipment rental company in the United States has a market share greater than 3% and more than 90% of equipment rental companies have ten or fewer locations. NationsRent believes it can take advantage of the fragmentation in the equipment rental industry and the absence of an equipment rental company with significant market share to achieve a leading market position by creating an integrated network of nationally branded locations offering broad product selection and superior customer service.





### COMPETITIVE STRENGTHS

NationsRent believes it has several competitive strengths that will enable it to continue to increase growth and profitability, including the following:

Strong Market Position. The Company believes that, by implementing its "cluster" strategy in each market it enters, it can achieve a leading market share and increase revenue from existing customers. The Company believes this strategy will enable it to more effectively serve its customers, broaden its customer base, pool rental equipment inventory, offer a broader selection and greater availability of equipment and maintain a high utilization rate. By offering a full range of rental equipment from each location, the Company believes that customers who currently utilize multiple rental equipment providers will prefer to fill their rental needs through the NationsRent network of locations. In addition, NationsRent believes it has other advantages relative to smaller operators, including greater purchasing power and a lower cost of capital.

National Brand. NationsRent is in the process of entering selected markets with the goal of establishing a nationally recognized brand throughout the United States. All NationsRent locations will be supported by the Company's national branding strategy including a distinctive store format and marketing program. The Company believes it will be able to increase revenue by establishing a brand name known for consistent quality and an extensive supply of rental inventory in a customer-oriented atmosphere. The Company expects this branding strategy to enable it to expand its customer base to attract a broader range of customers, including large customers with operations in a variety of geographic markets.

Focus on Customer Service. NationsRent is differentiating itself from its competitors with innovations designed to increase customer satisfaction. The Company seeks to offer more convenient access, faster check-in and check-out procedures and shorter required lead time for rentals than its competitors, as well as on-time equipment delivery and pick-up, on-site repair service, 24-hour customer assistance and a library of audio, video and written instruction materials for equipment usage and safety. In addition, as part of the Company's plan to provide one-stop shopping to customers, each location sells parts and supplies to complement equipment rentals and sales.

State-of-the-Art Management Information System. The Company is customizing a state-of-the-art management information system capable of monitoring operations at several thousand locations. This innovative system is being designed to track customer purchasing patterns and demographics for use in gaining market share in new and existing markets, consolidating equipment purchases, maximizing utilization rates and reducing overhead expenditures. This system will provide management with real time revenue, inventory, financial and customer information, facilitating rapid and well informed decision making. In addition, this system will permit customers to reserve and rent equipment and access their account information from their own computer terminals via the Company's internet website. To develop its customized system, the Company has assembled a team of management information specialists who have previously developed systems for Blockbuster Entertainment Corporation ("Blockbuster"), the world's largest video rental company, and Wal-Mart Stores, Inc. ("Wal-Mart"), the world's largest retailer.

Distinctive Operating Format. In connection with the development of the NationsRent national brand, the Company has designed a format for its locations which it believes will help differentiate NationsRent from its competitors. Distinguishing characteristics of this format include drive-through lanes, clearly marked equipment aisles and attractive, well organized and clean store facilities. The Company expects that its larger locations will typically be on a 6 to 12 acre site in a heavily-trafficked area with a 20,000 to 40,000 square foot facility housing a reconditioning center and a broad selection and extensive inventory of equipment and supplies. The Company expects that its smaller locations will typically be on a 2 to 6 acre site in a high-visibility commercial area with a 7,500 to 11,000 square foot facility housing at least one drive-through lane, maintenance and delivery capabilities and inventory and supplies that are targeted to the customer base in that area.

Experienced Management Team. The Company believes it has one of the most experienced and growth-oriented executive management teams among publicly-traded companies in the equipment rental





industry. James L. Kirk, the Company's Chairman, Chief Executive Officer and President, founded OHM Corporation ("OHM"), a NYSE listed company, in 1969 and served in various senior executive positions with OHM, growing it into a leading environmental construction company with an inventory of heavy and light equipment having an original cost of over $100 million. In addition, the Company will benefit from the experience of H. Wayne Huizenga, a director of and investor in the Company, who serves as Chairman and Co-Chief Executive Officer of Republic Industries, Inc. ("Republic") and who co-founded and served in various senior executive positions with Waste Management, Inc. ("Waste Management") and Blockbuster, each of which is a leading consolidator in its respective industry. The other members of the Company's senior management team have previously worked closely with Mr. Kirk in senior management positions at OHM, and other key employees and consultants of the Company have worked with Mr. Huizenga in various positions at Republic, Waste Management or Blockbuster. The NationsRent management team is supported by operating, marketing and business development managers with an average of more than 15 years of experience in the equipment rental industry.

GROWTH STRATEGY

The Company's objectives are to increase revenue, profitability, market share and stockholder value by building a nationally branded network of locations that offer a comprehensive selection of high quality rental equipment in convenient and accessible locations to customers in the construction and industrial markets. Key elements of the NationsRent growth strategy are as follows:

Acquire Leading Companies. NationsRent seeks to acquire leading companies in each market it enters to implement its "cluster" strategy and position the Company to achieve significant market share. The Company targets businesses that have one or more of the following characteristics: (i) strong positions in their geographic market; (ii) experienced local management teams that will continue to work with the Company following the acquisition; (iii) high quality equipment rental inventory; and (iv) physical and operating characteristics that are suited to conversion to the NationsRent format. Once the Company has entered a particular market, it seeks to acquire additional rental businesses in that market or adjacent markets with locations and equipment selection that complement its existing operations, thus enabling the Company to further penetrate that market. See "Business -- Acquisitions."

Convert Acquired Locations. After making an acquisition, the Company intends to convert acquired locations to the NationsRent format by (i) branding acquired locations and rental inventory with the NationsRent logo, colors and distinctive store appearance, (ii) increasing the breadth and depth of rental inventory, (iii) linking the location to the Company's customized management information system and (iv) implementing the NationsRent customer service approach. The cost of converting an acquired location to the NationsRent format will vary depending on the physical properties of the acquired location and the condition, breadth and depth of rental equipment inventory at such location, which are factors considered in the selection and pricing of acquisition candidates. The average cost incurred by the Company through March 31, 1998 to convert acquired locations to the NationsRent format was approximately $0.9 million per location, which costs primarily related to increasing the breadth and depth of rental inventory.

Open New Rental Locations. Once NationsRent has established a presence in a particular market, it seeks to open new locations in that geographic area or adjacent areas to enable it to offer a greater selection and availability of equipment, maximize its equipment inventory utilization rates and achieve economies of scale. The Company believes that this strategy will allow its new locations to achieve profitability at a faster rate than its competitors because these locations should (i) more quickly generate revenue as a result of the pre-existing market presence, name recognition and referrals from existing locations and (ii) have lower overhead costs due to the sharing of service, maintenance, administrative functions and personnel with the Company's established locations. Since August 1997, the Company has opened six new locations. The Company does not plan to open any additional new locations in 1998. However, the Company continues to evaluate the need for new locations as it acquires equipment rental companies in new markets. The cost of opening the Company's six new locations has varied depending on whether the Company has leased or purchased the underlying real property, the size of the location and





the breadth and depth of inventory at each location. The average cost incurred by the Company through June 30, 1998 to open new locations was approximately $2.9 million per location. The Company's new locations have on average achieved profitability within approximately five months of their opening.

Further Penetrate Industrial Rental Market. The Company believes that the equipment needs of industrial customers are underserved by the United States equipment rental market and, as a result, there are significant opportunities to further penetrate this market segment. NationsRent believes that by offering a comprehensive selection and available supply of rental equipment throughout an integrated nationally branded network of locations, industrial customers will become increasingly aware of the advantages of equipment rental relative to ownership, including reduced capital investment, reduced storage and maintenance expense, and greater access to the most modern equipment. The recent acquisition of The Bode-Finn Company ("Bode-Finn"), which has served industrial customers for over 40 years, has established the Company as a leading provider of rental equipment to industrial customers in several geographic markets.

ACQUISITIONS

In furtherance of its growth strategy, NationsRent has acquired 16 equipment rental businesses with 65 locations. See "Business -- Acquisitions." These locations are concentrated in two regions, as set forth in the following table:

<TABLE>
<CAPTION>

| REGION | MARKET SERVED | ACQUIRED BUSINESS | DATE ACQUIRED | NUMBER OF LOCATIONS |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> |
| Midwest | Central/Northern Ohio | Sam's | 9/97 | 5 |
| | | R&R | 12/97 | 2 |
| | | Central | 1/98 | 8 |
| | | Bode-Finn | 5/98 | 1 |
| | Ohio River Valley | Ashland | 11/97 | 2 |
| | | Titan | 12/97 | 2 |
| | | Bode-Finn | 5/98 | 1 |
| | Indianapolis/Northern Indiana | C&E | 12/97 | 6 |
| | | RFL | 4/98 | 1 |
| | | U-Rent-It | 5/98 | 1 |
| | | Jobs | 6/98 | 1 |
| | Southwest Ohio/Northern Kentucky | Bode-Finn | 5/98 | 4 |
| | | Jobs | 6/98 | 1 |
| | Louisville/Lexington, Kentucky | Bode-Finn | 5/98 | 2 |
| | | Jobs | 6/98 | 1 |
| | Southwest Pennsylvania | A-Action | 6/98 | 1 |
| | Detroit, Michigan | J. Kelly | 7/98 | 2 |
| Gulf Coast | Southwest Florida | Naples | 4/98 | 2 |
| | | Revco | 4/98 | 2 |
| | Florida Panhandle | General Rental | 7/98 | 6 |
| | Southeast Texas | Associated | 7/98 | 4 |
| | | General Rental | 7/98 | 7 |
| | Louisiana | Associated | 7/98 | 3 |
| | | | Total: | 65 |

</TABLE>

RECENT DEVELOPMENTS

The Company recently entered into letters of intent to acquire nine equipment rental businesses with aggregate annual revenue of approximately $70.0 million and a total of 25 equipment rental locations. Each of these acquisitions is subject to a number of closing conditions, including the execution of definitive purchase agreements, and there can be no assurance that any of these acquisitions will be consummated.





The Company's unaudited historical results of operations for the three and six months ended June 30, 1998 and the unaudited pro forma results of operations for the three and six months ended June 30, 1997 and 1998 are as follows:

<TABLE>
<CAPTION>

| | HISTORICAL | | PRO FORMA AS ADJUSTED(1) | | | |
|---|---|---|---|---|---|---|
| | THREE MONTHS ENDED JUNE 30, 1998 | SIX MONTHS ENDED JUNE 30, 1998 | THREE MONTHS ENDED JUNE 30, 1997 | THREE MONTHS ENDED JUNE 30, 1998 | SIX MONTHS ENDED JUNE 30, 1997 | SIX MONTHS ENDED JUNE 30, 1998 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | (DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA) | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Revenue.............................. | $35,359 | $44,398 | $57,899 | $66,895 | $102,366 | $115,293 |
| Gross profit......................... | 12,268 | 15,317 | 18,330 | 21,648 | 31,536 | 36,786 |
| Operating income..................... | 4,554 | 5,399 | 9,523 | 9,885 | 14,094 | 15,468 |
| Net income........................... | 1,200 | 1,293 | 4,317 | 4,052 | 6,025 | 6,141 |
| Earnings per share: | | | | | | |
| Basic.............................. | $ 0.04 | $ 0.05 | $ 0.10 | $ 0.09 | $ 0.14 | $ 0.14 |
| Diluted............................ | $ 0.04 | $ 0.05 | $ 0.10 | $ 0.09 | $ 0.14 | $ 0.14 |

</TABLE>

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(1) The pro forma as adjusted results of operations for the three and six months ended June 30, 1997 and 1998 give effect to the Acquisitions, the Founders' Additional Contribution, the Private Placement, certain borrowings under the Credit Facility and the Offering as described in the "Pro Forma Consolidated Financial Statements" as if such transactions had occurred on the first day of the period presented.

Pro forma for the Acquisitions, the Company's total revenue increased $9.0 million or 15.5% and $12.9 million or 12.6% for the three and six months ended June 30, 1998, respectively, as compared to the same periods in 1997. Pro forma rental revenue increased $5.2 million or 17.7% to $34.4 million and $9.7 million or 20.0% to $58.5 million for the three and six months ended June 30, 1998, respectively, as compared to the same periods in 1997. This increase was primarily due to increased capital expenditures and improved operations at the locations owned by the Company for the entire three and six month periods in 1998, as well as overall growth in the industry. The Company owned six of the Acquisitions for the entire second quarter, completed seven of the Acquisitions during the second quarter and completed three of the Acquisitions subsequent to the second quarter. For the six businesses the Company has owned since January 1998, pro forma rental revenue increased 32.3% and total revenue increased 21.8% for the six months ended June 30, 1998 as compared to the same period in 1997.

Pro forma operating income increased $0.4 million or 3.8% and $1.4 million or 9.7% for the three and six months ended June 30, 1998, respectively, as compared to the same periods in 1997. As a percentage of revenue, second quarter pro forma operating income decreased from 16.4% in 1997 to 14.8% in 1998 and decreased from 13.8% in the first half of 1997 to 13.4% in the first half of 1998. Such decreases were due to corporate overhead expense totaling approximately $1.7 million and $2.1 million for the three and six month periods in 1998, respectively, that did not exist during the same periods in 1997. The overhead expense is primarily related to business development activities, operations management, sales and marketing, accounting, systems development and other administrative functions. Excluding the overhead expenses, pro forma operating income as a percentage of revenue would have been 17.3% and 15.3% for the three and six months ended June 30, 1998, respectively. For the six businesses the Company has owned since January 1998, operating income (exclusive of corporate overhead) increased 52.8% for the six months ended June 30, 1998 as compared to the same period in 1997.

The Company was incorporated in the State of Delaware in August 1997. The Company's principal executive offices are located at 450 East Las Olas Boulevard, Fort Lauderdale, Florida 33301 and its telephone number is (954) 760-6550.





## THE OFFERING

<TABLE>

| <S> | <C> |
|---|---|
| Common Stock offered by the Company........................ | 13,000,000 shares(1) |
| Common Stock to be outstanding after the Offering........... | 43,118,694 shares(1)(2) |
| Use of proceeds............................................ | To repay certain outstanding indebtedness. See "Use of Proceeds." |
| NYSE Symbol................................................ | "NRI" |

</TABLE>

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(1) Does not include 1,950,000 shares of Common Stock which may be issued by the Company upon exercise of the Underwriters' over-allotment option.

(2) Does not include (i) 5,000,000 additional shares of Common Stock reserved for issuance in connection with options that may be granted under the 1998 Stock Option Plan that the Company expects to adopt prior to consummation of the Offering (the "1998 Stock Option Plan"), (ii) 1,087,571 additional shares of Common Stock reserved for issuance in connection with certain outstanding options, (iii) 72,727 additional shares of Common Stock reserved for issuance in connection with certain outstanding warrants (assuming an initial public offering price of $11.00 per share, which is the midpoint of the estimated range set forth on the cover of this Prospectus) and (iv) 4,453,636 additional shares of Common Stock reserved for issuance in connection with certain convertible promissory notes of the Company (assuming an initial public offering price of $11.00 per share, which is the midpoint of the estimated range set forth on the cover of this Prospectus). See "Management -- Stock Option Plan," "Description of Certain Indebtedness -- Promissory Notes" and "Description of Capital Stock -- Warrants and Options."

## RISK FACTORS

Prospective purchasers of Common Stock in the Offering should carefully consider the risk factors set forth under "Risk Factors" beginning on page 10 and the other information included in this Prospectus prior to making an investment decision. See "Risk Factors."





## SUMMARY CONSOLIDATED HISTORICAL AND PRO FORMA FINANCIAL DATA

<TABLE>
<CAPTION>

| | HISTORICAL(1) | | HISTORICAL(1) | PRO FORMA AS ADJUSTED THREE MONTHS ENDED MARCH 31,(2) | |
|---|---|---|---|---|---|
| | AUGUST 14 (INCEPTION) THROUGH DECEMBER 31, 1997 | PRO FORMA AS ADJUSTED YEAR ENDED DECEMBER 31, 1997(2) | THREE MONTHS ENDED MARCH 31, 1998 | 1997 | 1998 |
| | | (UNAUDITED) | (UNAUDITED) | (UNAUDITED) | |
| | (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA) | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| STATEMENT OF OPERATIONS DATA: | | | | | |
| Total revenue...................................... | $ 9,305 | $213,848 | $ 9,039 | $44,467 | $48,398 |
| Gross profit(3).................................... | 3,892 | 76,632 | 3,050 | 13,206 | 15,138 |
| Operating income(3)................................ | 2,527 | 36,742 | 845 | 4,571 | 5,583 |
| Interest expense................................... | 760 | 9,358 | 808 | 1,882 | 2,228 |
| Income before provision for income taxes........... | 1,767 | 28,026 | 160 | 2,941 | 3,601 |
| Net income......................................... | $ 1,001 | $ 16,256 | $ 93 | $ 1,708 | $ 2,089 |
| Basic earnings per share........................... | $ 0.04 | $ 0.38 | $ 0.00 | $ 0.04 | $ 0.05 |
| Diluted earnings per share......................... | $ 0.04 | $ 0.38 | $ 0.00 | $ 0.04 | $ 0.05 |
| OTHER DATA: | | | | | |
| Gross margin....................................... | 41.8% | 35.8% | 33.7% | 29.7% | 31.3% |
| Operating margin................................... | 27.2% | 17.2% | 9.3% | 10.3% | 11.5% |
| Rental equipment purchases(4)...................... | $ 2,461 | $ 97,858 | $ 19,584 | $27,802 | $42,447 |
| Amortization of goodwill(3)........................ | 166 | 3,734 | 259 | 933 | 933 |
| Depreciation and other amortization................ | 1,644 | 25,391 | 1,264 | 5,664 | 6,625 |

</TABLE>

<TABLE>
<CAPTION>

| | HISTORICAL AS OF MARCH 31, 1998 | PRO FORMA AS ADJUSTED AS OF MARCH 31, 1998(2) |
|---|---|---|
| | (UNAUDITED) | (UNAUDITED) |

| | (DOLLARS IN THOUSANDS) | |
|---|---|---|
| SELECTED BALANCE SHEET DATA: | | |
| Rental equipment, net...................................... | $ 49,063 | $201,829 |
| Goodwill................................................... | 41,388 | 149,349 |
| Total assets............................................... | 102,778 | 403,688 |
| Total debt................................................. | 52,230 | 155,076 |
| Stockholders' equity....................................... | 32,094 | 209,834 |

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(1) The Acquisitions have been accounted for as purchases and, accordingly, the operations of the acquired businesses are included in the statement of operations data and other data from the date of acquisition.

(2) The pro forma as adjusted statement of operations data for the year ended December 31, 1997 and the three months ended March 31, 1997 and 1998 and the pro forma as adjusted selected balance sheet data as of March 31, 1998 give effect to the Acquisitions, the Founders' Additional Contribution, the Private Placement, certain borrowings under the Credit Facility and the Offering as described in the "Pro Forma Consolidated Financial Statements" as if such transactions had occurred on the first day of the period presented, and in the case of the pro forma as adjusted balance sheet data, as of March 31, 1998. See "Use of Proceeds," "Risk Factors -- Substantial Leverage," "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Certain Transactions" and the Company's pro forma and historical financial statements and related notes.

(3) The amortization period for rental equipment depreciation ranges from two to ten years. The amortization period for goodwill is 40 years.

(4) Rental equipment purchases represent the purchase price of rental equipment inventory acquired during the period.





# RISK FACTORS

An investment in the shares of Common Stock offered hereby involves a high degree of risk. In addition to the other information contained in this Prospectus, prospective investors should consider the following factors carefully in evaluating an investment in the Common Stock offered hereby. This Prospectus contains "forward-looking statements" relating to, without limitation, future economic performance, plans and objectives of management for future operations, and projections of revenue and other financial items that are based on the beliefs of, assumptions made by and information currently available to the Company's management. The words "expect," "estimate," "anticipate," "believe," "intend," "plan" and similar expressions and variations thereof are intended to identify forward-looking statements. The cautionary statements set forth in this "Risk Factors" section and elsewhere in this Prospectus identify important factors with respect to such forward-looking statements, including certain risks and uncertainties, that could cause actual results to differ materially from those expressed in or implied by such forward-looking statements.

## LIMITED OPERATING HISTORY

The Company was formed in August 1997 and commenced operations in September 1997 with its acquisition of Sam's Equipment Rental, Inc. and Gabriel Trailer Manufacturing Company, Inc. (collectively, "Sam's"). Accordingly, the Company has only a limited operating history upon which an evaluation of the Company, its growth strategy and its prospects can be based. The Company's prospects must be evaluated in light of the risks, expenses and difficulties frequently encountered by companies in the early stages of development. Although the Company has experienced growth in revenue and net income recently, there can be no assurance that growth or profitability can or will be sustained or that the Company's strategy of building a network of nationally branded equipment rental locations will lead to growth or profitability.

## ACQUISITION AND INTEGRATION RISKS

Since its inception in August 1997, the Company has acquired 16 equipment rental businesses operating 65 locations in nine states. The Company intends to continue this rapid growth by continuing to make acquisitions, opening new locations and converting acquired locations to the Company's format. There can be no assurance that the Company will be able to identify acquisition candidates or suitable new locations or obtain financing for acquisitions or internal expansion on satisfactory terms, or at all. In the event that suitable acquisition candidates are not identifiable or to the extent that acquisitions are prohibitively costly, the Company may be forced to alter its growth strategy. The Company's growth strategy presents the risks inherent in assessing the value, strengths and weaknesses of growth opportunities, in evaluating the costs and uncertain returns of expanding the operations of the Company, and in integrating acquisitions with existing operations. The Company expects that its growth strategy may affect short-term cash flow and net income as the Company increases the amount of its indebtedness and incurs expenses to open new locations, make acquisitions and expand its rental inventory. As a result, the Company's revenue and operating results may fluctuate. There can be no assurance that the Company will successfully expand, that any acquired businesses will be successfully integrated into the Company's operations or that any expansion will result in profitability. The failure of the Company to successfully implement its growth strategy may have a material adverse effect on the Company's business, financial condition, results of operations or prospects or the market price of the Common Stock.

The Company's anticipated growth will place significant demands on the Company's management and its operational, financial and marketing resources. In connection with acquisitions and the opening of new locations, the Company anticipates experiencing growth in the number of its employees, the scope of its operating and financial systems and the geographic area of its operations. The Company believes this growth will increase the operating complexity of the Company and the level of responsibility exercised by both existing and new management personnel. To manage this expected growth, the Company intends to invest further in its operating and financial systems and to continue to expand, train and manage its employee base. There can be no assurance that the Company will be able to attract and retain qualified management and employees or that the Company's current operating and financial systems and controls will be adequate as the Company grows or that any steps taken to improve such systems and controls will be sufficient. The failure of





the Company to successfully integrate and manage its growth may have a material adverse effect on the Company's business, financial condition, results of operations or prospects or the market price of the Common Stock.

There may be liabilities that the Company fails or is unable to discover in the course of performing due diligence investigations on each company or business it has acquired or seeks to acquire in the future, including liabilities arising from non-compliance with applicable federal, state or local environmental requirements by prior owners and for which the Company, as a successor owner, may be responsible. The Company seeks to minimize the risk by conducting such due diligence, including environmental reviews, as it deems appropriate under the circumstances, but there can be no assurance that reasonable due diligence efforts will result in the identification of all existing conditions or risks. The Company also generally seeks to obtain rights to indemnification from each seller of acquired businesses or properties, which indemnification obligation may be supported by deferring payment of a portion of the purchase price or other appropriate security. However, there can no assurance that such indemnification, even if obtained, will be enforceable, collectible or sufficient in amount, scope or duration to fully offset the possible liabilities associated with the business or property acquired. Any such liabilities, individually or in the aggregate, could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

DEPENDENCE ON ADDITIONAL CAPITAL FOR FUTURE GROWTH

The Company's ability to remain competitive, sustain its growth and expand its operations through new locations and acquisitions largely depends on its access to capital. In addition, the Company must make ongoing capital expenditures to update and maintain the condition of its rental equipment inventory in order to provide its customers with high-quality equipment. To date, the Company has financed capital expenditures and acquisitions primarily through private equity, bank financing, vendor financing and the issuance of promissory notes. To implement its growth strategy and meet its capital needs, the Company plans to issue additional equity securities and incur additional indebtedness in the future. In addition, the Company may seek to increase its $265 million revolving credit facility (the "Credit Facility") from time to time after consummation of the Offering. The Company intends to use the net proceeds of the Offering to repay borrowings under the Credit Facility and may in the future issue additional equity or debt securities to repay additional outstanding amounts under the Credit Facility. Borrowings under the Credit Facility mature and must be repaid in full in July 2001. There can be no assurance that any of such increases or any additional capital, if and when required, will be available on terms acceptable to the Company, or at all.

Failure by the Company to obtain sufficient additional capital in the future could force the Company to curtail its growth or delay capital expenditures, which could have a material adverse effect on the Company's business, financial condition, results of operations or prospects or the market price of the Common Stock.

The Company's ability to finance future acquisitions, new locations and internal growth is currently limited by the covenants contained in the Credit Facility, including a number of covenants that, among other things, restrict the ability of the Company to dispose of assets or merge, incur debt, pay dividends, repurchase or redeem capital stock, create liens, make non-rental equipment capital expenditures and make certain investments or acquisitions and otherwise restrict corporate activities. The Credit Facility also contains, among other covenants, requirements that the Company maintain specified financial ratios, including minimum cash flow levels and interest coverage. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources," "Business -- Growth Strategy" and "Description of Certain Indebtedness."

SUBSTANTIAL LEVERAGE

The Company has a substantial amount of indebtedness. As of March 31, 1998, on a pro forma basis after giving effect to the Acquisitions, an additional equity contribution of $17.4 million from the Company's founders (the "Founders' Additional Contribution"), a $27.6 million private placement of shares of Common Stock (the "Private Placement"), certain borrowings under the Credit Facility, the Offering and the application of the estimated net proceeds therefrom (assuming an initial public offering price of $11.00 per





share, which is the midpoint of the estimated range set forth on the cover of this Prospectus), the Company would have had total indebtedness of approximately $155.1 million.

The degree to which the Company is leveraged could have important consequences to holders of the Common Stock including, but not limited to, the following: (i) the Company's ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or general corporate or other purposes may be limited; (ii) a substantial portion of the Company's cash flow from operations will be dedicated to the payment of the principal of, and interest on, its indebtedness; (iii) the agreements governing the Company's long-term indebtedness will contain certain restrictive financial and operating covenants that could limit the Company's ability to compete and expand; and (iv) the Company's substantial leverage may make it more vulnerable to economic downturns, limit its ability to withstand competitive pressures and reduce its flexibility in responding to changing business and economic conditions. See "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources," "Description of Certain Indebtedness" and the Consolidated Financial Statements included elsewhere in this Prospectus.

COMPETITION

The equipment rental industry is highly competitive. The Company's competitors include large national rental companies, equipment manufacturers, regional corporations, smaller independent businesses, and equipment vendors and dealers who both sell and rent equipment to customers. Some of the Company's competitors have greater financial resources, are more geographically diverse, and have greater name recognition than the Company. There can be no assurance that the Company will not encounter increased competition from existing competitors or new market entrants, such as equipment manufacturers, that may be significantly larger and have greater financial and marketing resources than the Company. If existing or future competitors reduce prices to gain or retain market share and the Company must also reduce prices to remain competitive, it could have a material adverse effect on the Company's business, financial condition, results of operations or prospects. Additionally, existing or future competitors may seek to compete with the Company for acquisition candidates or new locations, which may have the effect of increasing acquisition prices and reducing the number of suitable acquisition candidates or expansion locations which could have a material adverse effect on the Company's growth strategy, its business, financial condition, results of operations or prospects or the market price of the Common Stock. See "Business -- Competition."

SEASONALITY AND QUARTERLY FLUCTUATIONS IN REVENUE AND OPERATING RESULTS

Many of the Company's current locations are in the Midwest region of the United States. During the winter months of December through March, the Company experiences a slowdown in rentals to construction customers as a result of adverse weather conditions. In addition, the Company's revenue and operating results have varied throughout the year and are expected to continue to fluctuate in the future due to a number of factors, including (i) general economic conditions in the Company's markets, (ii) the timing of acquisitions and new location openings and related costs, (iii) the effectiveness of integrating acquired businesses and new locations, (iv) rental patterns of the Company's customers and (v) price changes in response to competitive factors. The Company incurs various costs in establishing or integrating newly acquired or opened locations, and the profitability of a new location is generally expected to be lower in the initial months of operation.

LIABILITY AND INSURANCE

The Company's business exposes it to possible claims for personal injury or death resulting from the use of equipment rented or sold by the Company and from injuries caused in motor vehicle accidents in which Company delivery and service personnel are involved. The Company carries comprehensive insurance subject to deductibles at levels it believes are sufficient to cover existing and future claims. Although the Company has not experienced any material losses that were not covered by insurance, there can be no assurance that existing or future claims will not exceed the level of the Company's insurance or that such insurance will continue to be available on economically reasonable terms, or at all.





ENVIRONMENTAL AND SAFETY REGULATION

The Company's equipment, facilities and operations are subject to certain federal, state and local laws and regulations relating to environmental protection and occupational health and safety, including those governing wastewater discharges, the use, treatment, storage and disposal of solid and hazardous wastes and materials, air quality and the remediation of contamination associated with the release of hazardous substances. Certain of the Company's existing and former locations use and have used, substances, and currently generate or have generated or disposed of wastes, which are or may be considered hazardous or otherwise are subject to applicable environmental requirements.

In particular, the Company stores and dispenses, or has in the past stored and dispensed, petroleum products from aboveground storage tanks and, in certain cases, underground storage tanks at its locations. The Company also uses hazardous materials, including solvents, to clean and maintain equipment, and generates and disposes of solid and hazardous wastes, including batteries, used motor oil, radiator fluid and solvents. In connection with such activities, the Company has incurred minimal capital expenditures and other compliance costs which are expensed on a current basis and which, to date, have not been material to the Company's financial condition. Based on currently available information, the Company believes that the possibility is remote that it will have to incur material capital expenditures or other material compliance or remediation costs for environmental and safety matters in the foreseeable future. There can be no assurance, however, that environmental and safety requirements will not become more stringent or be interpreted and applied more stringently in the future, or that the Company will not identify adverse environmental conditions that are not currently known to the Company. Such future changes or interpretations, or the identification of such adverse environmental conditions, could result in additional environmental compliance or remediation costs not currently anticipated by the Company, which could have a material adverse effect on the Company's business, financial condition, results of operations or prospects or the market price of the Common Stock. See "Business -- Environmental and Safety Regulation."

DEPENDENCE ON EXECUTIVE OFFICERS AND DIRECTORS

The Company's future success depends to a significant extent on retaining the services of certain executive officers and directors. The Company does not maintain key man insurance. The loss of the services of key employees or directors (whether such loss is through resignation or other causes) or the inability to attract additional qualified personnel could have a material adverse effect on the Company's business, financial condition, results of operations or prospects or the market price of the Common Stock.

SIGNIFICANT STOCKHOLDERS

Following the Offering, the officers and directors of the Company, including H. Wayne Huizenga, will own approximately 36.4% of the outstanding Common Stock (34.9% if the Underwriters' over-allotment option is exercised in full). In addition, H. Family Investments, Inc., a Florida corporation controlled by H. Wayne Huizenga, Jr., Mr. Huizenga's son, will own approximately 27.8% of the outstanding Common Stock (26.6% if the Underwriter's over-allotment option is exercised in full). Additionally, the Huizenga Investors are expected to purchase in the Offering an aggregate of $25.0 million of Common Stock, which will represent approximately 5.3% of the outstanding Common Stock (assuming an initial public offering price of $11.00 per share, which is the midpoint of the estimated range set forth on the cover of this Prospectus) or approximately 5.0% if the Underwriters' over-allotment option is exercised in full. As a result, the officers and directors of the Company will, together with H. Family Investments, Inc. and the Huizenga Investors, be able to exercise a controlling influence over the outcome of matters submitted to the Company's stockholders for approval, including the election of directors.

SHARES ELIGIBLE FOR FUTURE SALE

Immediately following the consummation of the Offering, the Company will have 43,118,694 shares of Common Stock outstanding (45,068,694 shares if the Underwriters' over-allotment option is exercised in full), including 30,118,694 outstanding shares of Common Stock presently beneficially owned by existing stockholders. The 13,000,000 shares of Common Stock to be sold pursuant to the Offering (14,950,000 shares if the Underwriters' over-allotment option is exercised in full) will be eligible for sale without restriction under the Securities Act in the public market after the consummation of the Offering by persons other than affiliates





of the Company. Sales of shares by "affiliates" of the Company, as the term is defined in Rule 144 under the Securities Act ("Affiliates"), will be subject to Rule 144. The Company and the officers, directors and certain security holders of the Company, who will beneficially own in the aggregate outstanding shares (or securities convertible into or exercisable for shares) of Common Stock immediately following the consummation of the Offering, have agreed with the Underwriters (the "Lock-up Agreements") not to offer, sell or otherwise dispose of any shares of Common Stock or any security convertible into, exercisable for or exchangeable for shares of Common Stock for a period of 180 days after the date of this Prospectus without the prior written consent of Bear, Stearns & Co. Inc., except that (i) stockholders may make transfers as gifts if the donee agrees to be bound by a Lock-up Agreement, (ii) certain security holders will be permitted to pledge or margin their shares in a bona fide loan transaction with a third party lender, (iii) the Company may at any time and from time to time issue shares of Common Stock to third parties as consideration for the Company's acquisition from such third parties of equipment rental businesses and (iv) the Company may issue options pursuant to the 1998 Stock Option Plan and shares of Common Stock upon the exercise of certain options granted to non-employee directors. The Company may issue shares of Common Stock in connection with acquisitions prior to the expiration of the 180-day lock-up period. The Company is not aware of any officer, director or other security holder that plans to offer or sell any shares of Common Stock prior to the expiration of the 180-day lock-up period.

Following the expiration or waiver of the foregoing restrictions on dispositions and any applicable holding periods under Rule 144, outstanding shares of Common Stock owned by existing stockholders will be available for sale in the public market pursuant to Rule 144 (including the volume and other limitations set forth therein). In connection with the Private Placement, the Company agreed to use its reasonable efforts following commencement of the Offering to register for resale shares of Common Stock issued in the Private Placement. In addition, in connection with certain of the Acquisitions, the Company has agreed to register for resale the shares of Common Stock issuable upon exercise of certain warrants and upon conversion of certain convertible promissory notes. Prior to the consummation of the Offering, the Company intends to file a registration statement to register for resale on a continuous basis from time to time, subject to the Lock-up Agreements, 34,645,057 shares of Common Stock, 30,118,694 shares of which are held by the Company's existing stockholders and 4,526,363 shares of which are issuable upon exercise or conversion of outstanding warrants and convertible promissory notes (assuming an initial public offering price of $11.00 per share, which is the midpoint of the estimated range set forth on the cover of this Prospectus). The Company intends to cause this registration statement to become effective prior to the consummation of the Offering and to maintain its continuous effectiveness, including through filing post-effective amendments, indefinitely. In addition, the Company intends to register on a registration statement on Form S-8 shares of Common Stock reserved for issuance upon exercise of options that may be granted to certain employees and non-employee directors under the 1998 Stock Option Plan and otherwise. The Company may also from time to time file registration statements covering the issuance and/or resale of shares of Common Stock which may be issued in potential future acquisitions. See "Management -- Stock Option Plan," "Description of Certain Indebtedness -- Promissory Notes" and "Description of Capital Stock -- Warrants and Options."

No prediction can be made as to the effect, if any, that market sales of shares held by the Company's existing stockholders or future stockholders, or the availability of such shares for future sales, or market sales of shares sold in the Offering pursuant to this Prospectus or the availability of such shares for future sales, will have on the market price of the Common Stock from time to time. Sales of significant amounts of Common Stock in the public market could materially adversely affect the market price of the Common Stock or could materially impair the Company's future ability to realize capital through an offering of equity securities. See "Shares Eligible for Future Sale."

DILUTION

At an assumed initial public offering price of $11.00 per share (which is the midpoint of the estimated range set forth on the cover of this Prospectus), purchasers of shares of Common Stock in the Offering will experience immediate and substantial dilution of $9.60 per share in the net tangible book value per share of Common Stock from the initial public offering price. See "Dilution." Investors may also experience additional





dilution as a result of shares of Common Stock being issued in future business acquisitions and as a result of the issuance and exercise of stock options. See "Shares Eligible for Future Sale."

NO PRIOR PUBLIC MARKET; POSSIBLE VOLATILITY OF STOCK PRICE

Prior to this Offering, there has been no public market for the Common Stock, and there can be no assurance that an active trading market will develop or be sustained after this Offering. The initial public offering price will be determined through negotiations between the Company and representatives of the Underwriters. There can be no assurance that future market prices of the Common Stock will equal or exceed the estimated range set forth on the cover page of this Prospectus. After completion of this Offering, the market price of the Common Stock could be subject to significant variation due to fluctuations in the Company's operating results, changes in earnings estimates by investment analysts, the success or failure of the Company's growth strategy, and changes in business or regulatory conditions affecting the Company. In addition, the stock market has from time to time experienced extreme price fluctuations which have often been unrelated to the operating performance of the affected companies. Such fluctuations could materially adversely affect the market price of the Common Stock.

ABSENCE OF DIVIDENDS

The terms of the Credit Facility restrict the Company from paying dividends on its Common Stock. The Company does not expect to pay dividends on its Common Stock in the foreseeable future. See "Dividend Policy."

EFFECTS OF YEAR 2000 ISSUE

The Company's management information system is being developed to ensure that it is Year 2000 compliant. Although the Company does not believe it will suffer any major effects from the Year 2000 issue, there can be no assurance that the Company, or any business acquired by the Company, or any of the Company's customers or vendors will not experience interruptions of operations because of Year 2000 problems. The Company expects to convert all of the systems of the businesses it acquires to the Company's system as soon as practicable after each acquisition is completed. There can be no assurance, however, that all such systems will be converted prior to December 31, 1999. Although the Company does not expect to incur significant expense to address the Year 2000 issue, Year 2000 problems might require the Company to incur unanticipated expenses and such expenses could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

## USE OF PROCEEDS

The net proceeds to the Company from the Offering (using an assumed offering price of $11.00 per share and after deducting underwriting discounts and commissions and estimated expenses of the Offering payable by the Company) are estimated to be approximately $132.7 million ($152.7 million if the Underwriters' over-allotment option is exercised in full). The Company intends to use the net proceeds from the Offering to repay a portion of the outstanding borrowings under the Credit Facility. Outstanding borrowings under the Credit Facility currently bear interest at approximately 8.69% and will mature and become due and payable in full in July 2001. The funds borrowed under the Credit Facility were used to complete acquisitions, make capital expenditures and provide for working capital and general corporate purposes. See "Description of Certain Indebtedness -- Credit Facility."

## DIVIDEND POLICY

The Company has not paid any dividends in the past and presently anticipates that, following the completion of the Offering, earnings, if any, will be retained for the development of its business and that no dividends on the Common Stock will be declared in the foreseeable future. In addition, the terms of the Credit Facility restrict the Company's ability to declare or pay dividends. See "Description of Certain





Indebtedness -- Credit Facility." Any future dividends will be subject to the discretion of the Company's Board of Directors and will depend upon, among other things, future earnings, the operating and financial condition of the Company, its capital requirements and general business conditions.





## CAPITALIZATION

The following table sets forth the unaudited capitalization of the Company as of March 31, 1998 (i) on a historical basis, (ii) pro forma for the Acquisitions, the Founders' Additional Contribution, the Private Placement and certain borrowings under the Credit Facility and (iii) pro forma for the Acquisitions, the Founders' Additional Contribution, the Private Placement and certain borrowings under the Credit Facility and as adjusted for the Offering (including the application of the net proceeds therefrom as set forth in "Use of Proceeds") (assuming an initial public offering price of $11.00 per share, which is the midpoint of the estimated range set forth on the cover of this Prospectus). This table should be read in conjunction with the Pro Forma Consolidated Financial Statements and the Company's Consolidated Financial Statements included elsewhere in this Prospectus.

<TABLE>
<CAPTION>

| | AS OF MARCH 31, 1998 | | |
|---|---|---|---|
| | ACTUAL | PRO FORMA | PRO FORMA AS ADJUSTED |
| | (DOLLARS IN THOUSANDS) | | |
| <S> | <C> | <C> | <C> |
| Debt: | | | |
| Notes payable to financial institutions.................. | $26,100 | $168,358 | $ 35,618 |
| Senior equipment obligations and other notes............. | 9,097 | 62,968 | 62,968 |
| Subordinated promissory notes............................ | 5,943 | 7,500 | 7,500 |
| Subordinated convertible notes........................... | 11,090 | 48,990 | 48,990 |
| Total debt....................................... | 52,230 | 287,816 | 155,076 |
| Stockholders' equity: | | | |
| Preferred Stock, $0.01 par value, 5,000,000 shares authorized; no shares issued and outstanding........... | -- | -- | -- |
| Common Stock, $0.01 par value, 250,000,000 shares authorized; 25,000,000 shares issued and outstanding, 30,118,694 shares issued and outstanding pro forma, and 43,118,694 shares issued and outstanding pro forma as adjusted(1)............................................ | 250 | 301 | 431 |
| Additional paid-in capital............................... | 30,750 | 75,699 | 208,309 |

| | | | |
|---|---|---|---|
| Retained earnings | 1,094 | 1,094 | 1,094 |
| Total stockholders' equity | 32,094 | 77,094 | 209,834 |
| Total capitalization | $84,324 | $364,910 | $364,910 |

</TABLE>

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(1) Does not include (i) 1,087,571 shares issuable upon the exercise of outstanding options with exercise prices ranging from $2.96 to $6.69 per share and a weighted average exercise price of $5.33, (ii) 5,000,000 shares reserved for issuance in connection with options that may be granted under the 1998 Stock Option Plan, (iii) 4,453,636 shares issuable upon conversion of certain convertible promissory notes, (iv) 72,727 shares issuable upon the exercise of outstanding warrants and (v) 1,950,000 shares of Common Stock issuable upon exercise of the Underwriters' over-allotment option. See "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Management -- Stock Option Plan," "Certain Relationships and Transactions," "Description of Certain Indebtedness -- Promissory Notes" and "Description of Capital Stock -- Warrants and Options."





# DILUTION

## DILUTION TO INVESTORS IN COMMON STOCK

As of March 31, 1998, on a pro forma basis, after giving effect to the Acquisitions, the Founders' Additional Contribution and the Private Placement, the Company had an aggregate of 30,118,694 shares of Common Stock outstanding. Net tangible book value per share of Common Stock is equal to the stockholders' equity less the net book value of goodwill and identified intangible assets, divided by the number of shares outstanding. After giving effect to the sale of 13,000,000 shares of Common Stock in the Offering and the application of the estimated net proceeds therefrom (assuming an initial public offering price of $11.00 per share, which is the midpoint of the estimated range set forth on the cover of this Prospectus) as described under "Use of Proceeds," the pro forma net tangible book value of the Company as of March 31, 1998 would have been approximately $60,351,000 or $1.40 per share. This represents an immediate increase in net tangible book value of $3.80 per share of Common Stock to existing stockholders and an immediate dilution in net tangible book value of $9.60 per share of Common Stock to new investors purchasing shares in the Offering. The following table illustrates this per share dilution:

<TABLE>

| <S> | <C> |
|---|---|
| Assumed initial public offering price per share | $11.00 |
| Net tangible book value per share before the Offering | (2.40) |
| Increase per share attributable to new investors(1)(2) | 3.80 |
| Pro forma net tangible book value per share after the Offering(1)(2) | 1.40 |
| Dilution per share to new investors(2) | $ 9.60 |

</TABLE>

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(1) After deduction of estimated expenses of the Offering payable by the Company (including the underwriting discounts and commissions).

(2) Assumes that none of the Company's options, warrants or convertible promissory notes outstanding at March 31, 1998 is exercised and that the Underwriters' over-allotment option is not exercised. See "Management -- Stock Option Plan," "Description of Certain Indebtedness," "Description of Capital Stock -- Warrants and Options" and "Underwriting." If the Underwriters' over-allotment option is exercised in full, the dilution will be $9.22 per share.

COMPARISON OF CAPITAL CONTRIBUTIONS

The following table summarizes, as of March 31, 1998, on a pro forma basis, after giving effect to the Founders' Additional Contribution, the Private Placement and the Offering, the differences between existing stockholders and new investors in the Offering with respect to (i) the number of shares of Common Stock purchased from the Company, (ii) the total consideration paid to the Company and (iii) the average price paid per share.

<TABLE>
<CAPTION>

| | SHARES PURCHASED | | TOTAL CONSIDERATION | | AVERAGE PRICE |
|---|---|---|---|---|---|
| | NUMBER | PERCENT | AMOUNT | PERCENT | PER SHARE |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Existing Stockholders.................... | 30,118,694 | 70% | $ 76,000,000 | 35% | $ 2.52 |
| New Investors............................ | 13,000,000 | 30 | 143,000,000 | 65 | 11.00 |
| Total.......................... | 43,118,694 | 100% | $219,000,000 | 100% | $ 5.08 |

</TABLE>

The table above assumes that none of the Company's options, warrants or convertible promissory notes outstanding at March 31, 1998 is exercised and that the Underwriters' over-allotment option is not exercised. See "Management -- Stock Option Plan," "Description of Certain Indebtedness," "Description of Capital Stock -- Warrants and Options" and "Underwriting." If the Underwriters' over-allotment option is exercised in full, the Average Price Per Share to Existing Stockholders, New Investors and Total will be $2.52, $11.00 and $5.34, respectively.





SELECTED CONSOLIDATED HISTORICAL AND PRO FORMA
FINANCIAL INFORMATION AND OPERATIONS DATA

The following selected consolidated financial information summarizes (i) the statement of operations data and balance sheet data for Sam's (the "Predecessor Company") for the fiscal years ended March 31, 1994 and 1995, and the selected balance sheet data as of March 31, 1996, which have been derived from the unaudited consolidated financial statements of the Predecessor Company not included herein, (ii) the statement of operations data for the Predecessor Company for the fiscal years ended March 31, 1996 and 1997 and the five months ended August 31, 1997 and the selected balance sheet data as of March 31, 1997 and August 31, 1997, which have been derived from the audited consolidated financial statements of the Predecessor Company included elsewhere in this Prospectus, (iii) the statement of operations data of the Company for the period from August 14, 1997 (inception) through December 31, 1997, and selected balance sheet data as of December 31, 1997, which have been derived from the audited consolidated financial statements of the Company appearing elsewhere in this Prospectus, (iv) the consolidated statement of operations data of the Company for the three months ended March 31, 1998 and the selected balance sheet data as of March 31, 1998, which have been derived from the unaudited consolidated financial statements of the Company included elsewhere in this Prospectus which, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the Company's results of operations and financial position at such date and for such period, and (v) the pro forma consolidated statement of operations data for the twelve months ended December 31, 1997 and the three months ended March 31, 1997 and 1998 and selected pro forma balance sheet data as of March 31, 1998, which has been derived from the unaudited pro forma consolidated financial statements included elsewhere in this Prospectus. The other data has been derived from the consolidated financial statements referred to above for the applicable periods. The selected consolidated historical and pro forma financial information and operating data presented below should be read in conjunction with the Company's Consolidated Financial Statements, the unaudited pro forma consolidated financial statements and the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Prospectus.





<TABLE>
<CAPTION>

| | PREDECESSOR COMPANY | | | | | THE COMPANY(1) |
|---|---|---|---|---|---|---|
| | FISCAL YEAR ENDED MARCH 31, | | | | APRIL 1 THROUGH AUGUST 31, | AUGUST 14 (INCEPTION) THROUGH DECEMBER 31, |
| | 1994 | 1995 | 1996 | 1997 | 1997 | 1997 |
| | (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA) | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| STATEMENT OF OPERATIONS DATA: | | | | | | |
| Revenue: | | | | | | |
| Equipment rentals................ | $5,376 | $7,237 | $11,871 | $15,328 | $ 8,515 | $ 7,410 |
| Sales of equipment, parts and supplies....................... | 1,768 | 2,367 | 4,302 | 4,177 | 1,205 | 1,895 |
| Total revenue.............. | 7,144 | 9,604 | 16,173 | 19,505 | 9,720 | 9,305 |
| Cost of revenue: | | | | | | |
| Cost of equipment rentals, excluding depreciation.......... | 2,549 | 3,442 | 4,380 | 6,029 | 2,193 | 2,196 |
| Rental equipment depreciation(3)................ | 598 | 1,842 | 2,053 | 3,465 | 1,848 | 1,526 |
| Cost of sales of equipment, parts and supplies................... | 1,919 | 1,156 | 4,491 | 2,791 | 984 | 1,691 |
| Total cost of revenue....... | 5,066 | 6,440 | 10,924 | 12,285 | 5,025 | 5,413 |
| Gross profit...................... | 2,078 | 3,164 | 5,249 | 7,220 | 4,695 | 3,892 |
| Selling, general and administrative expenses......... | 865 | 1,634 | 2,972 | 3,564 | 1,683 | 1,081 |
| Non-rental equipment depreciation and amortization(3)............ | 53 | 162 | 180 | 238 | 115 | 284 |
| Operating income.................. | 1,160 | 1,368 | 2,097 | 3,418 | 2,897 | 2,527 |
| Other (income)/expense: | | | | | | |
| Interest expense................. | 162 | 239 | 583 | 866 | 580 | 760 |
| Other (income)/expense, net....... | (96) | (353) | (196) | (203) | 62 | -- |
| | 66 | (114) | 387 | 663 | 642 | 760 |
| Income before provision for income taxes............................ | 1,094 | 1,482 | 1,710 | 2,755 | 2,255 | 1,767 |
| Provision for income taxes........ | 438 | 593 | 732 | 1,128 | 939 | 766 |
| Net income........................ | $ 656 | $ 889 | $ 978 | $ 1,627 | $ 1,316 | $ 1,001 |
| Basic earnings per share(4)........ | | | | | | $ 0.04 |
| Diluted earnings per share(4)...... | | | | | | $ 0.04 |
| OTHER DATA: | | | | | | |
| Gross margin..................... | 29.1% | 32.9% | 32.5% | 37.0% | 48.3% | 41.8% |
| Operating margin................. | 16.2% | 14.2% | 13.0% | 17.5% | 29.8% | 27.2% |
| Rental equipment purchases(5)..... | | | $ 8,799 | $ 8,101 | $ 1,775 | $ 2,461 |
| Amortization of goodwill(3)....... | -- | -- | -- | -- | -- | 166 |
| Depreciation and other amortization................... | $ 651 | $2,004 | 2,233 | 3,703 | 1,963 | 1,644 |

<CAPTION>

| | THE COMPANY(1) | | | |
|---|---|---|---|---|
| | PRO FORMA AS ADJUSTED YEAR ENDED DECEMBER 31, 1997(2) | THREE MONTHS ENDED MARCH 31, 1998 | PRO FORMA AS ADJUSTED THREE MONTHS ENDED MARCH 31,(2) 1997 | 1998 |
| | (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA) | | | |
| <S> | <C> | <C> | <C> | <C> |
| STATEMENT OF OPERATIONS DATA: | | | | |
| Revenue: | | | | |
| Equipment rentals................ | $112,080 | $ 5,911 | $19,479 | $24,048 |
| Sales of equipment, parts and supplies....................... | 101,768 | 3,128 | 24,988 | 24,350 |
| Total revenue.............. | 213,848 | 9,039 | 44,467 | 48,398 |
| Cost of revenue: | | | | |
| Cost of equipment rentals, excluding depreciation.......... | 38,006 | 2,661 | 8,143 | 10,172 |
| Rental equipment | | | | |

| | | | | |
|---|---|---|---|---|
| depreciation(3) | 24,313 | 1,076 | 5,384 | 6,274 |
| Cost of sales of equipment, parts and supplies | 74,897 | 2,252 | 17,734 | 16,814 |
| Total cost of revenue | 137,216 | 5,989 | 31,261 | 33,260 |
| Gross profit | 76,632 | 3,050 | 13,206 | 15,138 |
| Selling, general and administrative expenses | 35,078 | 1,758 | 7,422 | 8,271 |
| Non-rental equipment depreciation and amortization(3) | 4,812 | 447 | 1,213 | 1,284 |
| Operating income | 36,742 | 845 | 4,571 | 5,583 |
| Other (income)/expense: | | | | |
| Interest expense | 9,358 | 808 | 1,882 | 2,228 |
| Other (income)/expense, net | (642) | (123) | (252) | (246) |
| | 8,716 | 685 | 1,630 | 1,982 |
| Income before provision for income taxes | 28,026 | 160 | 2,941 | 3,601 |
| Provision for income taxes | 11,770 | 67 | 1,233 | 1,512 |
| Net income | $ 16,256 | $ 93 | $ 1,708 | $ 2,089 |
| Basic earnings per share(4) | $ 0.38 | $ 0.00 | $ 0.04 | $ 0.05 |
| Diluted earnings per share(4) | $ 0.38 | $ 0.00 | $ 0.04 | $ 0.05 |
| OTHER DATA: | | | | |
| Gross margin | 35.8% | 33.7% | 29.7% | 31.3% |
| Operating margin | 17.2% | 9.3% | 10.3% | 11.5% |
| Rental equipment purchases(5) | $ 97,858 | $ 19,584 | $27,802 | $42,447 |
| Amortization of goodwill(3) | 3,734 | 259 | 933 | 933 |
| Depreciation and other amortization | 25,391 | 1,264 | 5,664 | 6,625 |

</TABLE>

<TABLE>
<CAPTION>

| | PREDECESSOR COMPANY | | | | | THE COMPANY | | |
|---|---|---|---|---|---|---|---|---|
| | AS OF MARCH 31, | | | | AS OF AUGUST 31, | AS OF DECEMBER 31, | AS OF MARCH 31, | PRO FORMA AS ADJUSTED AS OF MARCH 31, |
| | 1994 | 1995 | 1996 | 1997 | 1997 | 1997 | 1998 | 1998(2) |
| | (DOLLARS IN THOUSANDS) | | | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| SELECTED BALANCE SHEET DATA: | | | | | | | | |
| Rental equipment, net | $3,244 | $ 8,907 | $14,722 | $21,789 | $21,886 | $30,619 | $ 49,063 | $201,829 |
| Goodwill | -- | -- | -- | -- | -- | 36,685 | 41,388 | 149,349 |
| Total assets | 5,888 | 10,948 | 17,423 | 27,614 | 29,088 | 79,157 | 102,778 | 403,688 |
| Total debt | 3,595 | 5,871 | 9,944 | 16,100 | 16,559 | 42,928 | 52,230 | 155,076 |
| Stockholders' equity | 1,206 | 1,862 | 2,840 | 4,467 | 5,768 | 26,001 | 32,094 | 209,834 |

</TABLE>

---------------

(1) The Acquisitions have been accounted for as purchases and, accordingly, the operations of the acquired businesses are included in the statement of operations data and other data from the date of acquisition.

(2) The pro forma as adjusted statement of operations data for the year ended December 31, 1997 and the three months ended March 31, 1997 and 1998 and the pro forma as adjusted selected balance sheet data as of March 31, 1998 give effect to the Acquisitions, the Founders' Additional Contribution, the Private Placement, certain borrowings under the Credit Facility and the Offering as described in the "Pro Forma Consolidated Financial Statements" as if such transactions had occurred on the first day of the period presented, and in the case of the pro forma as adjusted balance sheet data, as of March 31, 1998. See "Use of Proceeds," "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Certain Transactions" and the Company's pro forma and historical financial statements and related notes.

(3) The amortization period for rental equipment depreciation ranges from two to ten years. The amortization period for goodwill is 40 years.

(4) Earnings per share data is not included for the Predecessor Company on a historical basis as such information would not be representative of the capital structure of the Company after the Offering.

(5) Rental equipment purchases represent the purchase price of rental equipment inventory acquired during the period.





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

The following discussion and analysis of the Company's consolidated results of operations and financial condition should be read in conjunction with the Consolidated Financial Statements, and the unaudited Pro Forma Consolidated Financial Information and the "Selected Consolidated Historical and Pro Forma Consolidated Financial Information and Operating Data" included elsewhere in this Prospectus.

GENERAL

NationsRent is one of the fastest growing equipment rental companies in the United States. The Company believes it can take advantage of the fragmentation in the equipment rental industry and the absence of an equipment rental company with significant market share to achieve a leading market position by creating an integrated network of nationally branded locations offering broad product selection and superior customer service. NationsRent expects to become a leading provider of rental equipment in each market it enters by acquiring platform businesses and opening or acquiring new locations concentrated around those businesses. The Company believes that this "cluster" strategy enables it to (i) increase profitability in its acquired stores and (ii) achieve profitability in its newly opened locations more quickly than its competitors.

NationsRent seeks to acquire businesses that have (i) strong positions in their geographic market, (ii) experienced local management teams that will continue to work with the Company following the acquisition, (iii) high quality rental equipment inventory and (iv) physical and operating characteristics that are suited to conversion to the NationsRent format. Since its formation in August 1997, NationsRent has acquired 16 equipment rental businesses with 65 locations in Florida, Indiana, Kentucky, Louisiana, Michigan, Ohio, Pennsylvania, Texas and West Virginia. The aggregate consideration paid by the Company in the Acquisitions is approximately $222.7 million and consisted of approximately (i) $166.2 million in cash, (ii) $7.5 million of subordinated promissory notes, (iii) $49.0 million of convertible subordinated promissory notes and (iv) warrants to purchase approximately $800,000 of Common Stock at the initial public offering price. The cash portion of the consideration paid has been funded with equity contributions and borrowings under the Credit Facility.

After making an acquisition, the Company intends to convert acquired locations to the NationsRent format. The cost of converting an acquired location to the NationsRent format will vary depending on the physical properties of the acquired location and the condition, breadth and depth of rental equipment inventory at such location, which are factors considered in the selection and pricing of acquisition candidates. The average cost incurred by the Company through March 31, 1998 to convert acquired locations to the NationsRent format was approximately $0.9 million per location, which costs primarily related to increasing the breadth and depth of rental inventory. Once NationsRent has established a presence in a particular market, it may open new locations in that geographic areas or adjacent areas. Since August 1997, the Company has opened six new locations. The Company does not plan to open any additional new locations in 1998. However, the Company continues to evaluate the need for new locations as it acquires equipment rental companies in new markets. The cost of opening the Company's six new locations has varied depending on whether the Company has leased or purchased the underlying real property, the size of the location and the breadth and depth of inventory at each location. See "-- Liquidity and Capital Resources." The average cost incurred by the Company through June 30, 1998 to open new locations was approximately $2.9 million per location. The Company's new locations have on average achieved profitability within approximately five months of their opening.

The Company derives its revenue from (i) equipment rental (65% of total revenue for the three months ended March 31, 1998), (ii) sale of used equipment (13%), (iii) sale of new equipment (11%) and (iv) sale of spare parts and supplies, maintenance and repair services (11% in the aggregate, no single item of which accounts for more than 10% of total revenue). The growth of rental revenue is dependent on several factors including demand for rental equipment, the amount and quality of equipment available for rent, rental rates and general economic conditions. Revenue generated from the sale of used equipment is affected by price, general economic conditions and the condition of the equipment. Revenue from the sale of new equipment is





affected by price and general economic conditions. Revenue from the sale of spare parts and supplies, maintenance and repair services is primarily affected by equipment rental and sales volume.

On a pro forma basis after giving effect to the Acquisitions, equipment rental revenue as a percentage of total revenue increased to 50% in the three months ended March 31, 1998 from 44% for the three months ended March 31, 1997. The Company expects the proportion of equipment rental revenue as a percentage of total revenue to continue to increase as it expands rental equipment inventory at its locations and as it targets acquisition candidates with equipment rental revenue as a percentage of total revenue of greater than 60%. On a pro forma basis after giving effect to the Acquisitions, the percentage of equipment rental revenue to total revenue has been impacted by the high proportion of new equipment sales generated by Bode-Finn. Equipment rental revenue as a percentage of total revenue, excluding Bode-Finn, was as follows:

<TABLE>
<CAPTION>

| | PRO FORMA YEAR ENDED DECEMBER 31, | PRO FORMA THREE MONTHS ENDED MARCH 31, | |
|---|---|---|---|
| | 1997 | 1997 | 1998 |
| <S> | <C> | <C> | <C> |
| Equipment rental revenue................. | 60.2% | 48.1% | 57.5% |
| Sales of equipment, parts and supplies... | 39.8 | 51.9 | 42.5 |
| | 100.0% | 100.0% | 100.0% |

</TABLE>

The principal components of the Company's cost of revenue include depreciation of rental equipment, costs of new and used equipment sold, personnel costs, occupancy costs, repair and maintenance costs and vehicle operations. Rental equipment depreciation is calculated using the straight-line method over the estimated useful life of such equipment. The range of useful lives estimated by management for rental equipment is two to eight years and is depreciated to a salvage value of zero to ten percent of original cost. Certain lift equipment is depreciated over a ten-year period.

Selling, general and administrative expense includes management salaries, advertising and marketing, travel, administrative and clerical salaries and data processing.

Non-rental equipment depreciation and amortization includes the depreciation of fixed assets that are not offered for rent, amortization of leasehold improvements and amortization of intangible assets related to the acquired businesses.

The acquisitions completed in 1997 have resulted in a significantly altered cost structure of the Predecessor Company primarily due to changes to owners' compensation, depreciation methodologies, interest expense and real estate costs. The Company believes that the pre-acquisition historical results of the acquired businesses are not indicative of future results. As such, the following discussion focuses on the historical and pro forma results of the Company.





The following table sets forth, for the periods indicated, information derived from the historical and pro forma consolidated statements of operations of the Company expressed as a percentage of total revenue.

<TABLE>
<CAPTION>

| | HISTORICAL AUGUST 14 (INCEPTION) TO DECEMBER 31, | PRO FORMA YEAR ENDED DECEMBER 31, | THREE MONTHS ENDED MARCH 31, | | |
|---|---|---|---|---|---|
| | | | ACTUAL | PRO FORMA | PRO FORMA |
| | 1997 | 1997 | 1998 | 1997 | 1998 |

| | | | | | |
|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> |
| Revenue: | | | | | |
| Equipment rentals | 79.6% | 52.4% | 65.4% | 43.8% | 49.7% |
| Sales of equipment, parts and supplies | 20.4 | 47.6 | 34.6 | 56.2 | 50.3 |
| Total revenue | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Cost of revenue: | | | | | |
| Cost of equipment rentals, excluding depreciation | 23.6 | 17.9 | 29.4 | 18.3 | 21.0 |
| Rental equipment depreciation | 16.4 | 11.4 | 11.9 | 12.1 | 13.0 |
| Cost of sales of equipment, parts and supplies | 18.2 | 34.9 | 24.9 | 39.9 | 34.7 |
| Total cost of revenue | 58.2 | 64.2 | 66.2 | 70.3 | 68.7 |
| Gross profit | 41.8 | 35.8 | 33.8 | 29.7 | 31.3 |
| Selling, general and administrative expenses | 11.6 | 16.4 | 19.5 | 16.7 | 17.1 |
| Non-rental equipment depreciation and amortization | 3.0 | 2.2 | 4.9 | 2.7 | 2.7 |
| Operating income | 27.2% | 17.2% | 9.4% | 10.3% | 11.5% |

</TABLE>

PRO FORMA RESULTS OF OPERATIONS

Pro Forma Three Months Ended March 31, 1998 as Compared to Pro Forma Three Months Ended March 31, 1997

Revenue. Total revenue for the three months ended March 31, 1998 increased 8.8% to $48.4 million from $44.5 million for the three months ended March 31, 1997. This growth in revenue primarily resulted from a $4.6 million or 23.5% increase in rental equipment revenue, primarily at locations owned by the Company for the entire first quarter of 1998 and at locations of Associated Rental Equipment Management Company, Inc. ("Associated"). Rental equipment revenue at Sam's, R. and R. Rental, Inc. ("R&R"), C&E Rental and Services, Inc. ("C&E") and Titan Rentals, Inc. ("Titan") increased $1.3 million or 32% as a result of the Company's investment in rental equipment since such businesses were acquired. Rental equipment revenue at Associated increased $2.9 million or 67% as a result of opening two additional locations during 1997. Such increases were partially offset by decreases in equipment sales, primarily at the Associated locations.

Gross Profit. Gross profit for the three months ended March 31, 1998 increased 14.6% to $15.1 million from $13.2 million for the three months ended March 31, 1997. Gross margin increased from 29.7% to 31.3%. This margin improvement was primarily the result of the aforementioned increase in equipment rental revenue, which historically has produced higher margins than sales of equipment, parts and supplies.

Total Selling, General and Administrative Expenses. Selling, general and administrative expenses for the three months ended March 31, 1998 increased 10.6% to $9.6 million from $8.6 million for the three months ended March 31, 1997. The increase in selling, general and administrative expenses was primarily attributable to (i) the addition of the corporate expenses of the Company in 1998, (ii) increased revenue, and (iii) additional locations that were opened by Associated and Central Rent-All, Inc. ("Central") during 1997.





Operating Income. As a result of the foregoing, operating income increased 22.2% from $4.6 million for the three months ended March 31, 1997 to $5.6 million for the three months ended March 31, 1998. Operating income margin increased from 10.3% to 11.5%.

Pro Forma Year Ended December 31, 1997

Revenue. Total revenue for the year ended December 31, 1997 was $213.8 million.

Gross Profit. Gross profit for the year ended December 31, 1997 was $76.6 million, or 35.8% of total revenue.

Total Selling, General and Administrative Expenses. Selling, general and administrative expenses for the year ended December 31, 1997 were $39.9 million, or 18.6% of total revenue.

Operating Income. Operating income for the year ended December 31, 1997 was $36.7 million, or 17.2% of total revenue.

HISTORICAL RESULTS OF OPERATIONS -- PREDECESSOR COMPANY

Fiscal Year Ended March 31, 1997 ("Fiscal 1997") as Compared to Fiscal Year Ended March 31, 1996 ("Fiscal 1996")

Revenue. Total revenue for Fiscal 1997 increased 20.6% to $19.5 million from $16.2 million in Fiscal 1996. This increase was primarily attributable to a 29.1% increase in equipment rental revenue. Equipment rental revenue increased as a result of the increased selection and availability of rental equipment and from the opening of two new locations during Fiscal 1997.

Gross Profit. Gross profit for Fiscal 1997 increased 37.6% to $7.2 million from $5.2 million in Fiscal 1996. Gross margin increased from 32.5% in Fiscal 1996 to 37.0% in Fiscal 1997. This improvement primarily resulted from increased margins on the sale of used equipment.

Total Selling, General and Administrative Expenses. Selling, general and administrative expenses for Fiscal 1997 increased 20.6% to $3.8 million from $3.2 million in Fiscal 1996. As a percentage of total revenue, these costs were 19.5% in Fiscal 1996 compared with 19.5% in Fiscal 1997. The increase in selling, general and administrative expenses was primarily attributable to additional administrative staff hired and growth in business volume during Fiscal 1997. In addition, the Company incurred additional non-rental depreciation expense attributable to an increase in property, plant and equipment as a result of the two locations opened during Fiscal 1997.

Operating Income. As a result of the foregoing, operating income increased 63.0% from $2.1 million for Fiscal 1996 to $3.4 million in Fiscal 1997. Operating income margin increased from 13.0% in Fiscal 1996 to 17.5% in Fiscal 1997.

Other Expense. Other expense for Fiscal 1997 increased to $0.7 million from $0.4 million in Fiscal 1996. This increase was primarily attributable to an increase in debt and related interest expense which resulted from the Company's increased financing of rental equipment asset purchases.

Income Tax Expense. Income tax expense was $1.1 million for Fiscal 1997, compared to $0.7 million in Fiscal 1996. The Company's effective tax rate was 40.9% for Fiscal 1997, compared to 42.8% for the same period in Fiscal 1996.

Net Income. Net income for Fiscal 1997 increased 66.4% to $1.6 million from $1.0 million for Fiscal 1996 for the aforementioned reasons. Net income as a percentage of revenue was 8.3% for Fiscal 1997 compared with 6.1% for Fiscal 1996.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary uses of cash have been the funding of acquisitions and capital expenditures. To date, the Company has funded its cash requirements with (i) $48.4 million of equity contributions from the





founders of the Company, (ii) $27.6 million of proceeds from the Private Placement, (iii) the use of equipment leases and (iv) borrowings under its Credit Facility.

NationsRent's historical net cash provided by operations was $3.7 million and $8.6 million for the period from August 14, 1997 (inception) to December 31, 1997 and the three months ended March 31, 1998, respectively. On a historical basis, net cash used in investing activities was $35.0 million and $24.7 million for the period from August 14, 1997 (inception) to December 31, 1997 and the three months ended March 31, 1998, respectively. Cash used in investing activities in 1997 was primarily a result of cash consideration of $34.1 million for the acquisition of businesses, net of cash acquired. Historical cash used in investing activities for the three months ended March 31, 1998 was primarily the result of $19.6 million of purchases of rental equipment. Cash provided by financing activities was $32.8 million and $15.2 million for the period from August 14, 1997 (inception) to December 31, 1997 and the three months ended March 31, 1998, respectively. Historical cash provided by financing activities during 1997 was primarily a result of a $25 million equity contribution by the founders of the Company. Cash from financing activities for the three months ended March 31, 1998 was primarily provided by borrowings under the Credit Facility and an additional equity contribution by the founders of the Company.

In March 1998, the Company entered into the Credit Facility, as amended in July 1998, with a syndicate of lenders to provide for up to $265 million of cash borrowings and letters of credit. The Credit Facility has a three-year term scheduled to expire in July 2001. The Credit Facility can be used to complete permitted acquisitions, make capital expenditures, enter into standby letters of credit, or for working capital and other general corporate purposes. Upon consummation of the Offering, borrowings under the Credit Facility will bear interest at either the BankBoston base rate plus a percentage ranging from 0.00% to 0.50% or, at the Company's option, the Eurodollar market rate plus a percentage ranging from 1.50% to 3.00%. The percentage over the BankBoston base rate or the Eurodollar market rate is based on the Company's financial performance as measured by the total funded debt ratio (the "Pricing Ratio"). Prior to consummation of the Offering, the base rate loans bear interest at the BankBoston base rate plus 0.75% or, at the Company's option, the Eurodollar market rate plus 3.00%. The Credit Facility is secured by a security interest in substantially all of the assets of the Company. The Credit Facility also imposes, among other covenants, a tangible assets to senior debt covenant, a restriction on all of the Company's retained earnings including the declaration and payment of cash dividends, consent requirements on certain acquisitions and a restriction on the ratio of total funded debt to earnings before interest, income taxes, depreciation and amortization. The proceeds from the Credit Facility were used to repay substantially all of the notes payable to financial institutions that were outstanding at December 31, 1997. The Company plans to use a portion of the net proceeds of the Offering to repay such indebtedness as described under "Use of Proceeds."

The Company's short-term cash requirements for its existing operations consist of: (i) capital expenditures to maintain, modernize and expand its rental equipment inventory, (ii)working capital requirements, and (iii) operating activities such as repair and maintenance of rental equipment, merchandise inventory and other operating activities. The Company estimates that equipment expenditures for its existing locations will be in the range of $90 million to $100 million, net of proceeds from used equipment sales, over the next 12 months. In addition, the Company believes that it will be required to make equipment expenditures in connection with new acquisitions. The Company believes that following the completion of the Offering it will be able to finance its short-term cash needs through borrowings under the Credit Facility, the use of equipment leases and cash generated from operations. The Company estimates that such sources will be sufficient to fund the cash required for the Company's existing operations for at least 12 months following completion of the Offering.

The Company has opened six new locations within identified "clusters." The Company estimates that the aggregate capital costs associated with each such new location will be in the range of $2.0 million to $4.5 million. The Company believes that cash generated from operations and borrowings under the Credit Facility will be sufficient to fund these costs without additional debt or equity financings.

The Company plans to continue its acquisition strategy and expects to finance future acquisitions using cash, capital stock, notes and/or assumption of indebtedness. To fully implement its growth strategy and meet





the resulting capital requirements, the Company will be required to increase amounts available under the Credit Facility, issue future debt instruments or raise additional capital through equity financings. There can be no assurance that any such increase to the Credit Facility will be available or, if available, will be on terms satisfactory to the Company or that the Company will be able to successfully complete any future debt or equity financings.

The Company is customizing a state-of-the-art management information system that it expects will be operational in the fourth quarter of 1998. The Company estimates the total cost of installation of such system at the Company's existing locations will range between $5.0 million and $7.0 million and believes cash generated from operations and borrowings under the Credit Facility will be sufficient to fund these costs. The Company expects that the incremental costs of installation of such system at additional locations will not be significant on a per location basis.

## SEASONALITY AND FLUCTUATIONS IN OPERATING RESULTS

The Company's revenue and income are dependent upon activity in the construction industry in the markets served by the Company. Construction activity is dependent upon weather and other seasonal factors affecting construction in the geographic areas where the Company has operations, particularly in the Midwest. Because of this variability in demand, the Company's quarterly revenue may fluctuate, and revenue for the first quarter of each year can be expected to be lower than the remaining quarters. Although the Company believes that the historical trend in quarterly revenue for the second, third and fourth quarters of each year is generally higher than the first quarter, there can be no assurance that this will occur in future periods. Accordingly, quarterly or other interim results should not be considered indicative of results to be expected for any other quarter or for a full year.

Operating results may fluctuate due to other factors including, but not limited to (i) changes in general economic conditions including changes in national, regional and local construction or industrial activities, (ii) the timing of acquisitions and opening of new locations, (iii) the timing of expenditures for new rental equipment and the disposition of used equipment, (iv) competitive pricing pressures and (v) increases in interest rates.

The Company will incur significant expenses in opening new locations, such as employee training, marketing and facility set-up costs. Initially, new locations may generate lower operating margins than established locations and may operate at a loss. In addition, when the Company purchases new rental equipment, the depreciation related to such equipment may contribute to near-term margin decline, because such equipment may not initially generate revenue at a rate that is sufficient to match such increased depreciation expense. As such, the opening of new rental locations and the purchase of new equipment to expand the Company's current rental equipment inventory may reduce the Company's operating margins during a start-up period.

## INFLATION

The Company does not believe that inflation has been a significant factor to the cost of its operations or the operations of the Predecessor Company.

## IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income," and SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." The Company is required to adopt the provisions of these Statements in fiscal year 1998. SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components in a primary financial statement. The Company is currently evaluating the reporting formats recommended under this Statement. SFAS No. 131 establishes a new method by which companies will report operating segment information. This method requires disclosure of information which is based on the manner in which management organizes the segments within a company for making operating decisions and assessing performance. The Company continues to evaluate the provisions of SFAS No. 131 and, upon adoption, the Company may report operating segments. In





April 1998, the American Institute of Certified Public Accountants issued Statement of Position No. 98-5 ("SOP 98-5"). SOP 98-5 requires that all non-governmental entities expense costs of start-up activities, including pre-operating, pre-opening and organization activities, as those costs are incurred. In the opinion of management, the adoption of this statement will have no impact on its statement of operations.





# BUSINESS

## GENERAL

NationsRent is one of the fastest growing equipment rental companies in the United States. The Company has acquired a core platform of equipment rental businesses concentrated in selected markets and intends to build a network of nationally branded locations. NationsRent expects to become a leading provider of rental equipment in each market it enters by acquiring platform businesses and opening or acquiring additional locations concentrated around those businesses. The Company believes that this "cluster" strategy enables it to (i) increase profitability in its acquired stores and (ii) achieve profitability in its newly opened locations more quickly than its competitors.

The Company's locations offer a comprehensive selection of high quality, well-maintained equipment, including backhoes, bulldozers, skid steer loaders, aerial lifts and work platforms, compressors and generators. The Company markets its products and services primarily to a broad range of construction and industrial customers, including heavy highway contractors, general contractors, subcontractors, manufacturing plants and distribution centers. The Company also sells used and new equipment, spare parts and supplies, and provides maintenance and repair services. Since its formation in August 1997, the Company has acquired 16 equipment rental businesses operating in Florida, Indiana, Kentucky, Louisiana, Michigan, Ohio, Pennsylvania, Texas and West Virginia. The Company operates 68 locations and for the year ended December 31, 1997, on a pro forma basis after giving effect to the Acquisitions, the Company had revenue of $213.8 million and operating income of $36.7 million.

The Company currently serves over 70,000 active accounts primarily in the construction and industrial segments of the equipment rental industry. Construction customers include heavy highway contractors, general contractors, speciality contractors, subcontractors, excavating contractors and trade contractors (such as electricians and plumbers). Construction customers rent equipment for all manner of construction activities, typically on a daily, weekly or monthly basis, with relatively little lead time due to their need to react quickly to changes in project scheduling. Industrial customers include operators of manufacturing plants, petrochemical plants, distribution centers and transportation facilities. Industrial customers typically rent equipment for maintenance-oriented purposes on a weekly or monthly basis and are more likely to place orders for rental equipment in advance of their regularly scheduled maintenance requirements. In addition, the Company rents equipment to homeowners and other general rental customers.

## INDUSTRY OVERVIEW

According to industry sources, the United States equipment rental industry grew from an estimated $614 million in revenue in 1982 to an estimated $20 billion in 1997, which represents a compound annual growth rate of more than 26%. This growth has been driven primarily by construction and industrial companies increasingly outsourcing their equipment needs to reduce investment in non-core assets and convert costs from fixed to variable. According to industry sources, the United States equipment rental industry is expected to grow to an estimated $40 billion in annual revenue over the next five years due to the overall growth in the economy and a continuing trend from sales to rentals. The Company believes that this trend toward rentals will accelerate as a result of the many advantages of equipment rental relative to ownership including reduced capital investment, reduced storage and maintenance expense, increased flexibility to accept projects due to wide selection of available equipment, greater access to the most modern equipment without the need to make large capital expenditures, and improved productivity by having access to equipment that suits a particular job.

The United States equipment rental industry is highly fragmented, with more than 20,000 companies. According to industry sources, the 100 largest equipment rental companies have a combined market share of less than 20%, no single equipment rental company in the United States has a market share greater than 3% and more than 90% of equipment rental companies have ten or fewer locations.

The Company believes the recent trend toward rapid consolidation in the equipment rental industry should continue as a result of (i) increasing competitive pressure on small, independent operators from the growing number of regional and national companies with greater access to, and a lower cost of, capital and





other related operating efficiencies, (ii) increasing demand by customers for a broader selection and greater availability of rental equipment and (iii) limited number of alternative exit strategies for many of the owners and principals of smaller independent companies. The Company believes that this consolidation trend, the fragmented nature of the industry and the absence of an equipment rental company with a significant market share present substantial opportunities for the Company to achieve a leading market position by creating an integrated network of nationally branded locations offering broad product selection and superior customer service.

## COMPETITIVE STRENGTHS

NationsRent believes it has several competitive strengths that will enable it to continue to increase growth and profitability, including the following:

Strong Market Position. The Company believes that, by implementing its "cluster" strategy in each market it enters, it can achieve a leading market share and increase revenue from existing customers. The Company believes this strategy will enable it to more effectively serve its customers, broaden its customer base, pool rental equipment inventory, offer a broader selection and greater availability of equipment and maintain a high utilization rate. By offering a full range of rental equipment from each location, the Company believes that customers who currently utilize multiple rental equipment providers will prefer to fill their rental needs through the NationsRent network of locations. In addition, NationsRent believes it has other advantages relative to smaller operators, including greater purchasing power and a lower cost of capital.

National Brand. NationsRent is in the process of entering selected markets with the goal of establishing a nationally recognized brand throughout the United States. All NationsRent locations will be supported by the Company's national branding strategy including a distinctive store format and marketing program. The Company believes it will be able to increase revenue by establishing a brand name known for consistent quality and an extensive supply of rental inventory in a customer-oriented atmosphere. The Company expects this branding strategy to enable it to expand its customer base to attract a broader range of customers, including large customers with operations in a variety of geographic markets.

Focus on Customer Service. NationsRent is differentiating itself from its competitors with innovations designed to increase customer satisfaction. The Company seeks to offer more convenient access, faster check-in and check-out procedures and shorter required lead time for rentals than its competitors, as well as on-time equipment delivery and pick-up, on-site repair service, 24-hour customer assistance and a library of audio, video and written instruction materials for equipment usage and safety. In addition, as part of the Company's plan to provide one-stop shopping to customers, each location sells parts and supplies to complement equipment rentals and sales.

State-of-the-Art Management Information System. The Company is customizing a state-of-the-art management information system capable of monitoring operations at several thousand locations. This innovative system is being designed to track customer purchasing patterns and demographics for use in gaining market share in new and existing markets, consolidating equipment purchases, maximizing utilization rates and reducing overhead expenditures. This system will provide management with real time revenue, inventory, financial and customer information, facilitating rapid and well informed decision making. In addition, this system will permit customers to reserve and rent equipment and access their account information from their own computer terminals via the Company's internet website. To develop its customized system, the Company has assembled a team of management information specialists who have previously developed systems for Blockbuster and Wal-Mart.

Distinctive Operating Format. In connection with the development of the NationsRent national brand, the Company has designed a format for its locations which it believes will help differentiate NationsRent from its competitors. Distinguishing characteristics of this format include drive-through lanes, clearly marked equipment aisles and attractive, well organized and clean store facilities. The Company expects that its larger locations will typically be on a 6 to 12 acre site in a heavily-trafficked





area with a 20,000 to 40,000 square foot facility housing a reconditioning center and a broad selection and extensive inventory of equipment and supplies. The Company expects that its smaller locations will typically be on a 2 to 6 acre site in a high-visibility commercial area with a 7,500 to 11,000 square foot facility housing at least one drive-through lane, maintenance and delivery capabilities and inventory and supplies that are targeted to the customer base in that area.

Experienced Management Team. The Company believes it has one of the most experienced and growth-oriented executive management teams among publicly-traded companies in the equipment rental industry. James L. Kirk, the Company's Chairman, Chief Executive Officer and President, founded OHM, a NYSE listed company, in 1969 and served in various senior executive positions with OHM, growing it into a leading environmental construction company with an inventory of heavy and light equipment having an original cost of over $100 million. In addition, the Company will benefit from the experience of H. Wayne Huizenga, a director of and investor in the Company, who serves as Chairman and Co-Chief Executive Officer of Republic and who co-founded and served in various senior executive positions with Waste Management and Blockbuster, each of which is a leading consolidator in its respective industry. The other members of the Company's senior management team have previously worked closely with Mr. Kirk in senior management positions at OHM, and other key employees and consultants of the Company have worked with Mr. Huizenga in various positions at Republic, Waste Management or Blockbuster. The NationsRent management team is supported by operating, marketing and business development managers with an average of more than 15 years experience in the equipment rental industry.

GROWTH STRATEGY

The Company's objectives are to increase revenue, profitability, market share and stockholder value by building a nationally branded network of locations that offer a comprehensive selection of high quality rental equipment in convenient and accessible locations to customers in the construction and industrial markets. Key elements of the NationsRent growth strategy are as follows:

Acquire Leading Companies. NationsRent seeks to acquire leading companies in each market it enters to implement its "cluster" strategy and position the Company to achieve significant market share. The Company targets businesses that have one or more of the following characteristics: (i) strong positions in their geographic market; (ii) experienced local management teams that will continue to work with the Company following the acquisition; (iii) high-quality equipment rental inventory; and (iv) physical and operating characteristics that are suited to conversion to the NationsRent format. Once the Company has entered a particular market, it seeks to acquire additional rental businesses in that market or adjacent markets with locations and equipment selection that complement its existing operations, thus enabling the Company to further penetrate that market.

Convert Acquired Locations. After making an acquisition, the Company intends to convert acquired locations to the NationsRent format by (i) branding acquired locations and rental inventory with the NationsRent logo, colors and distinctive store appearance, (ii) increasing the breadth and depth of rental inventory, (iii) linking the location to the Company's customized management information system and (iv) implementing the NationsRent customer service approach.

Open New Rental Locations. Once NationsRent has established a presence in a particular market, it seeks to open new locations in that geographic area or adjacent areas to enable it to offer a greater selection and availability of equipment, maximize its equipment inventory utilization rates and achieve economies of scale. The Company believes that this strategy will allow its new locations to achieve profitability at a faster rate than its competitors because these locations should (i) more quickly generate revenue as a result of the pre-existing market presence, name recognition and referrals from existing locations and (ii) have lower overhead costs due to the sharing of service, maintenance, administrative functions and personnel with the Company's established locations.

Further Penetrate Industrial Rental Market. The Company believes that the equipment needs of industrial customers are underserved by the United States equipment rental market and, as a result, there





are significant opportunities to further penetrate this market segment. NationsRent believes that by offering a comprehensive selection and available supply of rental equipment throughout an integrated nationally branded network of locations, industrial customers will become increasingly aware of the advantages of equipment rental relative to ownership, including reduced capital investment, reduced storage and maintenance expense, and greater access to the most modern equipment. The recent acquisition of Bode-Finn, which has served industrial customers for over 40 years, has established the Company as a leading provider of rental equipment to industrial customers in several geographic markets.

## ACQUISITIONS

In furtherance of its growth strategy, NationsRent has acquired 16 equipment rental businesses with 65 locations. These locations are concentrated in the regions set forth below.

## THE MIDWEST REGION

### Central/Northern Ohio

In September 1997, the Company acquired Sam's, which has five locations in the Central/Northern Ohio market that rent primarily light to heavy equipment to construction and industrial customers, and has been operating in this market for more than 35 years.

In December 1997, the Company acquired certain assets of R&R, which has two locations in the Central/Northern Ohio market that rent primarily heavy equipment and generators to construction customers, and has been operating in this market for more than ten years.

In January 1998, the Company acquired certain assets of Central, which has eight locations in the Central/Northern Ohio market that rent primarily light to medium equipment to construction and industrial customers and homeowners, and has been operating in this market for more than ten years.

In May 1998, the Company acquired Bode-Finn, which has one location in the Central/Northern Ohio market that rents and sells primarily medium to heavy equipment to industrial customers, and has been operating in this market for more than 40 years.

Ohio River Valley

In November 1997, the Company acquired certain assets of Ashland Rental and Sales, Inc. ("Ashland"), which has two locations in the Ohio River Valley market that rent primarily tools and loading equipment to construction and industrial customers, and has been operating in this market for more than 45 years.

In December 1997, the Company acquired Titan, which has two locations in the Ohio River Valley market that rent primarily construction equipment, generators, compactors and light towers to construction customers.

In May 1998, as part of the acquisition of Bode-Finn, the Company acquired one location in the Ohio River Valley market that rents and sells primarily medium to heavy equipment to industrial customers.

Indianapolis/Northern Indiana

In December 1997, the Company acquired certain assets of C&E, which has six locations in the Indianapolis/Northern Indiana market that rent primarily light to medium equipment to construction customers, and has been operating in this market for approximately 40 years.

In April 1998, the Company acquired certain assets of R.F.L. Enterprises, Inc. ("RFL"), which has one location in the Indianapolis/Northern Indiana market that rents primarily forklifts, scaffolding and dumpsters to construction and industrial customers, and has been operating in this market for over 35 years.

In May 1998, the Company acquired certain assets of U-Rent-It Company, Inc. ("U-Rent-It"), which has one location in the Indianapolis/Northern Indiana market that rents primarily light and lift equipment to construction customers, and has been operating in this market for almost 40 years.





In June 1998, the Company acquired Raymond Equipment Co., doing business as Jobs Rentals ("Jobs"), which has one location in the Indianapolis/Northern Indiana market that rents and sells primarily heavy earth-moving equipment to construction customers, and has been operating in this market for more than 40 years.

Southwest Ohio/Northern Kentucky

In May 1998, as part of the acquisition of Bode-Finn, the Company acquired four locations in the Southwest Ohio/Northern Kentucky market that rent and sell primarily medium to heavy lift equipment to construction and industrial customers.

In June 1998, as part of the acquisition of Jobs, the Company acquired one location in the Southwest Ohio/Northern Kentucky market that rents primarily heavy earth-moving equipment to construction customers.

Louisville/Lexington, Kentucky

In May 1998, as part of the acquisition of Bode-Finn, the Company acquired two locations in the Louisville/Lexington, Kentucky market that rent and sell primarily medium to heavy equipment to construction and industrial customers.

In June 1998, as part of the acquisition of Jobs, the Company acquired one location in the Louisville/ Lexington, Kentucky market that rents primarily heavy earth-moving equipment to construction customers.

Southwest Pennsylvania

In June 1998, the Company acquired A-Action Rentals, Inc. ("A-Action"), which has one location in the Southwest Pennsylvania market that rents primarily medium to heavy equipment and compressors to construction customers, and has been operating in this market for more than 35 years.

Detroit, Michigan

In July 1998, the Company acquired J. Kelly Co. ("J. Kelly"), which has two locations in the Detroit, Michigan market that rent primarily light to medium equipment to construction and industrial customers, and has been operating in this market for 25 years.

THE GULF COAST REGION

Southwest Florida

In April 1998, the Company acquired certain assets of Naples Rent-All & Sales Company, Inc. ("Naples"), which has two locations in the Southwest Florida market that rent primarily light to medium equipment to construction customers, and has been operating in this market for approximately 30 years.

In April 1998, the Company acquired certain assets of Revco Equipment Rentals, Inc. ("Revco"), which has two locations in the Southwest Florida market that rent primarily medium to heavy equipment to construction customers.

Florida Panhandle

In July 1998, the Company acquired certain assets of General Rental, Inc. ("General Rental"), including six locations in the Florida Panhandle market that rent primarily light to medium equipment to construction and industrial customers.

Southeast Texas

In July 1998, the Company acquired certain assets of Associated, which has four locations in the Southeast Texas market that rent primarily heavy equipment to construction customers.





In July 1998, as part of the acquisition of General Rental, the Company acquired seven locations in the Southeast Texas market that rent primarily light to medium equipment to construction customers.

Louisiana

In July 1998, as part of the acquisition of Associated, the Company acquired three locations in the Louisiana market that rent primarily heavy earth-moving equipment to construction customers.

OPERATIONS

NationsRent is one of the fastest growing equipment rental companies in the United States. The Company has acquired 16 equipment rental businesses with 65 locations in Florida, Indiana, Kentucky, Louisiana, Michigan, Ohio, Pennsylvania, Texas and West Virginia, and as of June 30, 1998, the Company had opened six new locations and had closed three of the locations it acquired. The Company's operations primarily consist of (i) renting a broad variety of equipment to construction and industrial customers, (ii) selling its used equipment inventory, (iii) selling new equipment as a distributor or dealer on behalf of several nationally known equipment manufacturers and (iv) selling parts, supplies and merchandise and providing repair and maintenance services to complement its equipment rentals and sales.

Equipment Rentals. The Company rents on a daily, weekly and monthly basis a broad variety of equipment primarily to construction and industrial customers. The Company's rental inventory includes such equipment as aerial lifts and work platforms, air compressors, backhoes, boom lifts, bulldozers, ditching equipment, forklifts, generators, high reach equipment, pumps and scissor lifts. The mix of equipment offered from each of the Company's locations varies based on the needs of the local market.

The Company is implementing a program to make ongoing capital investments in new equipment, engage in periodic sales of used equipment and conduct preventive maintenance. This program is designed to increase equipment utilization, enhance resale values and extend the useful life of equipment. As of March 31, 1998, on a pro forma basis for the Acquisitions, the Company's equipment rental inventory had an original cost of over $250 million and an average age of less than 36 months.

NationsRent has developed operating initiatives that it plans to introduce at all of its locations to offer its rental customers more convenient access, faster check-in and check-out procedures, reduced equipment downtime and shorter lead times for rentals than its competitors. For example, all of the Company's new locations are being designed with drive-through lanes to speed up equipment loading and unloading. In addition, the Company's rental equipment is being outfitted with universal trailer hitches designed to accept a broad range of towing mechanisms to ease customer transport of equipment. To reduce the downtime associated with flat tires, the Company fills the tires of equipment used in areas prone to flats with foam instead of air. The Company's rental locations also will offer equipment delivery and pick-up, on-site repair service within two hours of customer request, 24-hour customer assistance, and a library of audio, video and written instructional materials for equipment usage and safety.

Used Equipment Sales. The Company periodically sells used equipment to adjust the size and composition of its rental equipment in response to changing market conditions and to maintain the quality and low average age of its rental equipment. The Company attempts to balance the revenue obtainable from used equipment sales with the revenue obtainable from continued equipment rentals. The Company is generally able to achieve favorable resale prices for its used equipment due to a preventive maintenance program and practice of selling used equipment before it becomes obsolete or irreparable. The Company believes that the proactive management of new equipment purchases and used equipment sales allows it to maximize utilization rates and respond to changing economic conditions.

New Equipment Sales. The Company is a distributor of new equipment on behalf of several nationally known equipment manufacturers. The Company has dealership arrangements in certain geographic areas with various equipment manufacturers as a result of the Acquisitions. Typically, dealership agreements do not have a specific term and may be terminated by either party upon specific events and/or written notice. In the future the Company may continue, amend or terminate dealership arrangements, if any, of businesses it acquires or it





may enter into new dealership agreements or arrangements, depending on market conditions in the area and other factors.

Parts, Supplies and Service. The Company sells a full complement of parts, supplies and merchandise to its customers in conjunction with its equipment rental and sales business. NationsRent provides repair service to rental customers and, as part of the Company's focus on customer service, it plans to respond to rental equipment service requests within two hours. The Company also offers maintenance service to customers that own equipment and generates revenue from damage waiver charges, delivery charges and warranty income. The Company believes that revenue from parts and service is more stable than equipment sales revenue because of the recurring nature of the parts and service business. The Company also believes that during economic downturns the parts and service business may increase as customers postpone new equipment purchases and instead attempt to maintain their existing equipment.

MANAGEMENT INFORMATION SYSTEM

The Company is customizing a state-of-the-art management information system capable of monitoring operations at several thousand locations. This innovative system is being designed to track customer purchasing patterns and demographics for use in gaining market share in new and existing markets, consolidating equipment purchases, maximizing utilization rates and reducing overhead expenditures. This system will provide management with real time revenue, inventory, financial and customer information, facilitating rapid and well informed decision making. In addition, this system will permit customers to reserve and rent equipment and access their account information from their own computer terminals via the Company's internet website. To develop its customized system, the Company has assembled a team of management information specialists who have previously developed systems for Blockbuster and Wal-Mart.

CUSTOMERS

NationsRent currently serves over 70,000 active accounts primarily in the construction and industrial segments of the equipment rental industry. On a pro forma basis after giving effect to the Acquisitions, the Company's top ten customers represented approximately 6% of the Company's 1997 revenue and no single customer accounted for more than 2% of the Company's 1997 revenue. The Company's customers vary in size from large Fortune 500 companies to small construction contractors, subcontractors, machine operators and homeowners.

The Company does not provide purchase financing to customers. The Company rents equipment, sells parts and provides repair services on account to customers who are screened through a credit application process. Customers can arrange financing of purchases of large equipment through a variety of creditors including manufacturers, banks, finance companies and other financial institutions.

SALES AND MARKETING

NationsRent maintains a strong marketing and sales orientation throughout its organization in order to better understand and serve its customers and increase its customer base. The Company undertakes sales and marketing initiatives designed to increase revenue and market share and build brand awareness. The Company prepares marketing analyses which address key business issues such as market/industry history, opportunities, company philosophy, sales trends, consumer behavior trends, distribution channels, pricing issues, target markets, advertising and media analysis, competitive situations and selling strategies. Based on the results of its analyses, the Company develops marketing and sales strategies. To assist the Company in implementing its marketing and sales strategies, NationsRent has retained a store design and merchandising firm and plans to retain a national advertising agency.

The Company's district operations managers are responsible for training, supervising and directing the selling activities of the NationsRent salesforce in their markets. In addition, district operations managers are also responsible for overseeing the mix of equipment at their locations, keeping abreast of local construction and industrial activity and monitoring competitors in their respective markets.





NationsRent employs approximately 95 equipment rental salespeople who utilize targeted local marketing strategies to address specific customer needs and respond to competitive pressures. To remain informed of local market activity, salespeople track construction projects and new equipment sales in their area through Equipment Data Reports, F.W. Dodge Reports and PEC Reports (Planning, Engineering and Construction), follow up on referrals and visit construction sites and potential equipment users who are new to the area.

TRADEMARKS

The Company has applied to the United States Patent and Trademark Office to register the service mark "NationsRent."

STORE LAYOUT AND DESIGN

Many of the Company's locations are situated in high-visibility commercial areas and are designed to offer easy and convenient access to customers. The Company expects that its larger locations will typically be on a 6 to 12 acre site in a heavily-trafficked area with a 20,000 to 40,000 square foot facility housing a reconditioning center and a broad selection and extensive inventory of equipment and supplies. The Company expects that its smaller locations will typically be on a 2 to 6 acre lot in a high-visibility commercial area with a 7,500 to 11,000 square foot facility housing at least one drive-through lane, maintenance and delivery capabilities and inventory and supplies that are targeted to the customer base in that area. Depending on the type of equipment rented at a particular location and the needs of the local market, the Company's locations may include (i) sales and administrative offices, (ii) a customer showroom displaying equipment and parts, (iii) an equipment service area and (iv) outdoor and indoor equipment storage facilities.





PURCHASING

The Company purchases equipment from vendors with reputations for product quality and reliability. The Company's size and the quantity of equipment it purchases enable it to purchase most equipment directly from manufacturers pursuant to national purchasing agreements at lower prices and on more favorable terms than many smaller competitors. The Company seeks to maintain close relationships with its vendors to ensure the timely delivery of new equipment. The Company believes that it has sufficient alternative sources of supply for the equipment it purchases in each of its principal product categories. The Company primarily acquires its rental equipment inventory by purchase rather than lease. The Company selects the type and quantity of rental equipment to be purchased for each of its locations based on the expected needs of the local market. The Company determines rental rates for each type of equipment based on the cost and expected utilization of the equipment, and adjusts its rental rates at each location for demand, length of rental, volume of equipment rented and other competitive considerations. The following table summarizes the primary suppliers of certain of the Company's rental equipment:

| PRODUCT CATEGORY | PRIMARY SUPPLIERS |
|---|---|
| HEAVY | |
| Articulated Trucks | Caterpillar/Volvo |
| Bulldozers | Caterpillar/Komatsu/John Deere |
| Excavators | Caterpillar/Komatsu/John Deere |
| Scrapers | Caterpillar/John Deere |
| Track Loaders | Caterpillar/John Deere |
| MEDIUM | |
| Aerial Lift Platforms | Terex/Genie |
| Backhoes | New Holland/Caterpillar/Case/John Deere |
| Compaction Equipment | Ingersoll Rand/BOMAG |
| Forklifts | JCB/Ingersoll Rand/Lull |
| Knuckle Boom Lifts | Terex/Genie |
| Semi-Pneumatic Forklifts | Hyster/Komatsu |
| Wheel Loaders | Volvo/Caterpillar |
| LIGHT | |
| Air Compressors | Ingersoll Rand/Multiquip |
| Concrete Mixers | Whiteman/Essick |
| Light Towers | Ingersoll Rand/Coleman |
| Power Generators | MQ Power/Ingersoll Rand |
| Skid Steer Loaders | New Holland/Bobcat/Case |
| Trenchers | Vermeer/Ditch Witch |
| Troweling Machines | Whiteman/Bartell |
| Vacuum Pumps | Thompson/Godwin |
| GENERAL RENTAL | |
| Arrow Boards | Allman Bros./Amida Industries |
| Concrete Buggies | Miller/Whiteman |
| Concrete Saws | Pardener/Stihl/Olympic |
| Electric Hammers | Bosch/Harper |
| Plate Compactors | Multiquip/BOMAG |
| Sand Blasters | Lindsey |
| Submersible Pumps | Surumi/Multiquip |
| Welders | Lincoln/Miller |

COMPETITION

The equipment rental industry is highly fragmented and competitive. The Company competes with independent third parties in all of the markets in which it operates. Most of the Company's competitors in the rental business tend to operate in specific, limited geographic areas, although some larger competitors compete on a national basis. The Company also competes with equipment manufacturers which sell and rent equipment directly to customers. Some of the Company's competitors have greater financial resources and name recognition than the Company.





ENVIRONMENTAL AND SAFETY REGULATION

The Company's equipment, facilities and operations are subject to certain federal, state and local laws and regulations relating to environmental protection and occupational health and safety, including those governing wastewater discharges, the use, treatment, storage and disposal of solid and hazardous wastes and materials, air quality and the remediation of contamination associated with the release of hazardous substances. For example, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, provides for, among other things, the remediation of sites from which there is a release or threatened release of a hazardous substance into the environment and may impose liability for the costs of cleanup and for damages to natural resources upon past and current owners and operators of such sites. In addition, the Federal Water Pollution Control Act of 1972 regulates the discharge of pollutants into streams, rivers and other waters and may require the issuance of discharge permits to the Company. In addition, the Occupational Safety and Health Act of 1970 authorizes the promulgation of occupational safety and health standards which apply to the Company's facilities and operations. In addition to federal environmental and safety regulations, the states and certain localities in which the Company operates have their own laws and regulations governing solid waste disposal, water pollution and, in most cases, releases and cleanup of hazardous substances as well as liability for such matters, which may be applicable to the Company's facilities and operations. Certain of the Company's existing and former locations use and have used substances, and currently generate or have generated or disposed of wastes, which are or may be considered hazardous or otherwise are subject to applicable environmental requirements.

In particular, the Company stores and dispenses, or in the past stored or dispensed or the facilities at which it operates in the past stored or dispensed, petroleum products from aboveground storage tanks and, in certain cases, underground storage tanks. The Company also uses or operates locations which in the past used, hazardous materials, including solvents, to clean and maintain equipment, and generates and disposes of solid and hazardous wastes, including batteries, used motor oil, radiator fluid and solvents. In connection with such activities, the Company has incurred minimal capital expenditures and other compliance costs which are expensed on a current basis and which, to date, have not been material to the Company's financial condition.

Additionally, in connection with acquisitions of equipment rental businesses, the Company has undertaken Phase I environmental audits of substantially all locations that the Company will continue to operate following the acquisition and expects to continue to do so before acquiring any additional sites. Although the Company does not currently maintain comprehensive insurance covering environmental liabilities at all of its sites, certain of the acquired businesses do have coverage on storage tanks located at their sites. Moreover, each of the equipment rental businesses acquired by the Company was required to provide indemnification to the Company with respect to environmental liabilities associated with such businesses. Based on currently available information, the Company believes that the possibility is remote that it will have to incur material capital expenditures or other material compliance or remediation costs for environmental and safety matters in the foreseeable future. There can be no assurance, however, that federal, state or local environmental and safety requirements will not become more stringent or be interpreted and applied more stringently in the future, or that the Company will not identify adverse environmental conditions that are not currently known to the Company. Such future changes or interpretations, or the identification of such adverse environmental conditions, could result in additional environmental compliance or remediation costs not currently anticipated by the Company, which could be material to the Company's financial condition or results of operations. See "Risk Factors -- Environmental and Safety Regulation."

## EMPLOYEES

As of June 30, 1998, NationsRent employed approximately 1,000 persons. None of the Company's employees is represented by a union or covered by a collective bargaining agreement. The Company believes its relations with its employees are good.





## PROPERTIES

The Company's corporate headquarters are located in Ft. Lauderdale, Florida in leased premises. Certain of the Company's property and equipment are subject to liens securing payment of portions of the Company's indebtedness. The Company leases the real estate for all but two of its locations and also leases certain of its equipment. The Company believes that all of its facilities are sufficient for its current needs.

## LEGAL PROCEEDINGS

The Company is a party to pending legal proceedings arising in the ordinary course of business. While the results of such proceedings cannot be predicted with certainty, the Company does not believe any of these matters are material to the Company's financial condition or results of operations.

# MANAGEMENT

## EXECUTIVE OFFICERS, DIRECTORS AND KEY EMPLOYEES

The table below sets forth the names and ages of the executive officers, directors and certain key employees of the Company as well as the positions and offices held by such persons.

| NAME | AGE | POSITION |
|---|---|---|
| EXECUTIVE OFFICERS AND DIRECTORS | | |
| James L. Kirk | 48 | Chairman of the Board, Chief Executive Officer and President |
| Gene J. Ostrow | 43 | Executive Vice President and Chief Financial Officer |
| Philip V. Petrocelli | 39 | Executive Vice President |
| Kris E. Hansel | 40 | Vice President and Controller |
| Pamela K.M. Beall | 41 | Vice President, Secretary and Treasurer |
| H. Wayne Huizenga | 60 | Director |
| Harris W. Hudson | 55 | Director |
| Gary L. Gabriel | 55 | Director |
| Thomas H. Bruinooge | 54 | Director |
| KEY EMPLOYEES OF ACQUIRED BUSINESSES | | |
| Thomas C. Richardson | 38 | Manager, District Operations |
| Randy W. Elliott | 34 | Manager, District Operations |
| Charles J. Raterman | 70 | Manager, District Operations |
| William O. Tracy, III | 48 | Manager, District Operations |
| Troy L. Gabriel | 32 | Manager, Business Development |
| Michael D. Meenan | 44 | Manager, Business Development |
| Michael Nordberg | 51 | Manager, Business Development |

### Executive Officers and Directors

JAMES L. KIRK is a co-founder of the Company, together with H. Family Investments, Inc. and Mr. Ostrow, and has served as the Chairman of the Board of the Company since August 1997 and as Chief Executive Officer and President of the Company since April 1998. From 1985 to February 1998, Mr. Kirk was Chairman of the Board, President and Chief Executive Officer of OHM, a NYSE listed company.

GENE J. OSTROW is a co-founder of the Company, together with H. Family Investments, Inc. and Mr. Kirk, and has served as its Executive Vice President and Chief Financial Officer since August 1997. From August 1997 to April 1998, Mr. Ostrow served as Secretary and Treasurer of the Company. From March 1997 to October 1997, Mr. Ostrow was Vice President of Corporate Development of OHM. From November 1994 to March 1997, Mr. Ostrow was a Senior Vice President, Corporate Finance with Raymond James and Associates and from July 1996 to March 1997, Mr. Ostrow was co-head of that firm's mergers and acquisitions practice. From October 1993 to November 1994, Mr. Ostrow was Vice President and Chief Financial Officer of Ecoscience Corporation. Mr. Ostrow was employed by OHM and its affiliates from February 1986 to October 1993 in various positions, including Vice President and Chief Financial Officer of OHM from February 1986 through September 1991, and as Executive Vice President and Chief Financial Officer of NSC Corporation (an affiliate of OHM) from July 1988 through October 1993. Mr. Ostrow is also a Certified Public Accountant.

PHILIP V. PETROCELLI joined the Company as Executive Vice President in February 1998. From August 1993 to February 1998, Mr. Petrocelli was Vice President -- Western Region of OHM. Before joining OHM, Mr. Petrocelli was a Regional Director and acting Vice President-Analytical Labs with IT Corporation, a provider of engineering services, since September 1988.





KRIS E. HANSEL joined the Company as Vice President and Controller in March 1998. Prior to joining the Company, Mr. Hansel served in various positions of increasing responsibility at OHM since 1988, most recently as Vice President and Controller. Prior to joining OHM, Mr. Hansel was General Accounting Manager of WearEver-Proctor Silex, Inc.

PAMELA K.M. BEALL joined the Company as Vice President, Secretary and Treasurer in April 1998. From June 1985 to April 1998, Ms. Beall served as Treasurer of OHM and in various positions of increasing responsibility at OHM, most recently as Vice President and Assistant Secretary. Before joining OHM, Ms. Beall was General Manager, Treasury Services for USX Corporation, and previous to that she was with Marathon Oil Company. From November 1996 to February 1998, Ms. Beall served as a director of NSC Corporation, an affiliate of OHM. Since May 1996, Ms. Beall has served as a director of System One Services, Inc.

H. WAYNE HUIZENGA joined the Company as a director in June 1998. Since May 1998, Mr. Huizenga has served as Chairman of the Board and Chief Executive Officer of Republic Services, Inc. ("Republic Services"), a leading provider of non-hazardous solid waste collection and disposal services. Since August 1995, Mr. Huizenga has served as Chairman of the Board of Republic, which owns the nation's largest chain of franchised automotive dealerships, is building a chain of used vehicle megastores and owns National Car Rental and Alamo Rent-A-Car. Since October 1996, Mr. Huizenga has served as Co-Chief Executive Officer of Republic and from August 1995 until October 1996, Mr. Huizenga served as Chief Executive Officer of Republic. Since September 1996, Mr. Huizenga has served as the Chairman of the Board of Florida Panthers Holdings, Inc. ("Panthers Holdings"), a leisure, recreation and entertainment company which owns and operates certain luxury resort hotels and the Florida Panthers professional sports franchise. Since January 1995, Mr. Huizenga also has served as the Chairman of the Board of Extended Stay America, Inc. ("Extended Stay"), an operator of extended stay lodging facilities. From September 1994 until October 1995, Mr. Huizenga served as the Vice Chairman of Viacom Inc. ("Viacom"), a diversified entertainment and communications company. During the same period, Mr. Huizenga also served as the Chairman of the Board of Blockbuster Entertainment Group, a division of Viacom. From April 1987 through September 1995, Mr. Huizenga served as the Chairman of the Board and Chief Executive Officer of Blockbuster, during which time he helped build Blockbuster from a 19-store chain into the world's largest video rental company. In September 1994, Blockbuster merged into Viacom. In 1971, Mr. Huizenga co-founded Waste Management, which he helped build into the world's largest integrated solid waste services company, and he served in various capacities, including President, Chief Operating Officer and a director from its inception until 1984. Mr. Huizenga is the brother-in-law of Mr. Hudson.

HARRIS W. HUDSON joined the Company as a director in June 1998. Since May 1998, Mr. Hudson has served as Vice Chairman and a director of Republic Services. Mr. Hudson has served as a director of Republic since August 1995 and as Vice Chairman of Republic and Chairman of Republic's Solid Waste Group since October 1996. From August 1995 until October 1996, Mr. Hudson served as President of Republic. From May 1995 until August 1995, Mr. Hudson served as a consultant to Republic. From 1983 until August 1995, Mr. Hudson founded and served as Chairman of the Board, Chief Executive Officer and President of Hudson Management Corporation, a solid waste collection company, which was acquired by Republic in August 1995. From 1964 to 1982, Mr. Hudson served as Vice President of Waste Management of Florida, Inc., a subsidiary of Waste Management and its predecessor. Mr. Hudson also serves as a director of Panthers Holdings. Mr. Hudson is the brother-in-law of Mr. Huizenga.

GARY L. GABRIEL joined the Company as a director in June 1998. Since September 1997, Mr. Gabriel has provided consulting services to the Company on operational and business development matters. From January 1978 to September 1997, Mr. Gabriel served as President of Sam's, which was acquired by the Company in September 1997. In 1961, Mr. Gabriel co-founded a predecessor company of Sam's.

THOMAS H. BRUINOOGE joined the Company as a director in June 1998. Mr. Bruinooge is an attorney who has been in private practice since 1968 and has practiced with the firm of Bruinooge & Associates since 1987.





The executive officers of the Company are selected by and serve at the discretion of the Board. The directors of the Company hold office until the next annual meeting of stockholders and until their successors have been duly elected and qualified.

Key Employees

THOMAS C. RICHARDSON has eight years of equipment rental industry experience and joined the Company as Manager, District Operations in September 1997. Since February 1990, Mr. Richardson has served as Vice President of Operations of Sam's.

RANDY W. ELLIOTT has nine years of equipment rental industry experience and joined the Company as Manager, District Operations in December 1997. Since January 1989, Mr. Elliott has served in various positions of increasing responsibility with C&E, most recently as Vice President of C&E, which was acquired by the Company in December 1997.

CHARLES J. RATERMAN has 42 years of equipment rental industry experience and joined the Company as Manager, District Operations in May 1998. Since 1956, Mr. Raterman has served in various positions of increasing responsibility with Bode-Finn and since 1989, has served as the President of Bode-Finn, which was acquired by the Company in May 1998.

WILLIAM O. TRACY, III has 27 years of equipment rental industry experience and joined the Company as Manager, District Operations in December 1997. In 1971, Mr. Tracy founded Titan and served as President until the Company's acquisition of Titan in December 1997. Since December 1997, Mr. Tracy has served as Vice President of Titan.

TROY L. GABRIEL has 11 years of equipment rental industry experience and joined the Company as Manager, Business Development in September 1997. From 1987 to September 1997, Mr. Gabriel served in various positions of increasing responsibility with Sam's, most recently as Vice President.

MICHAEL D. MEENAN has seven years of equipment rental industry experience and joined the Company as Manager, Business Development in January 1998. From August 1991 to January 1998, Mr. Meenan was Chairman of the Board of Directors and President of Central, which was acquired by the Company in January 1998.

MICHAEL NORDBERG has 28 years of equipment rental industry experience and joined the Company as Manager, Business Development in April 1998. Prior to joining the Company, Mr. Nordberg served in various positions of increasing responsibility at Naples, most recently as Chief Executive Officer and President, from 1984 until the Company's acquisition of Naples in April 1998.

COMMITTEES OF THE BOARD OF DIRECTORS

Prior to consummation of the Offering, the Company intends to establish an Executive Committee that will have the same powers and authority as the Board of Directors of the Company (the "Board"), subject to the limitations of the Delaware General Corporation Law (the "DGCL") and the Company's Certificate of Incorporation, as amended (the "Certificate"), and Bylaws, as amended (the "Bylaws"). Prior to consummation of the Offering, Messrs. Kirk and Huizenga are expected to be appointed as the members of the Executive Committee.

After consummation of the Offering, the Company intends to establish an Audit Committee and a Compensation Committee, each composed of two independent directors. The Audit Committee will recommend the annual appointment of the Company's auditors, with whom the Audit Committee will review the scope of audit and non-audit assignments and related fees, accounting principles used by the Company in financial reporting, internal auditing procedures and the adequacy of the Company's internal control procedures. The Compensation Committee will administer the 1998 Stock Option Plan and make recommendations to the Board regarding compensation for the Company's executive officers.





COMPENSATION OF DIRECTORS

The 1998 Stock Option Plan, which the Company intends to adopt prior to consummation of the Offering, will provide for an automatic grant of options to purchase 50,000 shares of Common Stock to each member of the Board who is a non-employee director at the time of the Offering and to each member of the Board who joins the Board as a non-employee director thereafter. In addition, the 1998 Stock Option Plan will provide for an additional automatic grant of options to purchase 10,000 shares of Common Stock at the beginning of each fiscal year to each non-employee director continuing to serve on the Board at such time. All options granted automatically to a non-employee director will be fully vested and immediately exercisable. In addition, each automatic grant of options to a non-employee director will remain exercisable for a term of ten years from the date of grant so long as such person remains a member of the Board. Each automatic grant of options to a non-employee director serving on the Board at the time of the Offering will have an exercise price per share equal to the initial public offering price, and each automatic grant thereafter will be exercisable at a price per share equal to the closing price of a share of Common Stock on the NYSE, on the date immediately prior to the automatic grant date. In addition to such automatic option grant, the Company expects to reimburse directors for their reasonable expenses incurred in connection with their attendance at Board and Committee meetings.

In September 1997, in connection with the acquisition of Sam's, the Company entered into an agreement with Gary L. Gabriel pursuant to which Mr. Gabriel provides certain consulting services to the Company. See "Certain Relationships and Transactions."

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During fiscal year ended December 31, 1997, the Company had no Compensation Committee or other committee of the Board performing similar functions. Decisions concerning compensation of executive officers were made by certain executive officers of the Company. It is contemplated that the Board will establish a Compensation Committee consisting of non-employee directors following consummation of the Offering. See "-- Committees of the Board of Directors."

EXECUTIVE COMPENSATION

The Company was formed in August 1997 and did not pay any compensation to its Chief Executive Officer and did not pay salary and bonus in excess of $100,000 to any of its executive officers for the period from August 14, 1997 (inception) to December 31, 1997. The following table sets forth the annual base salaries that the Company expects to pay for the year ending December 31, 1998 to the named executive officers below (the "Named Officers") and certain options to purchase Common Stock which the Company has granted or intends to grant to the Named Officers:

| NAME | ANNUAL BASE SALARY | NUMBER OF SHARES OF COMMON STOCK UNDERLYING OPTIONS |
|---|---|---|
| James L. Kirk | $250,000 | 250,000(1) |
| Gene J. Ostrow | 200,000 | 100,000(1) |
| Philip V. Petrocelli | 200,000 | 346,472(2) |
| Kris E. Hansel | 125,000 | 112,569(3) |
| Pamela K.M. Beall | 125,000 | 117,505(4) |

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(1) The Company intends to grant these options upon consummation of the Offering. These options will have an exercise price per share equal to the initial public offering price and will vest over a four year period at the rate of 25% per year commencing on the first anniversary of the date of grant.

(2) These options have an exercise price of $5.77 per share and vest over a four year period at the rate of 25% per year commencing on February 24, 1999. These options become immediately exercisable upon a change of control of the Company (as defined in the option agreement related to such options).





(3) These options have an exercise price of $6.66 per share and vest over a four year period at the rate of 25% per year commencing on March 9, 1999. These options become immediately exercisable upon a change of control of the Company (as defined in the option agreement related to such options).

(4) These options have an exercise price of $6.38 per share and vest over a four year period at the rate of 25% per year commencing on March 19, 1999. These options become immediately exercisable upon a change of control of the Company (as defined in the option agreement related to such options).

The executive officers of the Company receive health benefits which do not exceed 10% of their respective salaries. These benefits are also provided to other employees of the Company. The Company may pay bonuses and issue additional stock options to the Named Officers during 1998. See "-- Stock Option Plan."

STOCK OPTION PLAN

Prior to consummation of the Offering, the Company intends to adopt the 1998 Stock Option Plan pursuant to which employees, directors (whether or not employees), independent contractors and consultants of the Company will be eligible to receive stock options. The 1998 Stock Option Plan is intended to promote the long-term financial interests of the Company by encouraging eligible individuals to acquire an ownership position in the Company and to provide incentives for performance. The 1998 Stock Option Plan, which is expected to be approved by the Board, will be effective upon consummation of the Offering. Upon consummation of the Offering, the Company intends to grant to certain employees, pursuant to the 1998 Stock Option Plan, options to purchase an aggregate of 972,273 shares of Common Stock at the initial public offering price.

401(K) PLAN

The Company intends to adopt a 401(k) Retirement Savings Plan (the "401(k) Plan") to provide retirement and other benefits to employees of the Company and to permit employees a means to save for their retirement. The 401(k) Plan is intended to be a tax-qualified plan under Section 401(a) of the Internal Revenue Code of 1986, as amended.

LIMITATION OF DIRECTORS' LIABILITY AND INDEMNIFICATION

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breach of the directors' fiduciary duty of care. The Certificate limits the liability of directors of the Company to the Company or its stockholders to the fullest extent permitted by Delaware law. Specifically, directors of the Company will not be personally liable for monetary damages for breach of a director's fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or knowing violations of law, (iii) under Section 174 of the DGCL or (iv) for any transaction from which the director derived an improper personal benefit. The inclusion of this provision in the Certificate may have the effect of reducing the likelihood of derivative litigation against directors, and may discourage or deter stockholders or management from bringing a lawsuit against directors for breach of their duty of care, even though such an action, if successful, might otherwise have benefited the Company and its stockholders. This provision has no effect on any non-monetary remedies that may be available to the Company or its stockholders, nor does it relieve the Company or its directors from compliance with federal or state securities laws.

The Bylaws provide that the Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit (each, a "Proceeding") by reason of the fact that he is or was a director or officer of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another entity, against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with such Proceeding. In addition, the Company intends to obtain director and officer liability insurance that insures the Company's directors and officers against certain liabilities.





PRINCIPAL STOCKHOLDERS

The following table sets forth information with respect to the beneficial ownership of the Common Stock immediately prior to and immediately following consummation of the Offering by (i) each person known to the Company to beneficially own more than 5% of the outstanding shares of Common Stock, (ii) each director of the Company and each Named Officer, and (iii) all directors and executive officers of the Company as a group. Unless otherwise indicated, each such stockholder has sole voting and investment power with respect to the shares beneficially owned by such stockholder. Percentages of shares beneficially owned are based upon 30,118,694 shares and 43,118,694 shares of Common Stock to be outstanding immediately prior to and immediately following the consummation of the Offering, respectively, plus for each person named below any shares of Common Stock that may be acquired by such person within 60 days of the consummation of the Offering upon exercise of outstanding options or other rights.

<TABLE>
<CAPTION>

| | SHARES BENEFICIALLY OWNED BEFORE THE OFFERING | | SHARES BENEFICIALLY OWNED AFTER THE OFFERING | |
|---|---|---|---|---|
| NAME | NUMBER OF SHARES OF COMMON STOCK | PERCENT OF COMMON STOCK | NUMBER OF SHARES OF COMMON STOCK | PERCENT OF COMMON STOCK |
| <S> | <C> | <C> | <C> | <C> |
| H. Family Investments, Inc.(1)....... | 12,000,000 | 39.8 | 12,000,000 | 27.8 |

| | | | | |
|---|---|---|---|---|
| 450 East Las Olas Blvd. | | | | |
| Ft. Lauderdale, Florida 33301 | | | | |
| James L. Kirk........................ | 12,000,000(2) | 39.8 | 12,000,000 | 27.8 |
| Gene J. Ostrow....................... | 1,000,000 | 3.3 | 1,000,000 | 2.3 |
| Philip V. Petrocelli................. | 111,276 | * | 111,276 | * |
| Kris E. Hansel....................... | 37,092 | * | 37,092 | * |
| Pamela K.M. Beall.................... | 92,730 | * | 92,730 | * |
| H. Wayne Huizenga.................... | 1,632,047(2)(3) | 5.4 | 1,682,047(3)(4) | 3.9 |
| Harris W. Hudson..................... | 463,650 | 1.5 | 513,650(4) | 1.2 |
| Gary L. Gabriel...................... | -- | -- | 385,455(4)(5) | * |
| Thomas H. Bruinooge.................. | 37,092 | * | 87,092(4) | * |
| All executive officers and directors as a group (9 persons)............ | 15,373,887 | 51.0 | 15,909,342(5)(6) | 36.4 |

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* Less than 1%

(1) H. Family Investments, Inc. is a Florida corporation controlled by H. Wayne Huizenga, Jr., the son of Mr. Huizenga. The number of shares of Common Stock beneficially owned by H. Family Investments, Inc. does not include an aggregate of $25.0 million of Common Stock expected to be purchased in the Offering by the Huizenga Investors because H. Wayne Huizenga, Jr. does not share voting or dispositive control of such shares and disclaims beneficial ownership of such shares.

(2) Does not include shares over which Messrs. Kirk and Huizenga have been granted irrevocable proxies by purchasers of shares in the Private Placement, which proxies expire upon consummation of the Offering.

(3) These shares are held by Huizenga Investments Limited Partnership, a Nevada limited partnership controlled by Mr. Huizenga ("HILP"). The number of shares of Common Stock beneficially owned by Mr. Huizenga does not include shares of Common Stock held by H. Family Investments, Inc. or an aggregate of $25.0 million of Common Stock expected to be purchased in the Offering by the Huizenga Investors because Mr. Huizenga does not share voting or dispositive control of such shares and disclaims beneficial ownership of such shares.

(4) Includes 50,000 shares of Common Stock issuable upon exercise of options which the Company expects to grant to non-employee directors of the Company under the 1998 Stock Option Plan upon consummation of the Offering, which options will be immediately exercisable.

(5) Includes 335,455 shares of Common Stock issuable upon conversion of convertible promissory notes in an aggregate principal amount of $3.69 million, which are convertible at the initial public offering price (assuming an initial public offering price of $11.00 per share, which is the midpoint of the estimated





range set forth on the cover of this Prospectus). See "Description of Certain Indebtedness -- Promissory Notes."

(6) Includes 200,000 shares of Common Stock issuable upon exercise of options which the Company expects to grant to non-employee directors of the Company under the 1998 Stock Option Plan upon consummation of the Offering, which will be immediately exercisable.

## CERTAIN RELATIONSHIPS AND TRANSACTIONS

In August 1997, the Company was founded by H. Family Investments, Inc. and Messrs. Kirk and Ostrow (collectively, the "Founders"). H. Family Investments, Inc. is a Florida corporation controlled by H. Wayne Huizenga, Jr., the son of Mr. Huizenga. The Founders committed an aggregate of $48.4 million in equity capital to the Company which was funded at various times from September 1997 through June 2, 1998 as required to complete acquisitions. Prior to consummation of the Offering, the Company intends to register for resale, subject to the Lock-up Agreements, under the Securities Act and applicable state securities laws the shares of Common Stock held by the Founders. The Company intends to pay any registration expenses incidental to such registration, excluding underwriters' commissions and deductions.

On June 2, 1998, the Company sold an aggregate of 5,118,694 shares of Common Stock in the Private Placement for aggregate proceeds of $27.6 million. The table below sets forth the officers and directors of the Company who participated in the Private Placement and the number of shares of Common Stock acquired in such transaction:

| NAME | NUMBER OF SHARES OF COMMON STOCK |
|---|---|
| H. Wayne Huizenga | 1,632,047(1) |
| Harris W. Hudson | 463,650 |
| Philip V. Petrocelli | 111,276 |
| Pamela K.M. Beall | 92,730 |
| Kris E. Hansel | 37,092 |
| Thomas H. Bruinooge | 37,092 |

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(1) These shares are held by HILP.

The Company has agreed to use reasonable efforts following the consummation of the Offering to register for resale under the Securities Act and applicable state securities laws the shares of Common Stock issued in the Private Placement. The purchasers in the Private Placement also have the right to include in such registration statement other shares of Common Stock, if any, owned by them on the date of the Private Placement. The Company is obligated to pay any registration expenses incidental to such registration, excluding underwriters' commissions and discounts. This description is qualified in its entirety by reference to the Subscription Agreement entered into by each of the purchasers in the Private Placement, a copy of the form of which will be filed as an exhibit to the Registration Statement.

In May 1998, the Company received an unsecured subordinated loan in the amount of $17.4 million from HILP. This loan represented bridge financing to complete certain acquisitions until the Founders could fund the final portion of their original capital commitments. The principal amount of the loan was repaid on June 3, 1998 from the Founders' Additional Contribution. Interest in the amount of approximately $124,000 accrued on this loan and was paid by the Company on June 3, 1998.

In September 1997, the Company acquired Sam's for $23.4 million from Gary L. Gabriel, Troy L. Gabriel and certain trusts controlled by them. A portion of the purchase price was paid by the Company to Gary L. Gabriel and certain trusts controlled by him in the form of (i) unsecured promissory notes in the aggregate principal amount of approximately $2.6 million which bear interest at the rate of 8.5% per annum, (ii) an unsecured convertible promissory note in the principal amount of approximately $0.7 million which bears interest at the rate of 6.5% per annum, and (iii) unsecured contingent convertible promissory notes in the aggregate principal amount of $3.0 million which bear interest at the rate of 6.5% per annum. For a





description of certain of the terms of these promissory notes, see "Description of Certain Indebtedness -- Promissory Notes." As part of the Sam's acquisition, the Company entered into certain leases on four properties used in its operations from TTG Properties, an Ohio general partnership ("TTG"), of which Gary L. Gabriel and Troy L. Gabriel are general partners. Each of the four leases to which the Company and TTG are a party commenced on October 1, 1997 and end on September 30, 2002, with three automatic five-year extensions and grant the Company the option to purchase the leased premises at any time prior to the lease termination at a fixed price. The aggregate monthly rental payment to TTG under the leases on the four properties is $40,000. Also, in connection with the Sam's acquisition, Sam's entered into an agreement with Gary L. Gabriel pursuant to which Mr. Gabriel provides certain consulting services to the Company. This agreement has a three year term which automatically renews for an additional one year term. This agreement provides for an annual salary of $100,000, and use of a leased vehicle and up to $30,000 of rental equipment per year. The agreement provides that if Mr. Gabriel's services are terminated at any time without cause, he will be entitled to receive one year's annual salary as severance. In addition, the Company intends to enter into leases of certain facilities in Findlay and Mansfield, Ohio, from TTG.

The Company has entered into certain contracts for building construction with Alvada Construction, Inc., an entity controlled by Mr. Kirk's brother. The aggregate amount payable under these contracts is approximately $1.7 million.

The Company currently leases the office space and parking for its corporate headquarters from Panthers Holdings. The monthly lease amount payable by the Company is approximately $20,000, which amount includes a share of the operating expenses for this location based upon estimated usage. In addition, the Company licenses from Panthers Holdings the use of an executive suite at the Broward County Arena, which is operated by Panthers Holdings, for a fee of $95,000 per annum for a term of seven years. The Company may also enter into a sponsorship agreement with Panthers Holdings for certain sponsorship, marketing and advertising services. Mr. Huizenga is Chairman of the Board of Panthers Holdings and controls a majority of the voting interests of Panthers Holdings. Mr. Hudson is also a director of Panthers Holdings.

With respect to transactions discussed in this section, no independent determination has been made as to the fairness or reasonableness of the terms thereof. The Company believes, however, based on its prior experience, that the terms of each transaction were as favorable to the Company as it could have obtained from an unaffiliated party.

## DESCRIPTION OF CERTAIN INDEBTEDNESS

The following summary description of the Credit Facility, certain promissory notes and related registration rights is qualified in its entirety by reference to the Credit Facility, the promissory notes and the registration rights agreements, copies of which will be filed as exhibits to the Registration Statement of which this Prospectus is a part.

### CREDIT FACILITY

The Company has established the Credit Facility with a syndicate of lenders and BankBoston, as agent. Under the Credit Facility, the Company may borrow up to $265 million on a revolving line of credit which can be used to complete permitted acquisitions and make capital expenditures and for working capital and other general corporate purposes. Borrowings under the Credit Facility may be in the form of base rate loans or at the option of the Company, Eurodollar loans. Upon consummation of the Offering, borrowings under the Credit Facility will bear interest at either the BankBoston base rate plus a percentage ranging from 0.00% to 0.50% or, at the Company's option, the Eurodollar market rate plus a percentage ranging from 1.50% to 3.00%. The percentage over the BankBoston base rate or the Eurodollar market rate is based on the Company's financial performance as measured by the total funded debt ratio (the "Pricing Ratio"). Prior to the consummation of the Offering, the base rate loans bear interest at the BankBoston base rate plus 0.75% or, at the Company's option, the Eurodollar market rate plus 3.00%. Interest on the Eurodollar loan is payable on the last day of the applicable interest period which may be a one, two, three or six month period at the option of the Company. The Credit Facility is secured by a first priority security interest in all assets of the Company





except for purchase money interests, chattel paper and general intangibles not assignable by law or by terms of license. Borrowings under the Credit Facility mature and become due and payable in full in July 2001.

### PROMISSORY NOTES

In connection with certain of the Acquisitions, the Company has issued unsecured subordinated promissory notes in an aggregate principal amount of approximately $56.5 million. An aggregate principal amount of approximately $49.0 million of such promissory notes are convertible (the "Convertible Notes") into shares of Common Stock at a conversion price equal to the initial public offering price and bear interest at rates ranging between 6.50% and 8.50%. Certain of these convertible promissory notes become pre-payable by the Company following the Offering based on the achievement of certain target trading prices of the Common Stock over specified periods. The remaining promissory notes in the aggregate principal amount of approximately $7.5 million are not convertible into shares of Common Stock, bear interest at rates ranging between 6.50% and 8.50% and are pre-payable without penalty.

Upon consummation of the acquisition of J. Kelly, the Company issued

Convertible Notes in the aggregate principal amount of $2.5 million (the "Kelly Notes") and entered into a registration rights agreement (the "Kelly Agreement") with the stockholders of J. Kelly (the "Kelly Holders"), granting piggyback registration rights with respect to the Common Stock into which the Kelly Notes are convertible. Upon consummation of the acquisition of Associated, the Company issued Convertible Notes in the aggregate principal amount of $10 million (the "Associated Notes") and entered into a registration rights agreement (the "Associated Agreement") with the stockholders of Associated (the "Associated Holders"), granting piggyback registration rights with respect to the Common Stock into which the Associated Notes are convertible. Under the Kelly Agreement and the Associated Agreement, if the Company proposes to file a registration statement with respect to the Common Stock (other than in connection with the Company's initial public offering, acquisition shelf registration statements or employee stock option plans) any time after the later of the first anniversary of the Kelly Agreement or the Associated Agreement, as applicable, or six months after the date of the Company's initial public offering (the "IPO Date"), then upon the request of the Kelly Holders or the Associated Holders, as applicable, the Company will use its reasonable best efforts to register for resale under the Securities Act and applicable state securities laws the shares of Common Stock issuable upon conversion of the Kelly Notes or the Associated Notes, as applicable. The Company has also entered into a registration rights agreement with the principals of Bode-Finn (the "Bode-Finn Holders"). See "Description of Capital Stock -- Warrants and Options." The Company is obligated to pay any registration expenses incidental to such registration, excluding underwriters' commission and discounts. The Kelly Holders, the Associated Holders and the Bode-Finn Holders are expected to enter into Lock-up Agreements with the Underwriters. See "Shares Eligible for Future Sale."

## DESCRIPTION OF CAPITAL STOCK

### AUTHORIZED CAPITAL STOCK

The Certificate authorizes capital stock consisting of 5,000,000 shares of preferred stock, par value $0.01 per share (the "Preferred Stock"), and 250,000,000 shares of Common Stock. Immediately following the Offering, 43,118,694 shares of Common Stock (45,068,694 shares if the Underwriters' over-allotment option is exercised in full) and no shares of Preferred Stock will be outstanding. All of the shares of Common Stock that will be outstanding immediately following the Offering, including the shares of Common Stock sold in the Offering, will be validly issued, fully paid and nonassessable. The following summary description of the capital stock of the Company, including certain warrants, options and convertible promissory notes and related registration rights, is qualified in its entirety by reference to the Certificate, the Bylaws and the agreements governing such instruments, copies of which will be filed as exhibits to the Registration Statement of which this Prospectus is a part.





### COMMON STOCK

The holders of the Common Stock are entitled to one vote for each share on all matters voted on by stockholders, including elections of directors, and, except as otherwise required by law or the Certificate, the holders of such shares will possess all voting power. The Certificate will not provide for cumulative voting in the election of directors. Subject to any preferential rights of any outstanding series of Preferred Stock created by the Board from time to time, the holders of the Common Stock will be entitled to such dividends as may be declared from time to time by the Board from funds available therefor, and upon liquidation will be entitled to receive pro rata all assets of the Company available for distribution to such holders. See "Dividend Policy."

### PREFERRED STOCK

The Certificate authorizes the Board to establish one or more series of Preferred Stock and to determine, with respect to any series of Preferred Stock, the terms and rights of such series, including (i) the designation of the series, (ii) the number of shares of the series, which number the Board may thereafter (except where otherwise provided in the applicable certificate of designation) increase or decrease (but not below the number of shares thereof then outstanding), (iii) whether dividends, if any, will be cumulative or noncumulative, and, in the case of shares of any series having cumulative dividend rights, the date or dates or method of determining the date or dates from which dividends on the shares of such series shall be cumulative, (iv) the rate of any dividends (or method of determining such dividends) payable to the holders of the shares of such series, any conditions upon which such dividends will be paid and the date or dates or the method for determining the date or dates upon which such dividends will be payable, (v) the redemption rights and price or prices, if any, for shares of the series, (vi) the amount, terms, conditions and manner of operation of any purchase, retirement or sinking fund to be provided for the shares of the series, (vii) the rights and the preferences, if any, of shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, (viii) whether the shares of the series will be convertible or exchangeable into shares of any other class or series, prices or rates of conversion or exchange and all other terms and conditions upon which such conversion or exchange may be made, (ix) restrictions on the issuance of shares of the same series or of any other class or series, (x) the voting rights, if any, of the holders of the shares of the series and (xi) any other relative rights, preferences and limitations of such series.

The Company believes that the ability of the Board to issue one or more series of Preferred Stock will provide the Company with flexibility in structuring possible future financings and acquisitions, and in meeting other corporate needs which might arise. The authorized shares of Preferred Stock, as well as shares of Common Stock, will be available for issuance without further action by the Company's stockholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which the Company's securities may be listed or traded. Subject to certain exceptions, the NYSE currently requires stockholder approval as a prerequisite to listing shares in several instances, including where the present or potential issuance of shares could result in an increase in the number of shares of common stock or voting securities outstanding by at least 20%. If the approval of the Company's stockholders is not required for the issuance of shares of Preferred Stock or Common Stock, the Board may determine not to seek stockholder approval.

Although the Board has no intention at the present time of doing so, it could issue a series of Preferred Stock that could, depending on the terms of such series, impede the completion of a merger, tender offer or other takeover attempt. The Board will make any determination to issue such shares based on its judgment as to the best interests of the Company and its stockholders. The Board, in so acting, could issue Preferred Stock having terms that could discourage an acquisition attempt through which an acquirer may be able to change the composition of the Board, including a tender offer or other transaction that some, or a majority, of the Company's stockholders might believe to be in their best interests or in which stockholders might receive a premium for their stock over the then current market price of such stock.





WARRANTS AND OPTIONS

In May 1998, in connection with the acquisition of Bode-Finn, the Company issued warrants (the "Warrants") to the Bode-Finn Holders to acquire a number of shares of Common Stock equal to $800,000 divided by the initial public offering price at an exercise price equal to the initial public offering price. The Warrants are exercisable for the period commencing 18 months after the IPO Date and ending on the fifth anniversary of the IPO Date. In addition, in connection with the acquisition of Bode-Finn, the Company issued Convertible Notes and entered into a registration rights agreement (the "Bode-Finn Agreement") with the Bode-Finn Holders pursuant to which the Company has agreed that, if it proposes to file a registration statement with respect to the Common Stock after the IPO Date, then upon the request of the Bode-Finn Holders, the Company will use its best efforts to register for resale under the Securities Act and applicable state securities laws the shares of Common Stock issuable to the Bode-Finn Holders upon conversion of the Warrants and the Convertible Notes held by them (the "Registrable Securities"). The Bode-Finn Agreement also provides that at any time beginning six months after the IPO Date, Bode-Finn Holders holding at least 25% of the Registrable Securities may request registration of not less than 50% of the outstanding Registrable Securities held by each Bode-Finn Holder requesting registration. The Company is not required to effect more than two registrations pursuant to this provision. The Company is obligated to pay any registration expenses incidental to such registration, excluding underwriters' commissions and discounts. The Bode-Finn Holders are expected to enter into Lock-up Agreements with the Underwriters. See "Shares Eligible for Future Sale."

The Company has granted to certain employees of the Company options to purchase an aggregate of 1,087,571 shares of Common Stock, at exercise prices ranging from $2.96 to $6.69 per share and a weighted average exercise price of $5.33, which were granted outside of the 1998 Stock Option Plan. These options vest over a four year period at the rate of 25% per year commencing on the first anniversary of the date of grant. These options become immediately exercisable upon a change of the control of the Company (as defined in the option agreements related to such options). Upon consummation of the Offering, the Company intends to grant to certain employees, pursuant to the 1998 Stock Option Plan, options to purchase an aggregate of 972,273 shares of Common Stock at the initial public offering price. See "Management -- Stock Option Plan."

INDEMNIFICATION

The Certificate provides that the Company shall indemnify each director, officer, employee or agent of the Company to the fullest extent permitted by law. The Certificate limits the liability of the Company's directors for monetary damages in certain circumstances. The Bylaws also provide that the Company may purchase insurance on behalf of the directors, officers, employees and agents of the Company against certain liabilities asserted against or incurred by them in such capacity, whether or not the Company would have the power to indemnify against such liabilities.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Stock is Boston EquiServe.





SHARES ELIGIBLE FOR FUTURE SALE

Immediately following the consummation of the Offering, the Company will have 43,118,694 shares of Common Stock outstanding (45,068,694 shares if the Underwriters' over-allotment option is exercised in full), including 30,118,694 outstanding shares of Common Stock presently beneficially owned by existing stockholders. The 13,000,000 shares of Common Stock to be sold pursuant to the Offering (14,950,000 if the Underwriters' over-allotment option is exercised in full) will be eligible for sale without restriction under the Securities Act in the public market after the consummation of the Offering by persons other than Affiliates of the Company. Sales of shares by Affiliates of the Company will be subject to Rule 144. The Company and the officers, directors and certain security holders of the Company, who will beneficially own in the aggregate outstanding shares (or securities convertible into or exercisable for shares) of Common Stock immediately following the consummation of the Offering, have agreed with the Underwriters pursuant to Lock-up Agreements not to offer, sell or otherwise dispose of any shares of Common Stock or any security convertible into, exercisable for or exchangeable for shares of Common Stock for a period of 180 days after the date of this Prospectus without the prior written consent of Bear, Stearns & Co. Inc., except that (i) stockholders may make transfers as gifts if the donee agrees to be bound by a Lock-up Agreement, (ii) certain security holders will be permitted to pledge or margin their shares in a bona fide loan transaction with a third party lender, (iii) the Company may at any time and from time to time issue shares of Common Stock to third parties as consideration for the Company's acquisition from such third parties of equipment rental companies and (iv) the Company may issue options pursuant to the 1998 Stock Option Plan and shares of Common Stock upon the exercise of certain options granted to non-employee directors. The Company may issue shares of Common Stock in connection with acquisitions prior to the expiration of the 180-day lock-up period.

The Company has reserved for issuance (i) 5,000,000 shares of Common Stock issuable in connection with options to be granted under the 1998 Stock Option Plan, (ii) 1,087,571 shares of Common Stock issuable in connection with certain outstanding options, (iii) 72,727 shares of Common Stock issuable in connection with certain outstanding warrants (assuming an initial public offering price of $11.00 per share, which is the midpoint of the estimated range set forth on the cover of this Prospectus), and (iv) 4,453,636 shares of Common Stock issuable in connection with certain outstanding convertible promissory notes (assuming an initial public offering price of $11.00 per share, which is the midpoint of the estimated range set forth on the cover of this Prospectus).

Prior to the Offering, there has been no market for the Common Stock of the Company. The Company can make no predictions as to the effect, if any, that sales of shares or the availability of shares for sale will have on market prices prevailing from time to time. Nevertheless, sales of substantial amounts of the Common Stock of the Company in the public market, or the prospect of such sales, could adversely affect the market price of the Common Stock.

In general, under Rule 144 as presently in effect, beginning 90 days after the date of this Prospectus, if a period of at least one year has elapsed since the later of the date shares of Common Stock that are "restricted securities" (as that term is defined in Rule 144) were acquired from the Company or the date they were acquired from an affiliate (as that term is defined in Rule 144) of the Company, as applicable, then the holder of such restricted shares (including an Affiliate) is entitled to sell a number of shares within any three-month period that does not exceed the greater of 1% of the then outstanding shares of

Common Stock (approximately 431,187 shares immediately after the consummation of the Offering, assuming that the Underwriters' over-allotment option is not exercised) or the average weekly trading volume of the Common Stock on the NYSE during the four calendar weeks preceding such sale. The holder may only sell such shares through unsolicited brokers' transactions. Sales under Rule 144 are also subject to certain requirements pertaining to the manner of such sales, notices of such sales and the availability of current public information concerning the Company. Affiliates may sell shares not constituting restricted securities in accordance with the foregoing volume limitations and other requirements but without regard to the two-year holding period requirement.





Under Rule 144(k), if a period of at least two years has elapsed since the later of the date restricted shares were acquired from the Company or the date they were acquired from an Affiliate of the Company, as applicable, then a holder of such restricted shares who is not an Affiliate of the Company at the time of the sale and who has not been an Affiliate of the Company for at least three months prior to the sale would be entitled to sell the shares immediately without regard to the volume limitations and other conditions described above.

In connection with the Private Placement, the Company agreed to use its reasonable efforts following commencement of the Offering to register for resale shares of Common Stock issued in the Private Placement. Prior to the consummation of the Offering, the Company intends to file a registration statement to register for resale on a continuous basis from time to time, subject to the Lock-up Agreements, 34,645,057 shares of Common Stock, 30,118,694 shares of which are held by the Company's existing stockholders and 4,526,363 shares of which are issuable upon exercise or conversion of outstanding warrants and convertible promissory notes. The Company intends to cause this registration statement to become effective prior to the consummation of the Offering and to maintain its continuous effectiveness, including through filing post-effective amendments, indefinitely. In addition, the Company intends to register on a Registration Statement on Form S-8 shares of Common Stock reserved for issuance upon exercise of options that may be granted to certain employees and non-employee directors under the 1998 Stock Option Plan. The Company may also from time to time file registration statements covering the issuance and/or resale of shares of Common Stock which may be issued in certain potential future acquisitions.





UNDERWRITING

Each of the Underwriters named below (the "Underwriters"), for whom Bear, Stearns & Co. Inc., BT Alex. Brown Incorporated, Donaldson, Lufkin & Jenrette Securities Corporation and NationsBanc Montgomery Securities LLC are acting as Representatives (the "Representatives"), has agreed, subject to the terms and conditions of the Underwriting Agreement, to purchase from the Company the aggregate number of shares of Common Stock set forth opposite its name below:

<TABLE>
<CAPTION>

| UNDERWRITERS | NUMBER OF SHARES |
|---|---|
| <S> | <C> |
| Bear, Stearns & Co. Inc.................................... | |
| BT Alex. Brown Incorporated................................ | |
| Donaldson, Lufkin & Jenrette Securities Corporation......... | |
| NationsBanc Montgomery Securities LLC...................... | |
| Total............................................ | 13,000,000 |

</TABLE>

Of the 13,000,000 shares in the Offering, the Company expects that the Huizenga Investors will purchase, for investment purposes and at the Price to Public set forth on the cover page of this Prospectus, shares having an aggregate initial public offering price of $25.0 million (2,272,727 shares assuming an initial public offering price of $11.00 per share, which is the midpoint of the estimated range set forth on the cover of this Prospectus). The Underwriters will not receive any fees or commissions in connection with the sale of such shares to the Huizenga Investors.

The Underwriting Agreement provides that the obligations of the Underwriters thereunder are subject to approval of certain legal matters by their counsel and to various other conditions, including the purchase by the Huizenga Investors of $25.0 million of Common Stock. The nature of the obligations of the Underwriters is such that they are committed to purchase all of the shares of Common Stock offered hereby if any are purchased.

The Representatives have advised the Company that the Underwriters propose initially to offer the shares of Common Stock offered hereby directly to the public at the public offering price set forth on the cover page of this Prospectus. The Underwriters may allow a selected dealer concession of not more than $ per share, and the Underwriters may allow, and such dealers may reallow, concessions not in excess of $ per share, to certain other dealers. After the Offering, the offering price and concessions and reallowances to dealers may be changed by the Representatives.

The Company has granted an option to the Underwriters, exercisable at any time during the 30-day period after the date of this Prospectus, to purchase from the Company up to 1,950,000 additional shares of Common Stock to cover over-allotments, if any, at the public offering price set forth on the cover page of this Prospectus (less underwriting discounts and commissions). To the extent that the Underwriters exercise this option, each Underwriter will be committed, subject to certain conditions, to purchase a number of the additional shares of Common Stock proportionate to such Underwriter's purchase obligations set forth in the foregoing table.

The Underwriting Agreement provides that the Company will indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act or will contribute to payments the Underwriters may be required to make in respect thereof.

Each of the Company and the officers, directors and certain security holders of the Company have entered into Lock-up Agreements with the Underwriters with respect to the sale of shares of Common Stock. Under these Lock-up Agreements, each of the Company and the officers, directors and certain security holders of the Company has agreed not to offer, sell, agree to sell, grant any option for the sale of or otherwise dispose of, directly or indirectly, any shares of Common Stock or any security convertible into, exercisable for





or exchangeable for Common Stock without the prior written consent of Bear, Stearns & Co. Inc. for a period of 180 days after the date of this Prospectus, except that (i) stockholders may make transfers as gifts if the donee agrees to be bound by a Lock-up Agreement, (ii) certain security holders will be permitted to pledge or margin their shares in a bona fide loan transaction with a third party lender, (iii) the Company may at any time and from time to time issue shares of Common Stock to third parties as consideration for the Company's acquisition from such third parties of equipment rental companies and (iv) the Company may issue options pursuant to the 1998 Stock Option Plan and shares of Common Stock upon the exercise of certain options granted to non-employee directors. After the expiration or upon a waiver of the Lock-up Agreements, such persons will be entitled to sell, distribute or otherwise dispose of the Common Stock that they hold subject to the provisions of applicable securities laws.

At the request of the Company, the Underwriters have reserved shares of Common Stock for sale at the Price to Public set forth on the cover of this Prospectus to certain officers, directors, employees and other persons designated by the Company. The number of shares of Common Stock available for sale to the general public will be reduced to the extent such persons purchase such reserved shares. Any reserved shares not so purchased will be offered by the Underwriters to the general public on the same basis as the other shares offered hereby.

Prior to the Offering, there has been no public market for the Common Stock of the Company. Consequently, the initial offering price for the Common Stock was determined by negotiations between the Company and the Representatives. Among the factors considered in such negotiations were the results of operations of the Company in recent periods, estimates of the prospects of the Company and the industry in which the Company competes, an assessment of the Company's management, the general condition of the securities markets at the time of the Offering and the prices of similar securities of generally comparable companies. The Common Stock has been approved for listing on the NYSE, under the symbol "NRI," subject to official notice of issuance. There can be no assurance, however, that an active or orderly trading market will develop for the Common Stock or that the Common Stock will trade in the public markets subsequent to the Offering at or above the initial offering price.

Certain persons participating in the Offering may engage in transactions that stabilize, maintain, or otherwise affect the price of the Common Stock during and after the Offering. Specifically, the Underwriters may over-allot or otherwise create a short position in the Common Stock for their own account by selling more shares of Common Stock than have been sold to them by the Company. The Underwriters may elect to cover any such short position by purchasing shares of Common Stock in the open market or by exercising the over-allotment option granted to the Underwriters. In addition, such persons may stabilize or maintain the price of the Common Stock by bidding for or purchasing shares of Common Stock in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the Offering are reclaimed if shares of Common Stock previously distributed in the Offering are repurchased in connection with stabilization transactions or otherwise. The effect of these transactions may be to stabilize or maintain the market price of the Common Stock at a level above that which might otherwise prevail in the open market. The imposition of a penalty may also affect the price of the Common Stock to the extent that it discourages resale thereof. No representation is made as to the magnitude or effect of any such stabilization or other transactions. Such transactions may be effected on the NYSE or otherwise and, if commenced, may be discontinued at any time.

## LEGAL MATTERS

The validity of the Common Stock offered hereby will be passed upon for the Company by Akerman, Senterfitt & Eidson, P.A., Miami, Florida. Certain legal matters in connection with the Common Stock offered hereby will be passed upon for the Underwriters by Paul, Hastings, Janofsky & Walker LLP, New York, New York.





## EXPERTS

The financial statements of the Company, Gabriel Trailer Manufacturing Company, Inc., R. and R. Rental, Inc., C & E Rental and Service, Inc., Titan Rentals, Inc., The Bode-Finn Company, RFL Enterprises, Inc., Naples Rent-All & Sales Company, Inc., Raymond Equipment Company, Inc., The Florida Panhandle and Southeast Texas Divisions of General Rental, Inc., Associated Rental Equipment Management Company, Inc. and Revco Equipment Rentals, Inc. included in this Prospectus and the Schedule of the Company included elsewhere in the Registration Statement have been audited by Arthur Andersen LLP, independent certified public accountants, as indicated in their reports with respect thereto, and are included herein in reliance upon the authority of said firm as experts in giving said reports.

## ADDITIONAL INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-1 under the Securities Act with respect to the shares of Common Stock offered hereby. This Prospectus, which constitutes part of the Registration Statement, does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto. For further information with respect to the Company and the Common Stock, reference is hereby made to such Registration Statement and the exhibits and schedules thereto. The summaries in this Prospectus of additional information included in the Registration Statement or any exhibit thereto are qualified in their entirety by reference to such information or exhibit. The Registration Statement, including all exhibits thereto and amendments thereof, has been filed with the Commission through EDGAR.

On the closing date of the Offering, the Company will be subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith, will file reports, proxy statements and other information with the Commission. Such reports, proxy statements and other information, as well as the Registration Statement and the exhibits and schedules thereto, may be inspected, without charge, at the public reference facility maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's regional offices located at Seven World Trade Center, New York, New York 10048 and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such material may also be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Such materials can also be inspected at the offices of the NYSE, 20 Broad Street, New York, New York 10005 or on the Commission's site on the Internet at http://www.sec.gov.





NATIONSRENT, INC.

INDEX TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

<TABLE>
<CAPTION>



</TABLE>





NATIONSRENT, INC.

INTRODUCTION TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

The following pro forma consolidated financial statements of the Company present the pro forma consolidated balance sheet at March 31, 1998 and the pro forma consolidated statements of operations for the year ended December 31, 1997 and the three months ended March 31, 1997 and March 31, 1998. The pro forma consolidated financial statements give effect to the Acquisitions, the Founders' Additional Contribution, the Private Placement, certain borrowings under the Proposed Amended Credit Facility, and the Offering. The pro forma consolidated balance sheet at March 31, 1998 gives effect to the transactions and events described above as if they occurred on March 1, 1998. The pro forma consolidated statements of operations for the year ended December 31, 1997 and three months ended March 31, 1997 reflect the Acquisitions as if they occurred on January 1, 1997. The pro forma consolidated statements of operations for the three months ended March 31, 1998 are comprised of the historical results of the Company, which include the results of operations of all businesses acquired during 1997 and the first quarter of 1998 (consisting of Sam's Equipment Rental, Inc. ("Sam's"), Ashland Rental and Sales, Inc. ("Ashland"), R. and R. Rental, Inc. ("R&R"), C&E Rental and Service, Inc. ("C&E"), Titan Rentals, Inc. ("Titan") and Central Rent-All, Inc. ("Central")), and reflect the results of operations of all businesses acquired in the Acquisitions subsequent to March 31, 1998 as if they occurred on January 1, 1998. All of the businesses acquired by the Company in the Acquisitions are collectively referred to herein as the "Acquired Businesses."

The pro forma consolidated financial statements are based upon available information and certain assumptions considered reasonable by management. The pro forma consolidated financial statements do not reflect the potential cost savings the Company may have achieved had the Company owned the Acquired Businesses for the full period. Accordingly, these statements are not necessarily indicative of the actual results of operations that might have occurred, nor are they necessarily indicative of expected results in the future.

The pro forma consolidated financial statements should be read in conjunction with the Company's Consolidated Financial Statements and management's discussion thereof contained elsewhere in this Prospectus.





NATIONSRENT, INC.

PRO FORMA CONSOLIDATED BALANCE SHEET

MARCH 31, 1998

UNAUDITED

(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

| | HISTORICAL COMPANY | RFL | BODE-FINN | NAPLES | JOBS | REVCO | GENERAL | ASSOCIATED | OTHER ACQUISITIONS |
|---|---|---|---|---|---|---|---|---|---|
| ASSETS | | | | | | | | | |
| Cash and cash equivalents | $ 650 | $ 390 | $ 887 | $ 87 | $ 1,342 | $ 71 | $ 6 | $ 3,912 | $ 288 |
| Accounts receivable, net | 4,214 | 170 | 7,250 | 448 | 2,198 | 269 | 1,655 | 4,888 | 1,921 |
| Inventories | 1,864 | 181 | 4,856 | 957 | 752 | 52 | 247 | 749 | 3,237 |
| Prepaid expenses and other assets | 2,150 | -- | 849 | 55 | 397 | 50 | 19 | 462 | 700 |
| Rental equipment, net | 49,063 | 1,333 | 21,921 | 866 | 33,705 | 1,693 | 11,610 | 66,135 | 8,228 |
| Property and equipment, net | 3,315 | 198 | 990 | 145 | 2,868 | 303 | 374 | 5,392 | 797 |
| Intangible assets related to acquired business, net | 41,522 | -- | -- | -- | -- | -- | 3,361 | -- | -- |
| Total assets | $102,778 | $2,272 | $36,753 | $ 2,558 | $41,262 | $ 2,438 | $17,272 | $81,538 | $15,171 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | | | | | |
| Accounts payable | $ 10,192 | $ 1 | $ 3,922 | $ 565 | $ 883 | $ -- | $ 1,315 | $ 1,274 | $ 1,850 |
| Accrued expenses and other liabilities | 4,943 | 55 | 5,095 | 173 | 328 | 12 | 1,893 | 2,275 | 540 |
| Debt | 52,230 | 743 | 15,839 | 171 | 23,469 | 1,336 | 12,338 | 67,781 | 8,387 |
| Income taxes payable | 675 | -- | -- | -- | -- | -- | -- | -- | -- |
| Deferred taxes | 2,644 | -- | -- | -- | -- | -- | -- | -- | 513 |
| Total liabilities | 70,684 | 799 | 24,856 | 909 | 24,680 | 1,348 | 15,546 | 71,330 | 11,290 |
| Stockholders' equity | | | | | | | | | |
| Treasury stock | -- | -- | -- | (329) | -- | (150) | -- | -- | (145) |
| Common stock | 250 | 10 | 125 | 51 | 630 | 1 | -- | 1 | 82 |
| Additional paid-in capital | 30,750 | -- | -- | 7 | -- | 131 | -- | 25 | 316 |
| Retained earnings | 1,094 | 1,463 | 11,772 | 1,920 | 15,952 | 1,108 | 1,726 | 10,182 | 3,628 |
| Total stockholders' equity | 32,094 | 1,473 | 11,897 | 1,649 | 16,582 | 1,090 | 1,726 | 10,208 | 3,881 |
| Total liabilities and stockholders' equity | $102,778 | $2,272 | $36,753 | $ 2,558 | $41,262 | $ 2,438 | $17,272 | $81,538 | $15,171 |

<CAPTION>

| | PRO FORMA ADJUSTMENTS | PRO FORMA | OFFERING ADJUSTMENTS | PRO FORMA AS ADJUSTED |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash and cash equivalents | $ (2,861)(a) | $ 4,772 | -- | $ 4,772 |
| Accounts receivable, net | -- | 23,013 | -- | 23,013 |
| Inventories | -- | 12,895 | -- | 12,895 |
| Prepaid expenses and | | | | |

| | | | | |
|---|---|---|---|---|
| other assets.......... | -- | 4,682 | -- | 4,682 |
| Rental equipment, net... | 7,275(b) | 201,829 | -- | 201,829 |
| Property and equipment, net................... | (7,368)(a) | 7,014 | -- | 7,014 |
| Intangible assets related to acquired business, net......... | 104,600(c) | 149,483 | -- | 149,483 |
| Total assets...... | $101,646 | $403,688 | -- | $403,688 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | |
| Accounts payable........ | $ (1,315)(a) | $ 18,687 | -- | $ 18,687 |
| Accrued expenses and other liabilities..... | (1,893)(a) | 13,421 | -- | 13,421 |
| Debt.................... | 105,522(d) | 287,816 | (132,740)(i) | 155,076 |
| Income taxes payable.... | -- | 675 | -- | 675 |
| Deferred taxes.......... | 2,838(e) | 5,995 | -- | 5,995 |
| Total liabilities..... | 105,152 | 326,594 | (132,740) | 193,854 |
| Stockholders' equity | | | | |
| Treasury stock.......... | 624(f) | -- | -- | -- |
| Common stock........... | (849)(g) | 301 | 130(i) | 431 |
| Additional paid-in capital.............. | 44,470(h) | 75,699 | 132,610(i) | 208,309 |
| Retained earnings....... | (47,751)(f) | 1,094 | -- | 1,094 |
| Total stockholders' equity.......... | (3,506) | 77,094 | 132,740 | 209,834 |
| Total liabilities and stockholders' equity.......... | $101,646 | $403,688 | $ -- | $403,688 |

</TABLE>

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





NATIONSRENT, INC.

PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 1997

(UNAUDITED)

<TABLE>
<CAPTION>

| | PRO FORMA HISTORICAL COMPANY | ACQUIRED BUSINESSES | ACQUISITION ADJUSTMENTS | PRO FORMA COMBINED | OFFERING ADJUSTMENTS | PRO FORMA AS ADJUSTED |
|---|---|---|---|---|---|---|
| | (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA) | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Revenue: | | | | | | |
| Equipment rentals......................... | $18,367 | $ 93,713 | -- | $112,080 | -- | $112,080 |
| Sales of equipment, merchandise, parts and supplies................................ | 4,622 | 97,146 | -- | 101,768 | -- | 101,768 |
| Total revenue....................... | 22,989 | 190,859 | -- | 213,848 | -- | 213,848 |
| Cost of revenue: | | | | | | |
| Cost of equipment rentals, excluding depreciation............................ | 5,669 | 32,290 | 47(a) | 38,006 | -- | 38,006 |
| Rental equipment depreciation............. | 3,701 | 27,659 | (7,047)(b) | 24,313 | -- | 24,313 |
| Sales of equipment, merchandise, parts and supplies................................ | 3,538 | 71,336 | 23(c) | 74,897 | -- | 74,897 |
| Total cost of revenue............... | 12,908 | 131,285 | (6,977) | 137,216 | -- | 137,216 |
| Gross profit................................ | 10,081 | 59,574 | 6,977 | 76,632 | -- | 76,632 |
| Operating expenses: | | | | | | |
| Selling, general and administrative expenses................................ | 3,391 | 35,313 | (3,744)(d)<br>118(e) | 35,078 | -- | 35,078 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Depreciation and amortization of non-rental property and equipment | 690 | 2,060 | (950)(f) 3,012(g) | 4,812 | -- | 4,812 |
| Total operating expenses | 4,081 | 37,373 | (1,564) | 39,890 | -- | 39,890 |
| Operating income | 6,000 | 22,201 | 8,541 | 36,742 | -- | 36,742 |
| Other (income)/expense | | | | | | |
| Interest expense | 2,497 | 9,535 | 8,861(h) | 20,893 | (11,535)(h) | 9,358 |
| Other (income)/expense, net | 12 | (954) | 300(i) | (642) | -- | (642) |
| Total other (income)/expense | 2,509 | 8,581 | 9,161 | 20,251 | (11,535) | 8,716 |
| Income before provision for income taxes | 3,491 | 13,620 | (620) | 16,491 | 11,535 | 28,026 |
| Provision for income taxes | 1,466 | 5,508 | (49)(j) | 6,925 | 4,845(j) | 11,770 |
| Net income | $ 2,025 | $ 8,112 | $ (571) | $ 9,566 | $ 6,690 | $ 16,256 |
| Basic and diluted net income per share | $ 0.08 | | | $ 0.32 | | $ 0.38 |

</TABLE>

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





NATIONSRENT, INC.

PREDECESSOR PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 1997

(UNAUDITED)

<TABLE>
<CAPTION>

| | HISTORICAL PREDECESSOR JANUARY 1, 1997 TO MARCH 31, 1997 | HISTORICAL PREDECESSOR APRIL 1, 1997 TO AUGUST 31, 1997 | COMPANY INCEPTION TO DECEMBER 31, 1997 | PRO FORMA ADJUSTMENTS TO PREDECESSOR AND COMPANY | PRO FORMA HISTORICAL COMPANY |
|---|---|---|---|---|---|
| | | (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA) | | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Revenue: | | | | | |
| Equipment rentals | $2,442 | $8,515 | $7,410 | -- | $18,367 |
| Sales of equipment, merchandise, parts and supplies | 1,522 | 1,205 | 1,895 | -- | 4,622 |
| Total revenue | 3,964 | 9,720 | 9,305 | -- | 22,989 |
| Cost of revenue: | | | | | |
| Cost of equipment rentals, excluding depreciation | 1,280 | 2,193 | 2,196 | -- | 5,669 |
| Rental equipment depreciation | 794 | 1,848 | 1,526 | (467)(b) | 3,701 |
| Sales of equipment, merchandise, parts and supplies sold | 863 | 984 | 1,691 | -- | 3,538 |
| Total cost of revenue | 2,937 | 5,025 | 5,413 | (467) | 12,908 |
| Gross profit | 1,027 | 4,695 | 3,892 | 467 | 10,081 |
| Operating expenses: | | | | | |
| Selling, general and administrative expenses | 970 | 1,683 | 1,081 | (343)(d) | 3,391 |
| Depreciation and amortization of non-rental property and equipment | 25 | 115 | 284 | (47)(f) 313(g) | 690 |
| Total operating expenses | 995 | 1,798 | 1,365 | (77) | 4,081 |
| Operating income | 32 | 2,897 | 2,527 | 544 | 6,000 |
| Other (income)/expense | | | | | |
| Interest expense | 229 | 580 | 760 | 928(h) | 2,497 |
| Other (income)/expense, net | (50) | 62 | -- | -- | 12 |
| Total other (income)/expense | 179 | 642 | 760 | 928 | 2,509 |

| | | | | | |
|---|---|---|---|---|---|
| Income before provision for income taxes | (147) | 2,255 | 1,767 | (384) | 3,491 |
| Provision for income taxes | (59) | 939 | 766 | (180)(j) | 1,466 |
| Net income (loss) | $ (88) | $1,316 | $1,001 | $(204) | $ 2,025 |
| Basic and diluted net income per share | | | $ 0.04 | | $ 0.08 |

</TABLE>

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





NATIONSRENT, INC.

ACQUISITIONS CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 1997

(UNAUDITED)

<TABLE>
<CAPTION>

| | R & R | C & E | TITAN | RFL | BODE-FINN | NAPLES | JOBS | REVCO | GENERAL |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | (DOLLARS IN THOUSANDS) | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Revenue: | | | | | | | | | |
| Equipment rentals | $2,409 | $4,506 | $1,927 | $ 966 | $20,212 | $2,262 | $12,651 | $ 2,129 | $7,238 |
| Sales of equipment, merchandise, parts and supplies | 2,107 | 2,768 | 3,042 | 2,077 | 41,038 | 3,805 | 8,307 | 495 | 1,876 |
| Total revenue | 4,516 | 7,274 | 4,969 | 3,043 | 61,250 | 6,067 | 20,958 | 2,624 | 9,114 |
| Cost of revenue: | | | | | | | | | |
| Cost of equipment rentals, excluding depreciation | 1,398 | 1,846 | 1,303 | 463 | 4,978 | 1,707 | 2,423 | 1,004 | 4,018 |
| Rental equipment depreciation | 631 | 766 | 302 | 261 | 7,266 | 440 | 4,520 | 613 | 942 |
| Sales of equipment, merchandise, parts and supplies sold | 1,808 | 1,791 | 2,043 | 1,472 | 28,584 | 2,967 | 6,150 | 223 | 1,204 |
| Total cost of revenue | 3,837 | 4,403 | 3,648 | 2,196 | 40,828 | 5,114 | 13,093 | 1,840 | 6,164 |
| Gross profit | 679 | 2,871 | 1,321 | 847 | 20,422 | 953 | 7,865 | 784 | 2,950 |
| Operating expenses: | | | | | | | | | |
| Selling, general and administrative expenses | 715 | 1,417 | 824 | 209 | 16,597 | 518 | 2,373 | 312 | 1,495 |
| Depreciation and amortization of non-rental property and equipment | 76 | 157 | 16 | 23 | 257 | 45 | 212 | 25 | 407 |
| Total operating expenses | 791 | 1,574 | 840 | 232 | 16,854 | 563 | 2,585 | 337 | 1,902 |
| Operating income | (112) | 1,297 | 481 | 615 | 3,568 | 390 | 5,280 | 447 | 1,048 |
| Other (income)/expense | | | | | | | | | |
| Interest expense | 80 | 101 | 34 | 92 | 1,602 | 23 | 1,846 | 122 | 704 |
| Other (income)/expense, net | (30) | (61) | 7 | (15) | (348) | (52) | -- | (3) | -- |
| Total other (income)/expense | 50 | 40 | 41 | 77 | 1,254 | (29) | 1,846 | 119 | 704 |
| Income before provision for income taxes | (162) | 1,257 | 440 | 538 | 2,314 | 419 | 3,434 | 328 | 344 |
| Provision for income taxes | -- | 503 | 168 | 215 | 929 | 167 | 1,374 | 131 | 138 |
| Net income (loss) | $ (162) | $ 754 | $ 272 | $ 323 | $ 1,385 | $ 252 | $ 2,060 | $ 197 | $ 206 |

<CAPTION>

| | ASSOCIATED | OTHER | ACQUIRED BUSINESSES |
|---|---|---|---|
| | (DOLLARS IN THOUSANDS) | | |
| <S> | <C> | <C> | <C> |
| Revenue: | | | |
| Equipment rentals | $24,261 | $15,152 | $ 93,713 |
| Sales of equipment, merchandise, | | | |

| | | | |
|---|---|---|---|
| parts and supplies............ | 16,527 | 15,104 | 97,146 |
| Total revenue............. | 40,788 | 30,256 | 190,859 |
| Cost of revenue: | | | |
| Cost of equipment rentals, excluding depreciation......... | 4,973 | 8,177 | 32,290 |
| Rental equipment depreciation.... | 8,626 | 3,292 | 27,659 |
| Sales of equipment, merchandise, parts and supplies sold........ | 13,464 | 11,630 | 71,336 |
| Total cost of revenue...... | 27,063 | 23,099 | 131,285 |
| Gross profit...................... | 13,725 | 7,157 | 59,574 |
| Operating expenses: | | | |
| Selling, general and administrative expenses........ | 6,143 | 4,710 | 35,313 |
| Depreciation and amortization of non-rental property and equipment..................... | 466 | 376 | 2,060 |
| Total operating expenses... | 6,609 | 5,086 | 37,373 |
| Operating income.................. | 7,116 | 2,071 | 22,201 |
| Other (income)/expense | | | |
| Interest expense................ | 3,748 | 1,183 | 9,535 |
| Other (income)/expense, net...... | (358) | (94) | (954) |
| Total other (income)/expense......... | 3,390 | 1,089 | 8,581 |
| Income before provision for income taxes........................... | 3,726 | 982 | 13,620 |
| Provision for income taxes....... | 1,490 | 393 | 5,508 |
| Net income (loss).......... | $ 2,236 | $ 589 | 8,112 |

</TABLE>

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





NATIONSRENT, INC.

PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 1998

(UNAUDITED)

<TABLE>
<CAPTION>

| <S> | HISTORICAL COMPANY <C> | RFL <C> | BODE FINN <C> | NAPLES <C> | JOBS <C> | REVCO <C> | GENERAL <C> | ASSOCIATED <C> | OTHER <C> |
|---|---|---|---|---|---|---|---|---|---|
| | (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA) | | | | | | | | |
| Revenue: | | | | | | | | | |
| Equipment rentals............... | $5,911 | $202 | $ 4,687 | $ 513 | $1,377 | $ 492 | $2,209 | 7,153 | $1,504 |
| Sales of equipment, merchandise, parts and supplies........... | 3,128 | 507 | 10,024 | 893 | 2,635 | 40 | 311 | 4,290 | 2,522 |
| Total revenue............ | 9,039 | 709 | 14,711 | 1,406 | 4,012 | 532 | 2,520 | 11,443 | 4,026 |
| Cost of revenue: | | | | | | | | | |
| Cost of equipment rentals, excluding depreciation........ | 2,661 | 103 | 1,399 | 395 | 1,674 | 189 | 1,378 | 1,282 | 1,031 |
| Rental equipment depreciation... | 1,076 | 77 | 1,833 | 94 | 1,161 | 139 | 291 | 2,643 | 439 |
| Sales of equipment, merchandise, parts and supplies sold....... | 2,252 | 327 | 6,754 | 687 | 1,142 | 27 | 204 | 3,665 | 1,756 |
| Total cost of revenue..... | 5,989 | 507 | 9,986 | 1,176 | 3,977 | 355 | 1,873 | 7,590 | 3,226 |
| Gross profit..................... | 3,050 | 202 | 4,725 | 230 | 35 | 177 | 647 | 3,853 | 800 |
| Operating expenses: | | | | | | | | | |
| Selling, general and administrative expenses....... | 1,758 | 46 | 3,965 | 120 | 343 | 79 | 298 | 1,474 | 582 |
| Depreciation and amortization of non-rental property and equipment.................... | 447 | 2 | 62 | 9 | 57 | 1 | 115 | 123 | 62 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Total operating expenses | 2,205 | 48 | 4,027 | 129 | 400 | 80 | 413 | 1,597 | 644 |
| Operating income | 845 | 154 | 698 | 101 | (365) | 97 | 234 | 2,256 | 156 |
| Other (income)/expense | | | | | | | | | |
| Interest expense | 808 | 16 | 380 | 4 | 419 | 31 | 295 | 1,226 | 193 |
| Other (income)/expense, net | (123) | -- | (86) | (13) | -- | -- | -- | (95) | 38 |
| Total other (income)/expense | 685 | 16 | 294 | (9) | 419 | 31 | 295 | 1,131 | 231 |
| Income before provision for income taxes | 160 | 138 | 404 | 110 | (784) | 66 | (61) | 1,125 | (75) |
| Provision for income taxes | 67 | 55 | 161 | 44 | (314) | 26 | -- | 450 | (29) |
| Net income (loss) | $ 93 | $ 83 | $ 243 | $ 66 | $ (470) | $ 40 | $ (61) | $ 675 | $ (46) |
| Basic and diluted net income per share | $ 0.00 | | | | | | | | |

<CAPTION>

| <S> | ACQUISITION ADJUSTMENTS <C> | PRO FORMA COMBINED <C> | OFFERING ADJUSTMENTS <C> | PRO FORMA AS ADJUSTED <C> |
|---|---|---|---|---|
| | (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA) | | | |
| Revenue: | | | | |
| Equipment rentals | -- | $24,048 | -- | $24,048 |
| Sales of equipment, merchandise, parts and supplies | -- | 24,350 | -- | 24,350 |
| Total revenue | -- | 48,398 | -- | 48,398 |
| Cost of revenue: | | | | |
| Cost of equipment rentals, excluding depreciation | 60(a) | 10,172 | -- | 10,172 |
| Rental equipment depreciation | (1,479)(b) | 6,274 | -- | 6,274 |
| Sales of equipment, merchandise, parts and supplies sold | -- | 16,814 | -- | 16,814 |
| Total cost of revenue | (1,419) | 33,260 | -- | 33,260 |
| Gross profit | 1,419 | 15,138 | -- | 15,138 |
| Operating expenses: | | | | |
| Selling, general and administrative expenses | (539)(d)<br>145(e) | 8,271 | -- | 8,271 |
| Depreciation and amortization of non-rental property and equipment | (124)(f)<br>530(g) | 1,284 | -- | 1,284 |
| Total operating expenses | 12 | 9,555 | -- | 9,555 |
| Operating income | 1,407 | 5,583 | -- | 5,583 |
| Other (income)/expense | | | | |
| Interest expense | 1,740(h) | 5,112 | $(2,884)(k) | 2,228 |
| Other (income)/expense, net | 33(i) | (246) | -- | (246) |
| Total other (income)/expense | 1,773 | 4,866 | (2,884) | 1,982 |
| Income before provision for income taxes | (366) | 717 | 2,884 | 3,601 |
| Provision for income taxes | (159)(j) | 301 | 1,211(j) | 1,512 |
| Net income (loss) | $ (207) | $ 416 | $ 1,673 | $ 2,089 |
| Basic and diluted net income per share | | $ 0.01 | | $ 0.05 |

</TABLE>

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

NATIONSRENT, INC.

PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 1997

(UNAUDITED)

<TABLE>
<CAPTION>

| | HISTORICAL PREDECESSOR | R&R | C&E | TITAN | RFL | BODE-FINN | NAPLES | JOBS | REVCO |
|---|---|---|---|---|---|---|---|---|---|
| | (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA) | | | | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Revenue: | | | | | | | | | |
| Equipment rentals.................. | $2,442 | $ 300 | $ 794 | $ 400 | $242 | $4,743 | $ 510 | $ 999 | $ 566 |
| Sales of equipment, merchandise, parts & supplies................. | 1,522 | 338 | 640 | 719 | 549 | 9,077 | 827 | 1,712 | 154 |
| Total revenue................ | 3,964 | 638 | 1,434 | 1,119 | 791 | 13,820 | 1,337 | 2,711 | 720 |
| Cost of revenue: | | | | | | | | | |
| Cost of equipment rentals, excluding equipment rental depreciation..... | 1,280 | 300 | 365 | 246 | 105 | 1,323 | 361 | 473 | 241 |
| Rental equipment depreciation....... | 794 | 148 | 168 | 101 | 58 | 1,745 | 93 | 986 | 134 |
| Sales of equipment, merchandise, parts and supplies sold.......... | 863 | 268 | 435 | 391 | 335 | 6,342 | 628 | 1,277 | 65 |
| Total cost of revenue......... | 2,937 | 716 | 968 | 738 | 498 | 9,410 | 1,082 | 2,736 | 440 |
| Gross profit......................... | 1,027 | (78) | 466 | 381 | 293 | 4,410 | 255 | (25) | 280 |
| Operating expenses: | | | | | | | | | |
| Selling, general and administrative expenses......................... | 970 | 128 | 302 | 108 | 47 | 3,755 | 110 | 377 | 79 |
| Depreciation and amortization of non-rental property and equipment........................ | 25 | 18 | 23 | 5 | 2 | 73 | 7 | 51 | 5 |
| Total operating expenses...... | 995 | 146 | 325 | 113 | 49 | 3,828 | 117 | 428 | 84 |
| Operating income..................... | 32 | (224) | 141 | 268 | 244 | 582 | 138 | (453) | 196 |
| Other (income)/expense | | | | | | | | | |
| Interest expense................... | 229 | 4 | 14 | 11 | 21 | 350 | 5 | 370 | 33 |
| Other (income)/expense, net......... | (50) | (46) | (11) | (3) | (2) | (39) | (15) | -- | -- |
| Total other (income)/expense........... | 179 | (42) | 3 | 8 | 19 | 311 | (10) | 370 | 33 |
| Income before provision for income taxes.............................. | (147) | (182) | 138 | 260 | 225 | 271 | 148 | (823) | 163 |
| Provision for income taxes.......... | (59) | (73) | 55 | 104 | 90 | 137 | 59 | (329) | 65 |
| Net income (loss).................... | $ (88) | $(109) | $ 83 | $ 156 | $135 | $ 134 | $ 89 | $ (494) | $ 98 |
| Basic and diluted net income per share.............................. | | | | | | | | | |

<CAPTION>

| | GENERAL | ASSOCIATED | OTHER | ACQUISITION ADJUSTMENTS | PRO FORMA COMBINED | OFFERING ADJUSTMENTS | PRO FORMA AS ADJUSTED |
|---|---|---|---|---|---|---|---|
| | (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA) | | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Revenue: | | | | | | | |
| Equipment rentals.................. | $646 | $ 4,288 | $3,549 | -- | $19,479 | -- | $19,479 |
| Sales of equipment, merchandise, parts & supplies................. | 234 | 5,905 | 3,311 | -- | 24,988 | -- | 24,988 |
| Total revenue................ | 880 | 10,193 | 6,860 | -- | 44,467 | -- | 44,467 |
| Cost of revenue: | | | | | | | |
| Cost of equipment rentals, excluding equipment rental depreciation..... | 386 | 592 | 2,420 | 51(a) | 8,143 | -- | 8,143 |
| Rental equipment depreciation....... | 117 | 1,626 | 978 | (1,564)(b) | 5,384 | -- | 5,384 |
| Sales of equipment, merchandise, parts and supplies sold.......... | 157 | 4,754 | 2,219 | -- | 17,734 | -- | 17,734 |
| Total cost of revenue......... | 660 | 6,972 | 5,617 | (1,513) | 31,261 | -- | 31,261 |
| Gross profit......................... | 220 | 3,221 | 1,243 | 1,513 | 13,206 | -- | 13,206 |
| Operating expenses: | | | | | | | |
| Selling, general and administrative expenses......................... | 120 | 951 | 1,423 | (1,138)(d)<br>190(e) | 7,422 | -- | 7,422 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Depreciation and amortization of non-rental property and equipment | 27 | 97 | 135 | (136)(f) 881(g) | 1,213 | -- | 1,213 |
| Total operating expenses | 147 | 1,048 | 1,558 | (203) | 8,635 | -- | 8,635 |
| Operating income | 73 | 2,173 | (315) | 1,716 | 4,571 | -- | 4,571 |
| Other (income)/expense | | | | | | | |
| Interest expense | 42 | 734 | 328 | 2,625(h) | 4,766 | (2,884)(k) | 1,882 |
| Other (income)/expense, net | -- | (12) | (79) | 5(i) | (252) | -- | (252) |
| Total other (income)/expense | 42 | 722 | 249 | 2,630 | 4,514 | (2,884) | 1,630 |
| Income before provision for income taxes | 31 | 1,451 | (564) | (914) | 57 | 2,884 | 2,941 |
| Provision for income taxes | 12 | 580 | (164) | (455)(j) | 22 | 1,211(j) | 1,233 |
| Net income (loss) | $ 19 | $ 871 | $ (400) | $ (459) | $ 35 | $ 1,673 | $ 1,708 |
| Basic and diluted net income per share | | | | | $ 0.00 | | $ 0.04 |

</TABLE>

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





NATIONSRENT, INC.

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

1. HISTORICAL FINANCIAL STATEMENTS

The historical financial data presented in these pro forma consolidated financial statements represents the financial position of the Company and the Acquired Businesses at March 31, 1998 and their results of operations for the year ended December 31, 1997 and three months ended March 31, 1997 and March 31, 1998 (except that the financial data for Raymond Equipment Company ("Jobs") included in the pro forma consolidated statements of operations for the year ended December 31, 1997 consists of the combined six months ended June 30, 1997 and December 31, 1997 and the financial data for J. Kelly Co. ("J. Kelly") included in the pro forma consolidated statements of operations for the year ended December 31, 1997 is for the year ended March 31, 1998 and includes $1,546 in revenue also included in the pro forma consolidated statements of operations for the three months ended March 31, 1998).

2. ACQUISITIONS

During the year ended December 31, 1997 the Company completed five acquisitions. Following year-end but prior to March 31, 1998, the Company completed one acquisition and subsequent to March 31, 1998, the Company completed ten additional acquisitions. Each of these was accounted for in the unaudited pro forma consolidated financial statements using the purchase method of accounting. Preliminary purchase accounting values for the Acquired Businesses prior to March 31, 1998 have been recorded based on estimated fair values of the assets and liabilities acquired. Final adjustments will be recorded when final information as to fair values of the net assets acquired is available. The purchase accounting adjustments for the acquisitions completed subsequent to March 31, 1998 were based on the respective companies' March 31, 1998 balance sheets using estimates as to the fair values of assets and liabilities acquired. As a result, final allocation could be different.

The following table summarizes the acquisitions completed by the Company:

<TABLE>
<CAPTION>

| ACQUISITION | ACQUISITION DATE | PURCHASE OF | CONSIDERATION | ASSETS | LIABILITIES | INTANGIBLES |
|---|---|---|---|---|---|---|

| | | | | | | |
|---|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Sam's................................. | 9/1/97 | Stock | $ 23,431 | $ 28,553 | $ 23,956 | $ 18,834 |
| R&R................................... | 12/10/97 | Assets | 8,000 | 5,374 | 212 | 2,838 |
| C&E................................... | 12/23/97 | Assets | 12,250 | 4,401 | 979 | 8,828 |
| Titan................................. | 12/31/97 | Stock | 5,900 | 2,409 | 1,067 | 4,558 |
| Revco Equipment Rentals, Inc. ......... | 4/3/98 | Assets | 5,000 | 2,407 | 44 | 2,637 |
| R.F.L. Enterprises, Inc. .............. | 4/15/98 | Assets | 2,350 | 2,152 | 83 | 281 |
| Naples Rent-All & Sales Co. Inc........ | 4/30/98 | Assets | 4,150 | 2,583 | 754 | 2,321 |
| The Bode-Finn Company.................. | 5/4/98 | Stock | 43,000 | 37,849 | 25,283 | 30,434 |
| Jobs................................... | 6/5/98 | Stock | 36,499 | 40,557 | 25,338 | 21,280 |
| Associated Rental Equipment Management Company, Inc. ....................... | 7/9/98 | Assets | 39,250 | 77,611 | 72,620 | 34,259 |
| The Florida Panhandle and Southeast Texas Divisions of General Rental, Inc. ................................ | 7/10/98 | Assets | 20,151 | 14,491 | 226 | 5,886 |
| Other Acquisitions..................... | Various | Various | 22,696 | 17,790 | 12,887 | 17,793 |
| Combined Total..................... | | | $222,677 | $236,177 | $163,449 | $149,949 |

</TABLE>





NATIONSRENT, INC.

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(DOLLARS IN THOUSANDS)

3. PRO FORMA ADJUSTMENTS

<TABLE>
<S> <C>

BALANCE SHEET:

a. To eliminate the assets not acquired and the liabilities not assumed in the Acquisitions.

b. Represents the preliminary estimate of the adjustment to fair market value for rental equipment acquired.

c. Represents the excess purchase price over the estimated fair value of the net assets acquired of $107,961, net of historical goodwill and other intangibles of $3,361.

d. Represents borrowings for the Acquisitions of $126,341 and $39,309 funded by the Credit Facility and through the issuance of convertible notes to the sellers, respectively. Also reflected are reductions for pre-acquisition debt not assumed in the Acquisitions of $15,128 and repayment on the Credit Facility from the proceeds of the Founders' Additional Contribution of $17,400 and the Private Placement of $27,600.

e. Represents the estimated deferred income tax liability related to the purchase accounting adjustments recorded for the Acquisitions.

f. To eliminate the equity accounts reflected in the historical financial statements of the Acquired Businesses.

g. Represents the elimination of the equity accounts of Acquired Businesses of $900 and the issuance of Common Stock in the Private Placement of $51.

h. Represents the elimination of the equity accounts of Acquired Businesses of $479 and additional paid-in capital related to the Founders' Additional Contribution of $17,400 and the Private Placement of $27,549.

i. Represents the application of net proceeds from the Offering for repayment of the Credit Facility (assuming an initial public offering price of $11.00 per share, which is the midpoint of the estimated range set forth on the cover page of this Prospectus).

STATEMENTS OF OPERATIONS:

a. Adjustment to eliminate historical lease expense on rental equipment resulting from the termination of certain leases which occurred in connection with the purchase of one of the Acquired Businesses.

b. Adjustment to the historical rental equipment depreciation recorded to conform to the Company's accounting policies. Adjustment is based on the estimated fair value of rental equipment acquired using estimated useful lives ranging from 2 to 10 years on the straight-line method with salvage values ranging from zero to ten percent of cost. For the year ended December 31, 1997, the following are the major components of the adjustment to historical depreciation expense: (i) approximately $4,600 reduction resulted from a change from accelerated depreciation methods of the acquired businesses to the straight-line methods used by the Company, (ii) approximately $2,500 reduction resulted from the change in the salvage value used by the Company over amounts previously recorded by the acquired businesses, and (iii) approximately $900 increase in depreciation expense resulted from the adjustment to fair value of equipment acquired.

c. Adjustment to conform the historical accounting for inventory of the Acquired Businesses from the LIFO method to FIFO method, where applicable.

d. Adjustment to reduce historical compensation and benefits of certain former owners and executives of the Acquired Businesses to amounts consistent with employment arrangements entered into between the certain owners and executives and the Company, as well as the elimination of certain private company business expenses that will not be incurred by the Company.

e. Adjustment to historical facility lease expense to reflect the increase in current lease payments in excess of historical amounts.

f. Adjustment to historical property and equipment depreciation recorded to conform to the Company's accounting policies. Adjustment is based on the estimated fair value of property and equipment acquired using estimated useful lives ranging from 3 to 39 years on the straight-line method.

</TABLE>





NATIONSRENT, INC.

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(DOLLARS IN THOUSANDS)

<TABLE>
<S> <C>

g. Adjustment to recognize the amortization of goodwill and non-compete agreements using an estimated useful life of 40 and five years, respectively. Management believes that 40 years is a reasonable life for goodwill in light of the characteristics of the equipment rental industry such as the lack of dependence on technological change, the many years that the industry has been in existence, the current trend towards the outsourcing of equipment, the recent double digit annual growth rate and the stable nature of the customer base. In addition, the Company has focused on acquiring well established companies that have been in existence for many years.

h. Adjustment to record interest on borrowings under the Credit Facility and notes issued to former owners of Acquired Businesses, net of interest related to debt not assumed or paid off at acquisition. The interest rate on the Credit Facility is determined using a base rate plus a spread based on certain financial performance ratios. Based on current market rates, an incremental borrowing rate of 8.69% was used to determine interest expense. A change of one-eighth of a percent would result in a $107 reduction or increase in the pro forma adjustment to annual interest expense.

i. To eliminate historical gains related to assets not acquired.

j. To record a provision (benefit) for income taxes at an expected effective rate of 42%.

k. Adjustment to record the reduction in interest giving effect to the use of the proceeds of the Offering to repay a portion of the Credit Facility (assuming an initial public offering price of $11.00 per share, which is the midpoint of the estimated range set forth on the cover page of this Prospectus).

</TABLE>

4. PRO FORMA DILUTED EARNINGS PER SHARE

Pro forma diluted earnings per share is calculated based on the shares outstanding at December 31, 1997, March 31, 1997 and March 31, 1998, as well as giving effect to the Private Placement and the Offering as if these shares were outstanding at the beginning of the respective periods. The shares used to calculate pro forma diluted earnings per share are as follows:

| | DECEMBER 31, 1997 | MARCH 31, 1997 | MARCH 31, 1998 |
|---|---|---|---|
| | | (IN THOUSANDS) | |
| Shares outstanding | 25,000 | 25,000 | 25,000 |
| Shares issued in Private Placement | 5,119 | 5,119 | 5,119 |
| Shares issued in Offering | 13,000 | 13,000 | 13,000 |
| Common Stock equivalents | 7 | -- | 69 |
| | 43,126 | 43,119 | 43,188 |





NATIONSRENT, INC.

INDEX TO FINANCIAL STATEMENTS

</TABLE>





<TABLE>
<CAPTION>

</TABLE>





<TABLE>
<CAPTION>



</TABLE>





REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To NationsRent, Inc.:

We have audited the accompanying consolidated balance sheet of NationsRent, Inc. (a Delaware corporation) and subsidiaries as of December 31, 1997, and the related consolidated statements of income, stockholders' equity and cash flows for the period from August 14, 1997 (inception) to December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of NationsRent, Inc. and subsidiaries as of December 31, 1997, and the results of their operations and their cash flows for the period from August 14, 1997 (inception) to December 31, 1997 in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Fort Lauderdale, Florida,
June 3, 1998 (except with respect to
the matters referred to in the
third and fifth paragraphs of Note 10,
as to which the date is July 15, 1998).





NATIONSRENT, INC.

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT SHARE DATA)

<TABLE>
<CAPTION>

| <S> | DECEMBER 31, 1997 <C> | MARCH 31, 1998 (UNAUDITED) <C> | MARCH 31, 1998 PRO FORMA (UNAUDITED) <C> |
|---|---|---|---|
| ASSETS | | | |
| Cash and cash equivalents................................ | $ 1,493 | $ 650 | |
| Accounts receivable, net of allowance for doubtful accounts of $587 and $492 (unaudited) at December 31, 1997 and March 31, 1998, respectively.................. | 5,008 | 4,214 | |
| Inventories............................................. | 1,840 | 1,864 | |
| Prepaid expenses and other assets........................ | 755 | 2,150 | |
| Rental equipment, net.................................... | 30,619 | 49,063 | |
| Property and equipment, net.............................. | 2,334 | 3,315 | |
| Intangible assets related to acquired businesses, net..... | 37,108 | 41,522 | |
| Total Assets.................................. | $79,157 | $102,778 | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Liabilities: | | | |
| Accounts payable...................................... | $ 2,303 | $ 10,192 | |
| Accrued repair and maintenance expenses................. | 950 | 905 | |
| Accrued compensation and related taxes.................. | 328 | 436 | |
| Accrued expenses and other liabilities.................. | 2,579 | 3,602 | |
| Debt................................................. | 42,928 | 52,230 | |
| Income taxes payable.................................. | 1,523 | 675 | |
| Deferred income taxes................................. | 2,545 | 2,644 | |
| Total liabilities............................. | 53,156 | 70,684 | |
| Commitments and Contingencies (Notes 9 and 10) | | | |
| Stockholders' Equity: | | | |
| Preferred stock -- $0.01 par value, 5,000,000 shares authorized, no shares issued and outstanding......... | -- | -- | $ -- |
| Common stock -- $0.01 par value, 100,000,000 shares authorized, 25,000,000 shares and 30,118,694 shares (pro forma) issued and outstanding.................. | 250 | 250 | 301 |
| Additional paid-in capital............................ | 24,750 | 30,750 | 75,699 |
| Retained earnings..................................... | 1,001 | 1,094 | 1,094 |
| Total stockholders' equity..................... | 26,001 | 32,094 | $ 77,094 |
| Total Liabilities and Stockholders' Equity...... | $79,157 | $102,778 | |

</TABLE>

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





NATIONSRENT, INC.

CONSOLIDATED STATEMENTS OF INCOME

(IN THOUSANDS, EXCEPT PER SHARE DATA)

| | AUGUST 14 (INCEPTION) TO DECEMBER 31, 1997 | FOR THE THREE MONTHS ENDED MARCH 31, 1998 |
|---|---|---|
| | | (UNAUDITED) |
| Revenue: | | |
| Equipment rentals | $ 7,410 | $ 5,911 |
| Sales of equipment, parts and supplies | 1,895 | 3,128 |
| Total revenue | 9,305 | 9,039 |
| Cost of revenue: | | |
| Cost of equipment rentals, excluding depreciation | 2,196 | 2,661 |
| Rental equipment depreciation | 1,526 | 1,076 |
| Cost of sales of equipment, parts and supplies | 1,691 | 2,252 |
| Total cost of revenue | 5,413 | 5,989 |
| Gross profit | 3,892 | 3,050 |
| Operating expenses: | | |
| Selling, general and administrative expenses | 1,081 | 1,758 |
| Non-rental equipment depreciation and amortization | 284 | 447 |
| Operating income | 2,527 | 845 |
| Other (income)/expense: | | |
| Interest expense | 760 | 808 |
| Interest income | (29) | (21) |
| Other, net | 29 | (102) |
| | 760 | 685 |
| Income before provision for income taxes | 1,767 | 160 |
| Provision for income taxes | 766 | 67 |
| Net income | $ 1,001 | $ 93 |
| Net income per share -- basic and diluted | $ 0.04 | $ 0.00 |
| Weighted average common shares outstanding: | | |
| Basic | 25,000 | 25,000 |
| Diluted | 25,007 | 25,069 |

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





NATIONSRENT, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE PERIOD FROM AUGUST 14, 1997 (INCEPTION) TO DECEMBER 31, 1997

AND THE THREE MONTHS ENDED MARCH 31, 1998

(IN THOUSANDS, EXCEPT SHARE DATA)

<TABLE>
<CAPTION>

COMMON STOCK

| | NUMBER OF SHARES | AMOUNT | ADDITIONAL PAID-IN CAPITAL | RETAINED EARNINGS | TOTAL |
|---|---|---|---|---|---|
| BALANCE, August 14, 1997 (Inception)............ | -- | $ -- | $ -- | $ -- | $ -- |
| Issuance of common stock (after giving effect to the stock split discussed in Note 1).... | 25,000,000 | 250 | 24,750 | -- | 25,000 |
| Net income.................................. | -- | -- | -- | 1,001 | 1,001 |
| BALANCE, December 31, 1997..................... | 25,000,000 | 250 | 24,750 | 1,001 | 26,001 |
| Capital contribution (unaudited)............. | -- | -- | 6,000 | -- | 6,000 |
| Net income (unaudited)....................... | -- | -- | -- | 93 | 93 |
| BALANCE, March 31, 1998 (unaudited)............ | 25,000,000 | $250 | $30,750 | $1,094 | $32,094 |

</TABLE>

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





NATIONSRENT, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

<TABLE>
<CAPTION>

| | AUGUST 14 (INCEPTION) TO DECEMBER 31, 1997 | FOR THE THREE MONTHS ENDED MARCH 31, 1998 |
|---|---|---|
| | | (UNAUDITED) |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income................................................ | $ 1,001 | $ 93 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization......................... | 1,810 | 1,523 |
| Gain on sale of rental equipment...................... | (59) | (200) |
| Deferred income tax provision......................... | 357 | 420 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable............................. | 334 | 904 |
| Inventories..................................... | 83 | 262 |
| Prepaid expenses and other assets................ | (296) | (1,411) |
| Accounts payable................................ | 776 | 7,547 |
| Accrued expenses and other liabilities........... | (428) | 349 |
| Income taxes payable............................ | 117 | (848) |
| Net cash provided by operating activities......... | 3,695 | 8,639 |
| CASH FLOWS FROM INVESTING ACTIVITIES, NET OF ACQUISITIONS: | | |
| Acquisitions of businesses, net of cash acquired....... | (34,137) | (5,221) |
| Purchases of rental equipment......................... | (2,461) | (19,584) |
| Purchases of property and equipment................... | (963) | (1,113) |
| Proceeds from sale of rental equipment................ | 1,159 | 1,255 |
| Decrease in notes receivable affiliates................ | 1,358 | -- |
| Net cash used in investing activities............ | (35,044) | (24,663) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from issuance of common stock................ | 25,000 | -- |
| Capital contribution.................................. | -- | 6,000 |
| Proceeds from debt.................................... | 21,917 | 31,638 |
| Repayments of debt.................................... | (14,075) | (22,457) |
| Net cash provided by financing activities......... | 32,842 | 15,181 |
| Net increase (decrease) in cash and cash equivalents........ | 1,493 | (843) |
| Cash and cash equivalents, beginning of period............. | -- | 1,493 |
| Cash and cash equivalents, end of period................... | $ 1,493 | $ 650 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid for interest................................ | $ 621 | $ 551 |
| Cash paid for income taxes............................ | $ 390 | $ 604 |

| | | |
|---|---|---|
| SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES: | | |
| The Company acquired the net assets and assumed certain liabilities of certain businesses as follows: | | |
| Total assets, net of cash acquired | $ 78,629 | $ 6,099 |
| Total liabilities assumed | (27,311) | (878) |
| Amounts paid through the issuance of debt | (17,181) | -- |
| Net cash paid | $ 34,137 | $ 5,221 |

</TABLE>

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





NATIONSRENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1997

## 1. ACCOUNTING POLICIES

### Basis of presentation

NationsRent, Inc. (the "Company") was incorporated in the state of Delaware on August 14, 1997 for the purpose of creating a nationally branded network of equipment rental locations offering a broad selection of equipment primarily to the construction and industrial segments of the equipment rental industry in the United States. The Company also sells used and new equipment, spare parts, merchandise and supplies, and provides maintenance and repair services.

The nature of the Company's business is such that short-term obligations are typically met by cash flow generated from long-term assets. Consequently, consistent with industry practice, the accompanying consolidated balance sheets are presented on an unclassified basis.

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

### Cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents. The Company had no cash equivalents at December 31, 1997 and March 31, 1998 (unaudited).

### Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### Inventories

Inventories, which consist of equipment, tools, parts and related merchandise supply items, are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method. Provision is made to reduce excess or obsolete inventories to their estimated net realizable value.

### Rental equipment

Rental equipment purchased new by the Company is recorded at cost and depreciated over the estimated useful life of the equipment using the straight-line method. Rental equipment that is obtained through the acquisition of a business is valued at its estimated fair market value at the time of acquisition. The range of useful lives estimated by management for rental equipment is two to ten years. Rental equipment is depreciated to a salvage value of zero to ten percent of cost. Rental equipment having a cost of $500 or less is charged to expense at the time of purchase. Accumulated depreciation on rental equipment was $1,526,000 and $2,592,000 (unaudited) at December 31, 1997 and March 31, 1998, respectively. Ordinary maintenance and repair costs are charged to operations as incurred.

Property and equipment

Property and equipment purchased new by the Company is recorded at cost. Property and equipment obtained through the acquisition of a business is recorded at the estimated fair market value at the time of acquisition. Depreciation and amortization are recorded on a straight-line basis over the following estimated useful lives:

| | |
|---|---|
| Buildings and improvements........................ | 10-39 years, not to exceed lease term |
| Furniture, fixtures and office equipment.......... | 3-7 years |
| Vehicles, delivery and shop equipment............ | 5-10 years |

Ordinary maintenance and repair costs are charged to expense as incurred.

Intangible assets

Intangible assets are recorded at cost and are amortized using the straight-line method over their estimated useful lives of five years for covenants not to compete and 40 years for goodwill. The accumulated amortization of intangible assets, including goodwill, relating to acquired businesses, was approximately $180,000 at December 31, 1997.

Long-lived assets

The carrying value of long-lived assets, including goodwill, is reviewed if the facts and circumstances suggest that it may be impaired. If this review indicates that long-lived assets will not be recoverable, as determined based on the undiscounted cash flows of the entity acquired over the remaining amortization period, the Company's carrying value of the long-lived assets will be reduced by the amount by which carrying value exceeds fair value.

Fair value of financial instruments

The carrying amounts reported in the accompanying consolidated balance sheets for accounts receivable, accounts payable and accrued expenses and other liabilities approximate fair value due to the short-term nature of these accounts. The fair value of debt is determined using current interest rates for similar instruments at December 31, 1997 and approximates the carrying value of these notes due to the fact that the underlying instruments include provisions to adjust note balances and interest rates to approximate fair market value.

Revenue recognition

Rental revenue is recognized as earned during the rental agreement period. Equipment rentals in the consolidated statements of operations includes revenue earned on equipment rentals, rental equipment delivery and pick-up fees and fuel sales. Revenue from the sale of used equipment, parts and supplies and retail merchandise is recognized at the time of delivery to, or pick-up by, the customer. When rental equipment is sold, the related cost and accumulated depreciation are removed from the respective accounts. Proceeds from the sale and the related book value of the equipment sold are reported as revenue from rental equipment sales and cost of rental equipment sales, respectively, in the statements of operations.

Advertising

Advertising costs are charged to expense as incurred. For the period from August 14, 1997 (inception) to December 31, 1997, the Company incurred $171,000 of advertising costs.





Income taxes

The Company accounts for income taxes under the liability method pursuant to Statement of Financial Accounting Standards ("SFAS") No. 109, Accounting for Income Taxes. Under the liability method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company and its wholly owned subsidiaries file a consolidated federal income tax return.

Computation of earnings per share

In February 1997, the Financial Accounting Standards Board ("FASB") issued SFAS No. 128, Earnings Per Share. SFAS No. 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Under SFAS No. 128, basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Earnings per share amounts for all periods have been presented to conform with SFAS No. 128 and Staff Accounting Bulletin No. 98 (issued by the Securities and Exchange Commission in February 1998), which amends the determination of and accounting for "cheap stock" in periods prior to an initial public offering. The effect of dilutive securities is computed using the treasury stock method.

Stock split

During June 1998, the Company effected a 2,500-for-one split of its common stock. The accompanying consolidated financial statements reflect the stock split on a retroactive basis from the beginning of the periods presented.

Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash investments and accounts receivable. The Company maintains cash and cash equivalents with high quality financial institutions. Concentrations of credit risk with respect to accounts receivable are limited because a large number of diverse customers make up the Company's customer base. No single customer represents greater than 10% of total accounts receivable. The Company controls credit risk through credit approvals, credit limits, and monitoring procedures.

Stock based compensation

The Company accounts for stock compensation arrangements in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB No. 25") and accordingly, recognizes no compensation expense for the stock compensation arrangements since the stock options are granted at exercise prices at or greater than the fair value of the shares at the date of grant.

Unaudited interim consolidated financial statements

The accompanying consolidated balance sheet at March 31, 1998 and the consolidated statements of income, stockholders' equity and cash flows for the three months ended March 31, 1998 are unaudited and have been prepared on the same basis as the audited consolidated financial statements included herein. Such unaudited consolidated financial statements reflect all adjustments of a normal recurring nature which are, in the opinion of management, necessary for a fair presentation of financial results for the three months ended March 31, 1998, in accordance with generally accepted accounting principles for interim financial reporting.





Seasonality

The Company's initial acquisitions have been in the Midwest region of the United States. The Company's revenue and income are dependent upon the activity in the construction industry in the markets served by the Company. Construction activity is dependent upon weather and the traditional seasons for construction work. Because of this variability in demand, the Company's quarterly revenue may fluctuate, and revenue for the first quarter of each year can be expected to be lower than the remaining quarters. Although the Company believes that the historical trend in quarterly revenue for the second, third and fourth quarters of each year is generally higher than the first quarter, there can be no assurance that this will occur in future periods. Accordingly, quarterly or other interim results should not be considered indicative of results to be expected for any quarter or for the full year.

Impact of recently issued accounting standards

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income," and SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." The Company is required to adopt the provisions of these Statements in fiscal year 1998. SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components in a primary financial statement. The Company is currently evaluating the reporting formats recommended under this Statement. SFAS No. 131 establishes a new method by which companies will report operating segment information. This method requires disclosure of information which is based on the manner in which management organizes the segments within a company for making operating decisions and assessing performance. The Company continues to evaluate the provisions of SFAS No. 131 and, upon adoption, the Company may report operating segments. In April 1998, the American Institute of Certified Public Accountants issued Statement of Position No. 98-5 ("SOP 98-5"). SOP 98-5 requires that all non-governmental entities expense costs of start-up activities, including pre-operating, pre-opening and organization activities, as those costs are incurred. In the opinion of management, the adoption of this statement will have no impact on its statement of operations.

## 2. ACQUISITIONS

The Company is building a nationally branded network of equipment rental locations. Pursuant to this strategy, the Company has made five acquisitions during 1997. Consideration for these acquisitions has consisted of cash and debt payable to former owners. The acquisitions have been accounted for using the purchase method and, accordingly, the acquired assets and assumed liabilities, including goodwill, have been recorded at their estimated fair values as of the date of acquisition. Purchase accounting values for all acquisitions have been assigned on a preliminary basis, and are subject to adjustment when final information as to the fair values of the nets assets acquired is available. The operations of the acquired businesses have been included in the Company's consolidated statement of income since the date of each respective acquisition.

The following table sets forth businesses acquired during 1997 and the consideration paid:

| NAME OF BUSINESS | DATE OF ACQUISITION | TOTAL CONSIDERATION (IN THOUSANDS) |
|---|---|---|
| Sam's Equipment Rental, Inc. | August 31, 1997 | $23,431 |
| Ashland Rental and Sales, Inc. | November 18, 1997 | 2,221 |
| R. and R. Rental, Inc. | December 10, 1997 | 8,000 |
| C & E Rental and Service, Inc. | December 23, 1997 | 12,250 |
| Titan Rentals, Inc. | December 31, 1997 | 5,900 |
| Total | | $51,802 |





The following table sets forth the estimated fair value of the assets acquired and liabilities assumed for the above acquisitions (in thousands):

| | |
|---|---|
| Assets, including cash | $41,828 |
| Goodwill | 36,686 |
| Other intangibles | 599 |
| Liabilities | 27,311 |

The following table sets forth the unaudited pro forma consolidated results of operations for the year ended December 31, 1997 giving effect to the above acquisitions as if such acquisitions had occurred on January 1, 1997 (in thousands, except per share data):

| | |
|---|---|
| Revenue | $42,085 |
| Net income | 2,816 |
| Basic and diluted earnings per share | $ 0.11 |

The above unaudited pro forma consolidated results are based upon certain assumptions and estimates which the Company believes are reasonable. The unaudited pro forma consolidated results of operations may not be indicative of the operating results that actually would have been reported had the Company been in existence and had the acquisitions been consummated on January 1, 1997, nor are they necessarily indicative of results which will be reported in the future.

3. PROPERTY AND EQUIPMENT

Property and equipment, net consists of the following:

<TABLE>
<CAPTION>

| <S> | DECEMBER 31, 1997 <C> | MARCH 31, 1998 (UNAUDITED) <C> |
|---|---|---|
| | (IN THOUSANDS) | |
| Buildings and improvements | $ 96 | $ 60 |
| Furniture, fixtures and office equipment | 514 | 849 |
| Vehicles, delivery and shop equipment | 906 | 1,207 |
| Construction in process | 923 | 1,435 |
| | 2,439 | 3,551 |
| Less -- accumulated depreciation and amortization | (105) | (236) |
| Property and equipment, net | $2,334 | $3,315 |

</TABLE>





4. DEBT

Debt consists of the following:

<TABLE>
<CAPTION>

| <S> | DECEMBER 31, 1997 <C> | MARCH 31, 1998 (UNAUDITED) <C> |
|---|---|---|
| | (IN THOUSANDS) | |
| Subordinated promissory notes, bearing interest at 8.5%, interest payable quarterly and maturities through December 2000 | $ 6,091 | $ 5,943 |
| Subordinated convertible notes, bearing interest at 6.5%, interest payable quarterly and maturities through December 2002 | 11,090 | 11,090 |
| Mortgage payable, bearing interest at 9.5%, payable in monthly installments through July 2007 | 112 | 110 |
| Note payable, with interest at 8.25%, payable in monthly installments through August 1998 | 33 | 16 |
| Equipment notes, bearing interest at 6.0% to 9.25%, payable in various monthly installments through June 2000, secured by equipment | 5,144 | 8,971 |
| Notes payable to financial institutions | 20,458 | 26,100 |
| Total debt | $42,928 | $52,230 |

</TABLE>

The subordinated promissory notes and the subordinated convertible notes were issued in connection with the acquisitions of certain businesses. The convertible notes have features that allow the holder to convert the principal, or portion thereof, of the note into common stock in the event the Company completes an initial public offering ("IPO") of its common stock. Such principal would be converted into common stock at the IPO price. Certain convertible notes have provisions that prospectively increase the interest rates to 8.5% if the Company does not complete an IPO of its common stock before March 1999.

Notes payable to financial institutions at December 31, 1997 consist of amounts due under: (i) a $12,500,000 interest bearing term loan, with interest equal to the prime rate less 0.25%, payable in equal monthly installments of $20,833 and a final payment of $12,000,000 on September 22, 1999, (ii) a $6,000,000 interest bearing term loan, with interest equal to the prime rate less 0.25%, payable in equal monthly installments of $83,333 and a final payment of $5,500,000 on June 18, 1998 and (iii) a $2,000,000 revolving credit agreement, bearing interest equal to the prime rate less 0.25%, with the principal due on September 22, 1999. Each of the above notes imposes, among other covenants, an earnings to fixed charges covenant, a minimum net worth covenant and a liabilities to worth covenant, as defined. The notes also provide the financial institution with a security interest in all of the assets of the Company.

In March 1998, the Company entered into a $165,000,000 credit facility, as amended, with a syndicate of lenders to provide for cash borrowings and letters of credit. The credit facility has a three year term scheduled to expire on May 15, 2001. The credit facility can be used to complete permitted acquisitions, make capital expenditures, enter into standby letters of credit, or for working capital and other general corporate purposes. Cash borrowings bear interest at either the BankBoston base rate plus a percentage ranging from 0.00% to 0.50% or, at the Company's option, the Eurodollar market rate plus a percentage ranging from 1.50% to 2.75%. The percentage over the BankBoston base rate or the Eurodollar market rate is based on the Company's financial performance as measured by a total funded debt ratio (as defined in the credit facility). The credit facility provides the banks with a security interest in substantially all of the assets of the Company. The credit facility also imposes, among other covenants, a tangible assets to senior debt covenant, a restriction on all of the Company's retained earnings including the declaration and payment of cash dividends, consent requirements on certain acquisitions and a restriction on the ratio of total funded debt to earnings before interest, income taxes, deprecation and amortization. The proceeds from the credit facility





were used to repay substantially all of the notes payable to financial institutions that were outstanding at December 31, 1997.

The aggregate maturity of debt at December 31, 1997 for the five years ending December 31 is: 1998, $13,892,000; 1999, $17,039,000; 2000, $9,521,000; 2001, $184,000; 2002, $2,197,000; 2003 and thereafter, $95,000.

## 5. STOCKHOLDERS' EQUITY

### Preferred stock

The Company has authorized 5,000,000 shares of $0.01 par value preferred stock. No shares of preferred stock have been issued at December 31, 1997 or March 31, 1998 (unaudited). The rights and preferences of the preferred stock will be fixed by the Board of Directors at the time such shares are issued. The preferred stock, when issued, will have dividend and liquidation preferences over those of the common stockholders.

### Stock options

During 1997, the Company granted to certain employees options to purchase an aggregate of 282,527 shares of common stock, at exercise prices ranging from $2.96 to $4.40 per share. At December 31, 1997 all options granted during the year were outstanding and had a weighted average remaining contractual life of 9.93 years. The weighted average exercise price per share for these stock options was $3.54. The exercise price per share was based on the estimated fair value of the Company's common stock at the time of the grant. As such, no compensation cost will be recognized for these stock options. The above options become exercisable in equal 25% increments commencing on the first anniversity of date of the grant, and expire 10 years from the date of grant. Accordingly, no options were exercisable at December 31, 1997.

Pro forma information regarding net income and earnings per share is required by SFAS No. 123, which also requires that the information be determined as if the Company had accounted for its employee stock options granted subsequent to December 31, 1994 under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model. The following assumptions were used in the valuation: average expected life 7 years, expected volatility 0.75, risk free interest rate 6% and no dividends. The weighted average fair value of options granted during the year was $2.86.

For purposes of pro forma disclosures of net income and earnings per share, the estimated fair value of the options is amortized to expense over the options' vesting period, resulting in pro forma compensation expense of approximately $23,000 for the period from August 14, 1997 (inception) to December 31, 1997. The Company's pro forma net income for the period from August 14, 1997 (inception) to December 31, 1997 was $978,000 with pro forma diluted and basic net income per share of $0.04.

## 6. INCOME TAXES

The components of the provision for federal and state income taxes for the period from August 14, 1997 (inception) to December 31, 1997 are as follows (in thousands):

| | |
|---|---|
| Current | $409 |
| Deferred | 357 |
| | $766 |
| Federal | $602 |
| State | 164 |
| | $766 |





A reconciliation of the difference between the expected provision for income taxes using the statutory federal income tax rate of 34% and the Company's actual provision for the period from August 14, 1997 (inception) to December 31, 1997 is as follows:

| | |
|---|---|
| Federal statutory income tax rate | 34.0% |
| Add: | |
| Non-deductible goodwill amortization | 3.0 |
| State income taxes, net of federal tax benefit | 6.1 |
| Other, net | 0.3 |
| | 43.4% |

The components of deferred income tax liabilities (assets) at December 31, 1997 are as follows (in thousands):

| | |
|---|---|
| Depreciation and amortization differences | $2,766 |
| Accrued liabilities not deductible until paid | (761) |
| Bad debt provision not currently deductible | (233) |
| Change from cash to accrual basis for income tax reporting purposes | 773 |
| Net deferred income tax liabilities | $2,545 |

The provision for income taxes for the three months ended March 31, 1998 is calculated based on the Company's expected effective tax rate for the year ending December 31, 1998.

## 7. EARNINGS PER SHARE

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

| | PERIOD FROM AUGUST 14, 1997 (INCEPTION) TO DECEMBER 31, 1997 | THREE MONTHS ENDED MARCH 31, 1998 |
|---|---|---|
| | | (UNAUDITED) |
| | (IN THOUSANDS, EXCEPT PER SHARE DATA) | |
| Numerator: | | |
| Net income | $ 1,001 | $ 93 |
| Denominator: | | |
| Denominator for basic earnings per | | |

| | | |
|---|---|---|
| share -- weighted-average shares | 25,000 | 25,000 |
| Effect of dilutive securities: | | |
| Employee stock options | 7 | 69 |
| Denominator for diluted earnings per share -- adjusted weighted-average shares | 25,007 | 25,069 |
| Basic earnings per share | $ 0.04 | $ 0.00 |
| Diluted earnings per share | $ 0.04 | $ 0.00 |

</TABLE>

Options to purchase 113,752 shares of common stock at $4.40 per share were outstanding at December 31, 1997 but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average fair value of the common shares and, therefore, the effect would be antidilutive.





See Note 10 for a description of certain transactions occurring in 1998 that would have significantly changed the number of common shares outstanding at December 31, 1997 if these transactions had occurred before December 31, 1997.

## 8. RELATED PARTY TRANSACTIONS

The Company rents certain buildings from a related party. Such rental expense totaled $160,000 for the period from August 14, 1997 (inception) to December 31, 1997. One of the principal owners of the related party is an officer and director of the Company.

## 9. COMMITMENTS AND CONTINGENCIES

### Operating leases

The Company leases rental 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. Future minimum lease payments under noncancelable operating leases, including the related party lease discussed above, at December 31, 1997 total $1,108,000, $867,000, $555,000, $518,000 and $398,000 for the years ending December 31, 1998, 1999, 2000, 2001 and 2002, respectively. There are no payments under noncancelable operating leases subsequent to the year ending December 31, 2002.  Rent expense under noncancellable operating leases for the period from August 14, 1997 (inception) to December 31, 1997 was $410,000, including the related party lease discussed above.

### Legal matters

The Company is subject to claims and lawsuits in the ordinary course of its business. In the opinion of management, the Company has either adequate legal defense, indemnification for such matters from previous owners or is adequately covered by insurance. If not insured, such matters will not, in the aggregate, have a material adverse impact upon the Company's consolidated financial position, results of future operations or cash flows.

### Environmental matters

The Company and its operations are 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. As part of the Company's acquisition due diligence, the Company performs extensive environmental analysis. The remediation has typically been the responsibility of the prior owner and is addressed prior to closing. The Company does not believe there are currently any environmental liabilities which should be recorded or disclosed in its financial statements. The Company believes the possibility is remote that its compliance with various laws and regulations relating to the protection of the environment will have a material effect on its capital expenditures, future earnings or financial position.

## 10. SUBSEQUENT EVENTS

In June 1998, the founding stockholders of the Company made an additional capital contribution of $17,400,000. Also, in June 1998, the Company sold an aggregate of 5,118,694 shares of common stock in a private placement for aggregate proceeds of $27,600,000. Investors in the private placement include Company employees and associates of the founding stockholders of the Company. The March 31, 1998 pro forma column included in the accompanying consolidated balance sheets gives effect to the above transactions as if they occurred on March 31, 1998.





In May 1998, the Company received an unsecured subordinated loan in the amount of $17,400,000 (the "Huizenga Note") from Huizenga Investments Limited Partnership, an entity controlled by a current director and stockholder of the Company. The loan accrued interest at the prevailing prime rate which was payable quarterly. The loan had a maturity date of January 19, 2001. The loan was repaid, without any prepayment penalty, in its entirety on June 3, 1998 using the proceeds from the aforementioned additional capital contribution.

The Company has completed eleven acquisitions of rental equipment businesses since December 31, 1997 for aggregate consideration of $170,875,000. Such consideration consisted of $131,566,000 of cash, $39,309,000 of subordinated convertible debt and warrants to purchase approximately $800,000 of the Company's common stock at the IPO price. The cash portion of the consideration was funded through borrowings under the credit facility and the Huizenga Note. Each of the acquisitions has been accounted for using the purchase method. As only one of the 1998 acquisitions was completed prior to March 31, 1998, unaudited pro forma consolidated results of operations for the three months ended March 31, 1998, giving effect to that acquisition as if such acquisition occurred on January 1, 1998, would not be materially different than the unaudited historical results reported herein.

Subsequent to December 31, 1997, through April 20, 1998, the Company granted to certain employees options to purchase an aggregate of 805,044 shares of common stock, at exercise prices ranging from $4.40 to $6.69 per share. The weighted average exercise price per share for these stock options was $5.95. The exercise prices per share were based on the estimated fair value of the Company's common stock at the time of the grants. As such, no compensation cost will be recognized for these stock options.

In July 1998, the Company amended its credit facility to increase the limit for cash borrowings and letters of credit from $165,000,000 to $265,000,000.





## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To Gabriel Trailer Manufacturing Company, Inc.:

We have audited the accompanying consolidated balance sheets of Gabriel Trailer Manufacturing Company, Inc. and subsidiary (an Ohio corporation) as of March 31, 1997 and August 31, 1997, and the related consolidated statements of income, stockholders' equity and cash flows for the years ended March 31, 1996 and 1997 and for the period from April 1, 1997 through August 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 financial statements referred to above present fairly, in all material respects, the financial position of Gabriel Trailer Manufacturing Company, Inc. and subsidiary as of March 31, 1997 and August 31, 1997, and the results of their operations and their cash flows for the years ended March 31, 1996 and 1997 and for the period from April 1, 1997 through August 31, 1997 in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Fort Lauderdale, Florida,
May 8, 1998.





GABRIEL TRAILER MANUFACTURING COMPANY, INC.

CONSOLIDATED BALANCE SHEETS

| | MARCH 31, 1997 | AUGUST 31, 1997 |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents | $ 17,186 | $ 149,742 |
| Accounts receivable, net of allowances for doubtful accounts of $265,000 and $330,000 as of March 31, and August 31, 1997, respectively | 2,044,590 | 3,335,663 |
| Inventories | 947,322 | 991,902 |
| Due from affiliates | 1,421,199 | 1,357,990 |
| Rental equipment, net | 21,788,980 | 21,885,967 |
| Property, plant and equipment, net | 1,208,147 | 1,145,612 |
| Other assets | 186,704 | 221,186 |
| Total assets | $27,614,128 | $29,088,062 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| LIABILITIES: | | |
| Accounts payable | $ 1,739,231 | $ 422,591 |
| Accrued expenses and other liabilities | 1,667,030 | 1,759,464 |
| Debt | 16,100,269 | 16,558,863 |
| Income taxes payable | 1,491,129 | 1,423,026 |
| Deferred income taxes | 2,149,565 | 3,156,458 |
| Total liabilities | 23,147,224 | 23,320,402 |
| COMMITMENTS AND CONTINGENCIES (Notes 7, 8 and 10) | | |
| STOCKHOLDERS' EQUITY: | | |
| Common stock -- no par value, 10,000 shares authorized, issued and outstanding | 500 | 500 |
| Retained earnings | 4,466,404 | 5,767,160 |
| Total stockholders' equity | 4,466,904 | 5,767,660 |
| Total liabilities and stockholders' equity | $27,614,128 | $29,088,062 |

The accompanying notes to financial statements are an integral part of these balance sheets.





GABRIEL TRAILER MANUFACTURING COMPANY, INC.

CONSOLIDATED STATEMENTS OF INCOME

| | FOR THE YEAR ENDED MARCH 31, | | FOR THE PERIOD FROM APRIL 1, 1997 TO AUGUST 31, 1997 |
|---|---|---|---|
| | 1996 | 1997 | |
| REVENUE: | | | |
| Equipment rentals | $11,871,114 | $15,327,802 | $8,514,810 |
| Sales of equipment, parts and supplies | 4,301,865 | 4,177,194 | 1,204,708 |
| | 16,172,979 | 19,504,996 | 9,719,518 |
| COST OF REVENUE: | | | |
| Cost of equipment rentals, excluding | | | |

| | | | |
|---|---|---|---|
| depreciation | 4,379,534 | 6,029,585 | 2,192,790 |
| Rental equipment depreciation | 2,052,534 | 3,465,293 | 1,847,567 |
| Cost of sales of equipment, parts and supplies | 4,490,975 | 2,790,666 | 984,147 |
| | 10,923,043 | 12,285,544 | 5,024,504 |
| Gross profit | 5,249,936 | 7,219,452 | 4,695,014 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | 2,972,337 | 3,563,930 | 1,683,311 |
| NONRENTAL DEPRECIATION | 180,101 | 237,905 | 114,993 |
| Operating income | 2,097,498 | 3,417,617 | 2,896,710 |
| OTHER INCOME (EXPENSE): | | | |
| Interest expense | (582,807) | (866,284) | (580,107) |
| Interest income | 71,103 | 15,941 | 15,710 |
| Other, net | 125,468 | 187,044 | (77,597) |
| Total other income (expense), net | (386,236) | (663,299) | (641,994) |
| Income before provision for income taxes | 1,711,262 | 2,754,318 | 2,254,716 |
| PROVISION FOR INCOME TAXES | 732,793 | 1,127,416 | 938,790 |
| NET INCOME | $ 978,469 | $ 1,626,902 | $1,315,926 |

</TABLE>

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





GABRIEL TRAILER MANUFACTURING COMPANY, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

| | COMMON STOCK | | | | |
|---|---|---|---|---|---|
| | NUMBER OF SHARES | AMOUNT | TREASURY STOCK | RETAINED EARNINGS | TOTAL |
| <S> | <C> | <C> | <C> | <C> | <C> |
| BALANCE, April 1, 1995 | 10,000 | $500 | $(190,000) | $2,051,033 | $1,861,533 |
| Retirement of treasury stock | -- | -- | 190,000 | (190,000) | -- |
| Net income | -- | -- | -- | 978,469 | 978,469 |
| BALANCE, March 31, 1996 | 10,000 | 500 | -- | 2,839,502 | 2,840,002 |
| Net income | -- | -- | -- | 1,626,902 | 1,626,902 |
| BALANCE, March 31, 1997 | 10,000 | 500 | -- | 4,466,404 | 4,466,904 |
| Distribution | -- | -- | -- | (15,170) | (15,170) |
| Net income | -- | -- | -- | 1,315,926 | 1,315,926 |
| BALANCE, August 31, 1997 | 10,000 | $500 | $ -- | $5,767,160 | $5,767,660 |

</TABLE>

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





GABRIEL TRAILER MANUFACTURING COMPANY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED MARCH 31, | | FOR THE PERIOD FROM APRIL 1, 1997 TO AUGUST 31, |
|---|---|---|---|
| | 1996 | 1997 | 1997 |
| <S> | <C> | <C> | <C> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income | $ 978,469 | $ 1,626,902 | $ 1,315,926 |
| Adjustments to reconcile net income to net cash | | | |

| | | | |
|---|---|---|---|
| provided by operating activities -- | | | |
| Depreciation | 2,232,635 | 3,703,200 | 1,962,560 |
| (Gain) loss on sale of assets | 16,202 | (68,548) | 84,020 |
| Deferred income taxes | 486,450 | 809,283 | 1,006,893 |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | (309,761) | (688,006) | (1,291,073) |
| Inventories | (122,582) | (187,075) | (44,580) |
| Other assets | (41,962) | 8,601 | (93,296) |
| Accounts payable | 244,241 | 777,122 | (1,316,640) |
| Accrued expenses and other liabilities | 446,252 | 503,630 | 92,434 |
| Income taxes payable | 246,343 | 318,133 | (68,103) |
| Net cash provided by operating activities | 4,176,287 | 6,803,242 | 1,648,141 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchases of property and equipment | (494,684) | (516,029) | (63,792) |
| Proceeds from sale of property and equipment | 314,097 | 17,560 | 8,733 |
| Purchases of rental equipment | (8,799,248) | (8,101,137) | (1,775,155) |
| Proceeds from sale of rental equipment | 916,403 | 1,326,510 | 136,685 |
| Net cash used in investing activities | (8,063,432) | (7,273,096) | (1,693,529) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from debt | 12,823,899 | 17,922,405 | 4,843,858 |
| Repayments of debt | (8,658,333) | (14,417,413) | (3,651,766) |
| Payments of equipment financings | -- | (1,928,097) | (1,045,871) |
| (Advances to) repayments from affiliates, net | (316,721) | (1,094,105) | 31,723 |
| Net cash provided by financing activities | 3,848,845 | 482,790 | 177,944 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (38,300) | 12,936 | 132,556 |
| CASH AND CASH EQUIVALENTS, beginning of period | 42,550 | 4,250 | 17,186 |
| CASH AND CASH EQUIVALENTS, end of period | $ 4,250 | $ 17,186 | $ 149,742 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | | |
| Cash paid for interest | $ 553,206 | $ 821,349 | $ 546,085 |
| SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES: | | | |
| Equipment financing | $ -- | $ 4,637,084 | $ 387,503 |
| Property dividends | $ -- | $ -- | $ 15,170 |

</TABLE>

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





GABRIEL TRAILER MANUFACTURING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1997 AND AUGUST 31, 1997

1. ORGANIZATION AND BASIS OF PRESENTATION:

Gabriel Trailer Manufacturing Company, Inc. ("Gabriel") (together with its subsidiary, the "Company") was incorporated in March 1970 to manufacture, buy, sell and deal in trailer equipment, other related equipment and parts and accessories. Gabriel's wholly-owned subsidiary, Sam's Equipment Rental, Inc. was formed for the purpose of renting and leasing construction related equipment. The Company currently rents a broad array of equipment to a diverse customer base including construction industry participants, industrial companies, homeowners and others. The Company also engages in related activities such as selling used equipment, acting as a distributor for certain new and used equipment, and selling related merchandise and parts. The nature of the Company's business is such that short-term obligations are typically met by cash flow generated from long-term assets. Consequently, consistent with industry practice, the accompanying balance sheets are presented on an unclassified basis.

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All significant intercompany accounts and transactions have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Cash equivalents

The Company considers all highly liquid instruments with an original maturity of three months or less when purchased to be cash equivalents. At March 31, 1997 and August 31, 1997, the Company had no cash equivalents.

Inventories

Inventories consist of equipment, tools, parts, fuel and related rental equipment supplies and accessories. Inventories are stated at the lower of cost or market.

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 useful lives estimated by management for rental equipment is five to seven years. Ordinary maintenance and repair costs are charged to operations as incurred.

Revenue recognition

Revenue related to the sale of equipment, parts and supplies is recognized at the point of sale. Revenue related to the rental of equipment is recognized over the contract term.

Property, plant and equipment

Property, plant and equipment is recorded at cost and depreciated over the estimated useful life using the straight-line method. The range of useful lives estimated by management for property, plant and equipment is three to forty years. Ordinary maintenance and repair costs are charged to operations as incurred.

Impairment of long-lived assets

The Company periodically reviews its valuation for long-lived assets used in operations when indicators of impairment are present. If the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount, the Company records impairment as required under generally accepted accounting principles. No such impairment losses were incurred for the periods presented.





Fair value of financial instruments

The carrying amounts reported in the accompanying consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and other liabilities approximate fair value as of March 31, 1997 and August 31, 1997.

Income taxes

The Company follows Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," which requires, among other things, recognition of future tax effects measured at enacted rates attributable to deductible temporary differences between financial statement and income tax bases of assets and liabilities to the extent that realization of said effects is more likely than not.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash investments and accounts receivable. The Company maintains cash and cash equivalents with high quality financial institutions. Concentrations of credit risk with respect to accounts receivable are limited because a large number of diverse customers make up the Company's customer base. No single customer represents greater than 10% of total accounts receivable. The Company controls credit risk through credit approvals, credit limits and monitoring procedures.

3. RENTAL EQUIPMENT:

Rental equipment and related accumulated depreciation consist of the following:

| | MARCH 31, 1997 | AUGUST 31, 1997 |
|---|---|---|
| Rental equipment | $28,790,435 | $30,641,146 |
| Less -- accumulated depreciation | 7,001,455 | 8,755,179 |
| Rental equipment, net | $21,788,980 | $21,885,967 |

4. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment consists of the following:

| | MARCH 31, 1997 | AUGUST 31, 1997 |
|---|---|---|
| Land | $ 49,863 | $ 49,863 |
| Building | 757,816 | 757,816 |
| Furniture and fixtures | 355,131 | 339,593 |
| Vehicles | 1,134,204 | 1,113,193 |
| | 2,297,014 | 2,260,465 |
| Less -- accumulated depreciation | (1,088,867) | (1,114,853) |
| Property, plant and equipment, net | $ 1,208,147 | $ 1,145,612 |





5. ACCRUED EXPENSES AND OTHER LIABILITIES:

Accrued expenses and other liabilities consists of the following:

| | MARCH 31, 1997 | AUGUST 31, 1997 |
|---|---|---|
| Personal property taxes | $1,044,423 | $1,172,905 |
| Payroll-related | 231,274 | 188,246 |
| Tax penalties and interest | 248,000 | 248,000 |
| Other | 143,333 | 150,313 |
| Accrued expenses and other liabilities | $1,667,030 | $1,759,464 |

6. DEBT:

Debt consists of the following:

| | MARCH 31, 1997 | AUGUST 31, 1997 |
|---|---|---|
| Lines of credit, with borrowings up to $6.3 million, secured by substantially all of the Company's assets, interest ranging from 8.25% to 8.50%, payable in monthly installments through September 1997 | $ 4,091,315 | $ 5,497,095 |
| Revolving term loans, secured by substantially all of the Company's assets, interest ranging from 8.25% to | | |

| | | |
|---|---|---|
| 8.90%, payable in monthly installments through January 2000 | 6,444,444 | 6,233,334 |
| Equipment notes, secured by rental equipment, interest ranging from 6.90% to 9.00%, payable in monthly installments through June 2000 | 5,312,900 | 4,656,172 |
| Mortgages payable, secured by real estate, interest ranging from 6.75% to 9.50%, payable in monthly installments through August 2005 | 161,798 | 113,936 |
| Note payable to related party, secured by life insurance policy on officer, interest at 8.25%, payable in monthly installments through August 1998 | 89,812 | 58,326 |
| Total debt | $16,100,269 | $16,558,863 |

</TABLE>

Maturities of the Company's debt at August 31, 1997, for the years ended August 31, are as follows:

<TABLE>

| <S> | <C> |
|---|---|
| 1998 | $14,155,433 |
| 1999 | 1,677,753 |
| 2000 | 636,277 |
| 2001 | 9,853 |
| 2002 | 10,831 |
| Thereafter | 68,716 |
| | $16,558,863 |

</TABLE>





GABRIEL TRAILER MANUFACTURING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

7. INCOME TAXES:

The provision for Federal and state income taxes is as follows:

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED MARCH 31, 1996 | FOR THE YEAR ENDED MARCH 31, 1997 | FOR THE PERIOD FROM APRIL 1, 1997 TO AUGUST 31, 1997 |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Current | $246,343 | $ 318,133 | $ (68,103) |
| Deferred | 486,450 | 809,283 | 1,006,893 |
| | $732,793 | $1,127,416 | $ 938,790 |
| Federal | $575,542 | $ 885,481 | $ 737,333 |
| State | 157,251 | 241,935 | 201,457 |
| | $732,793 | $1,127,416 | $ 938,790 |

</TABLE>

A reconciliation of the difference between the expected provision for income taxes using the statutory Federal income tax rate of 34% and the Company's actual provision is as follows:

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED MARCH 31, 1996 | FOR THE YEAR ENDED MARCH 31, 1997 | FOR THE PERIOD FROM APRIL 1, 1997 TO AUGUST 31, 1997 |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Provision at the statutory tax rate | $581,829 | $ 936,468 | $766,603 |
| State income taxes | 103,786 | 159,677 | 132,962 |
| Nondeductible expenses | 47,178 | 31,271 | 39,225 |
| | $732,793 | $1,127,416 | $938,790 |

</TABLE>

Deferred income taxes arise primarily due to temporary differences in recognizing certain revenues and expenses for tax purposes and the use of accelerated depreciation for tax purposes. The components of the deferred income tax liabilities are as follows:

| | MARCH 31, 1997 | AUGUST 31, 1997 |
|---|---|---|
| Depreciation of property and equipment and rental equipment | $2,211,443 | $2,708,783 |
| Accrued liabilities | (871,739) | (349,825) |
| Accounts receivable | 809,861 | (118,830) |
| Section 481 cash to accrual election change | -- | 916,330 |
| Deferred income tax liability | $2,149,565 | $3,156,458 |

The Company's income tax returns and related payments for the years ended March 31, 1995, 1996 and 1997 were not filed on a timely basis. It is not possible to predict the ultimate outcome of the Company's penalties for failure to file, and pay on a timely basis and underpayment. The Company has estimated an approximate liability of $175,000, which is included in accrued expenses and other liabilities.

8. COMMITMENTS AND CONTINGENCIES:

Operating Leases

The Company leases rental 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. The leases cover several operating locations and expire at various dates through September 2002. Future minimum lease payments to related and unrelated third parties, by





year and in the aggregate, at August 31, 1997 for noncancelable operating leases with initial or remaining terms of one year or more are as follows:

| | RELATED PARTY | OTHER | TOTAL |
|---|---|---|---|
| 1998 | $ 480,000 | $328,322 | $ 808,322 |
| 1999 | 368,000 | 228,866 | 596,866 |
| 2000 | 256,000 | 67,821 | 323,821 |
| 2001 | 192,000 | -- | 192,000 |
| 2002 | 8,000 | -- | 8,000 |
| Total | $1,304,000 | $625,009 | $1,929,009 |

</TABLE>

Rent expense under noncancelable operating leases for the years ended March 31, 1996 and 1997 and the period from April 1, 1997 through August 31, 1997 is $784,354, $1,098,234 and $423,798, respectively. Included in total rent expense is rent to a related party of approximately $280,000, $357,000 and $200,000 for the years ended March 31, 1996 and 1997 and the period from April 1, 1997 through August 31, 1997, respectively.

Litigation, Claims and Assessments

From time to time, the Company may be engaged in routine litigation and disputes incidental to its business. The Company does not believe that the ultimate resolution of any of these matters will have a material adverse effect on the accompanying financial statements.

9. EMPLOYEE BENEFIT PLAN:

The Company has a 401(k) defined contribution profit-sharing plan under which employees having worked a minimum of twelve months are eligible to participate. Employer contributions, which are discretionary and depend on the Company's profitability, were approximately $54,600, $70,100 and $47,700 for the years ended March 31, 1996 and 1997 and for the period from April 1, 1997 through August 31, 1997, respectively.

10. SUBSEQUENT EVENT:

Effective September 1, 1997, all of the outstanding stock of the Company was purchased by NationsRent, Inc., an unrelated third party, in exchange for cash and debt.





REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To R. and R. Rental, Inc.:

We have audited the accompanying balance sheet of R. and R. Rental, Inc. (an Ohio S corporation) at December 10, 1997, and the related statements of operations, stockholder's equity and cash flows for the period from January 1, 1997 through December 10, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of R. and R. Rental, Inc. at December 10, 1997, and the results of its operations and its cash flows for the period from January 1, 1997 through December 10, 1997 in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Fort Lauderdale, Florida,
May 8, 1998.





R. AND R. RENTAL, INC.

BALANCE SHEET

AS OF DECEMBER 10, 1997

<TABLE>

| <S> | <C> |
|---|---|
| ASSETS | |
| Cash and cash equivalents | $ 193,714 |
| Accounts receivable, net of allowance for doubtful accounts of $150,000 | 649,193 |
| Inventories | 928,962 |
| Rental equipment, net | 4,002,825 |
| Property and equipment, net | 267,903 |
| Other assets | 3,400 |
| Total assets | $6,045,997 |
| LIABILITIES AND STOCKHOLDER'S EQUITY | |
| LIABILITIES: | |
| Accounts payable | $ 15,354 |
| Accrued expenses and other liabilities | 108,996 |
| Note payable | 1,523,139 |
| Total liabilities | 1,647,489 |
| COMMITMENTS AND CONTINGENCIES (Notes 7 and 9) | |
| STOCKHOLDER'S EQUITY: | |
| Common stock -- no par value, 250 shares authorized, issued and outstanding | 500 |

| | |
|---|---|
| Additional paid-in capital | 5,327,477 |
| Accumulated deficit | (929,469) |
| Total stockholder's equity | 4,398,508 |
| Total liabilities and stockholder's equity | $6,045,997 |

</TABLE>

The accompanying notes to financial statements are an integral part of this balance sheet.





R. AND R. RENTAL, INC.

STATEMENT OF OPERATIONS

FOR THE PERIOD FROM JANUARY 1, 1997 THROUGH DECEMBER 10, 1997

<TABLE>

| <S> | <C> |
|---|---|
| REVENUE: | |
| Equipment rentals | $2,409,518 |
| Sales of equipment, parts and supplies | 2,106,695 |
| | 4,516,213 |
| COST OF REVENUE: | |
| Cost of equipment rentals, excluding depreciation | 1,398,174 |
| Rental equipment depreciation | 630,548 |
| Cost of sales of equipment, parts and supplies | 1,808,076 |
| | 3,836,798 |
| Gross profit | 679,415 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | 715,140 |
| NONRENTAL DEPRECIATION | 76,630 |
| Operating loss | (112,355) |
| OTHER INCOME (EXPENSE): | |
| Interest expense | (79,579) |
| Other income | 29,829 |
| Total other income (expense), net | (49,750) |
| NET LOSS | $ (162,105) |

</TABLE>

The accompanying notes to financial statements are an integral part of this statement.





R. AND R. RENTAL, INC.

STATEMENT OF STOCKHOLDER'S EQUITY

FOR THE PERIOD FROM JANUARY 1, 1997 THROUGH DECEMBER 10, 1997

<TABLE>
<CAPTION>

| <S> | COMMON STOCK NUMBER OF SHARES <C> | COMMON STOCK AMOUNT <C> | ADDITIONAL PAID-IN CAPITAL <C> | ACCUMULATED DEFICIT <C> | TOTAL <C> |
|---|---|---|---|---|---|
| BALANCE, January 1, 1997 | 250 | $500 | $3,761,380 | $(767,364) | $2,994,516 |
| Capital contributions | -- | -- | 1,566,097 | -- | 1,566,097 |
| Net loss | -- | -- | -- | (162,105) | (162,105) |
| BALANCE, December 10, 1997 | 250 | $500 | $5,327,477 | $(929,469) | $4,398,508 |

</TABLE>

The accompanying notes to financial statements are an integral part of this statement.

R. AND R. RENTAL, INC.

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM JANUARY 1, 1997 THROUGH DECEMBER 10, 1997

| | |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Net loss | $ (162,105) |
| Adjustments to reconcile net loss to net cash used in operating activities: | |
| Depreciation and amortization | 707,178 |
| Loss on sale of rental equipment | 65,326 |
| Changes in operating assets and liabilities: | |
| Accounts receivable | (40,271) |
| Inventories | (298,639) |
| Other assets | 4,523 |
| Accounts payable | (382,070) |
| Accrued expenses and other liabilities | 28,016 |
| Net cash used in operating activities | (78,042) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Purchases of rental equipment | (2,208,233) |
| Purchases of property and equipment | (96,568) |
| Proceeds from sale of rental equipment | 307,793 |
| Net cash used in investing activities | (1,997,008) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | |
| Proceeds from note payable | 1,523,139 |
| Repayments of note payable | (935,609) |
| Capital contributions | 1,566,097 |
| Net cash provided by financing activities | 2,153,627 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 78,577 |
| CASH AND CASH EQUIVALENTS, beginning of period | 115,137 |
| CASH AND CASH EQUIVALENTS, end of period | $ 193,714 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | |
| Cash paid for interest | $ 79,579 |

The accompanying notes to financial statements are an integral part of this statement.





R. AND R. RENTAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 10, 1997

1. ORGANIZATION AND BASIS OF PRESENTATION

R. and R. Rentals, Inc. (the "Company") was incorporated in July 1988 in the State of Ohio. The Company rents a broad array of equipment to a diverse customer base that includes construction industry participants, industrial companies, homeowners and others. The Company also engages in related activities such as selling used equipment, acting as a distributor for certain new equipment and selling related merchandise and parts. The nature of the Company's business is such that short-term obligations are typically met by cash flow generated from long-term assets. Consequently, consistent with industry practice, the accompanying balance sheet is presented on an unclassified basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents. At December 10, 1997, the Company had no cash equivalents.

Inventories

Inventories consist of equipment, tools, parts, fuel and related equipment supplies and accessories inventories are stated at the lower of weighted average cost or market.

Rental equipment

Rental equipment is recorded at cost and depreciated over the estimated useful lives of the equipment using the straight-line method. The useful life estimated by management for rental equipment is seven years. Ordinary maintenance and repair costs are charged to operations as incurred.

Revenue recognition

Revenue related to the sale of equipment is recognized at the point of sale. Revenue related to equipment rental is recognized over the contract term.

Property and equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. The range of useful lives estimated by management for property and equipment is three to fifteen years. Ordinary maintenance and repair costs are charged to operations as incurred.

Impairment of long-lived assets

The Company periodically reviews its valuation for long-lived assets used in operations when indicators of impairment are present. If the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount, the Company records impairment as required under generally accepted accounting principles. No such impairment losses were incurred for the periods presented.

Fair value of financial instruments

The carrying amounts reported in the balance sheet for cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and other liabilities and note payable approximate fair value as of December 10, 1997.





Income taxes

The Company is an S corporation for income tax purposes. Accordingly, income, losses and related temporary differences which arise in the recording of income and expense items for financial reporting and tax reporting purposes are included in the individual tax return of the stockholder. Therefore, no provision or liability for Federal and state income taxes has been included in the accompanying financial statements.

On a pro forma basis, the Company would have had a tax benefit, however it would have been fully offset by a valuation allowance as the benefit would not have achieved the realization requirements of Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes."

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash investments and accounts receivable. The Company maintains cash and cash equivalents with high quality financial institutions. Concentrations of credit risk with respect to accounts receivable are limited because a large number of diverse customers make up the Company's customer base. No single customer represents greater than 10% of total accounts receivable. The Company controls credit risk through credit approvals, credit limits, and monitoring procedures.

3. RENTAL EQUIPMENT

Rental equipment and related accumulated depreciation as of December 10, 1997, consist of the following:

| | |
|---|---|
| Rental equipment | $ 5,349,321 |
| Less -- accumulated depreciation | (1,346,496) |
| Rental equipment, net | $ 4,002,825 |

4. PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 10, 1997, is as follows:

| | |
|---|---|
| Trucks and autos | $ 255,842 |
| Furniture and fixtures | 147,333 |
| Computer equipment | 81,986 |
| Leasehold improvements | 38,466 |
| | 523,627 |
| Less -- accumulated depreciation | (255,724) |
| Property and equipment, net | $ 267,903 |





5. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities as of December 10, 1997, consists of the following:

| | |
|---|---|
| Accrued property taxes | $100,000 |
| Payroll-related | 8,996 |
| Accrued expenses and other liabilities | $108,996 |

6. DEBT

The Company entered into a demand promissory note bearing interest at prime (8.5% at December 10, 1997), with interest payable quarterly. This note is secured by substantially all of the Company's rental equipment. The note had an outstanding balance of $1,523,139 at December 10, 1997.

7. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases various automobiles under operating leases. Future minimum lease payments, by year and in the aggregate, for noncancelable operating leases with initial or remaining terms of one year or more are as follows at December 10, 1997 for the following years ended December 10:

| | |
|---|---|
| 1998 | $30,044 |
| 1999 | 17,875 |
| 2000 | 6,186 |
| Total | $54,105 |

Expense under these operating leases for the period ended December 10, 1997 was $44,493 and is included under selling, general and administrative expenses in the accompanying statement of operations.

Litigation, Claims and Assessments

From time to time, the Company may be engaged in routine litigation and disputes incidental to its business. The Company does not believe that the ultimate resolution of any of these matters will have a material adverse effect on the accompanying financial statements.

8. RELATED PARTY TRANSACTIONS

The Company leases two buildings from the stockholder under monthly operating leases. For the period ended December 10, 1997, rent expense totaled approximately $56,500 and is included under selling, general and administrative expenses in the accompanying statement of operations.

9. SUBSEQUENT EVENT

Effective December 11, 1997, substantially all of the Company's operating assets and liabilities were purchased by NationsRent, Inc., an unrelated third party, in exchange for cash and debt.

The demand promissory note of $1,523,139 at December 10, 1997 was paid off by the stockholder of the Company with proceeds from the purchase of the Company's assets and liabilities.





REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To C & E Rental and Service, Inc.:

We have audited the accompanying balance sheets of C & E Rental and Service, Inc. (an Indiana S corporation) as of December 31, 1996 and December 22, 1997, and the related statements of income, stockholder's equity and cash flows for the year ended December 31, 1996 and the period from January 1, 1997 through December 22, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 financial statements referred to above present fairly, in all material respects, the financial position of C & E Rental and Service, Inc. as of December 31, 1996 and December 22, 1997, and the results of its operations and its cash flows for the year ended December 31, 1996 and the period from January 1, 1997 through December 22, 1997 in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Fort Lauderdale, Florida,
May 8, 1998.





C & E RENTAL AND SERVICE, INC.

BALANCE SHEETS

<TABLE>
<CAPTION>

| | DECEMBER 31, 1996 | DECEMBER 22, 1997 |
|---|---|---|
| <S> | <C> | <C> |
| ASSETS | | |
| Cash and cash equivalents | $ 43,390 | $ 184,318 |
| Accounts receivable, net of allowances for doubtful accounts of $81,011 and $109,973 as of December 31, 1996, and December 22, 1997, respectively | 705,695 | 701,156 |
| Inventories | 134,491 | 213,934 |
| Due from affiliate | 372,115 | -- |
| Rental equipment, net | 2,202,833 | 3,022,154 |
| Property and equipment, net | 394,665 | 621,734 |
| Other assets | 30,357 | 32,543 |
| Total assets | $3,883,546 | $4,775,839 |

## LIABILITIES AND STOCKHOLDER'S EQUITY

| | | |
|---|---|---|
| LIABILITIES: | | |
| Accounts payable | $ 194,278 | $ 205,403 |
| Accrued expenses and other liabilities | 198,443 | 185,087 |
| Debt | 1,284,908 | 922,856 |
| Total liabilities | 1,677,629 | 1,313,346 |
| COMMITMENTS AND CONTINGENCIES (Notes 8 and 10) | | |
| STOCKHOLDER'S EQUITY: | | |
| Common stock -- no par value, 1,000 shares authorized, issued and outstanding | 200,000 | 200,000 |
| Retained earnings | 2,588,781 | 3,845,357 |
| Less: Treasury stock -- 500 shares at cost | (582,864) | (582,864) |
| Total stockholder's equity | 2,205,917 | 3,462,493 |
| Total liabilities and stockholder's equity | $3,883,546 | $4,775,839 |

</TABLE>

The accompanying notes to financial statements are an integral part of these balance sheets.



# C & E RENTAL AND SERVICE, INC.

## STATEMENTS OF INCOME

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED DECEMBER 31, 1996 | FOR THE PERIOD FROM JANUARY 1, 1997 TO DECEMBER 22, 1997 |
|---|---|---|
| <S> | <C> | <C> |
| REVENUE: | | |
| Equipment rentals | $4,395,313 | $4,506,274 |
| Sales of equipment, parts and supplies | 1,961,510 | 2,638,935 |
| Other | 115,115 | 128,586 |
| | 6,471,938 | 7,273,795 |
| COST OF REVENUE: | | |
| Cost of equipment rentals, excluding depreciation | 1,752,011 | 1,846,084 |
| Rental equipment depreciation | 637,210 | 765,518 |
| Cost of sales of equipment, parts and supplies | 1,352,831 | 1,791,275 |
| | 3,742,052 | 4,402,877 |
| Gross profit | 2,729,886 | 2,870,918 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | 1,760,595 | 1,417,097 |
| NONRENTAL DEPRECIATION AND AMORTIZATION | 136,897 | 157,252 |
| Operating income | 832,394 | 1,296,569 |
| OTHER INCOME (EXPENSE): | | |
| Interest expense | (115,243) | (101,218) |
| Other, net | 51,580 | 61,225 |
| Total other income (expense), net | (63,663) | (39,993) |
| Net income | 768,731 | 1,256,576 |
| PRO FORMA PROVISION FOR INCOME TAX | 307,492 | 502,630 |
| PRO FORMA NET INCOME | $ 461,239 | $ 753,946 |

</TABLE>

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

C & E RENTAL AND SERVICE, INC.

STATEMENTS OF STOCKHOLDER'S EQUITY

FOR THE YEAR ENDED DECEMBER 31, 1996 AND

THE PERIOD FROM JANUARY 1, 1997 TO DECEMBER 22, 1997

| | COMMON STOCK | | | | |
|---|---|---|---|---|---|
| | NUMBER OF SHARES | AMOUNT | RETAINED EARNINGS | TREASURY STOCK | TOTAL |
| BALANCE, January 1, 1996 | 1,000 | $200,000 | $1,820,050 | $(582,864) | $1,437,186 |
| Net income | -- | -- | 768,731 | -- | 768,731 |
| BALANCE, December 31, 1996 | 1,000 | 200,000 | 2,588,781 | (582,864) | 2,205,917 |
| Net income | -- | -- | 1,256,576 | -- | 1,256,576 |
| BALANCE, December 22, 1997 | 1,000 | $200,000 | $3,845,357 | $(582,864) | $3,462,493 |

The accompanying notes to financial statements are an integral part of this statement.





C & E RENTAL AND SERVICE, INC.

STATEMENTS OF CASH FLOWS

| | FOR THE YEAR ENDED DECEMBER 31, 1996 | FOR THE PERIOD FROM JANUARY 1, 1997 TO DECEMBER 22, 1997 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $ 768,731 | $ 1,256,576 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 774,107 | 922,770 |
| Gain on sale of assets | (473,908) | (705,063) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | (199,095) | 4,539 |
| Inventories | 15,644 | (79,443) |
| Other assets | 7,146 | (2,186) |
| Accounts payable | 65,384 | 11,125 |
| Accrued expenses and other liabilities | (21,052) | (13,356) |
| Net cash provided by operating activities | 936,957 | 1,394,962 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of rental equipment | (1,609,651) | (2,848,230) |
| Proceeds from sale of rental equipment | 1,271,362 | 1,968,454 |
| Purchases of property and equipment | (102,209) | (384,321) |
| Net cash used in investing activities | (440,498) | (1,264,097) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from debt | 612,000 | 1,488,000 |
| Repayments of debt | (734,711) | (1,850,052) |
| Payments from (advances to) affiliate | (372,115) | 372,115 |
| Net cash provided by (used in) financing activities | (494,826) | 10,063 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,633 | 140,928 |
| CASH AND CASH EQUIVALENTS, beginning of period | 41,757 | 43,390 |
| CASH AND CASH EQUIVALENTS, end of period | $ 43,390 | $ 184,318 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid for interest | $ 115,243 | $ 101,218 |

</TABLE>

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





C & E RENTAL AND SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1996 AND DECEMBER 22, 1997

1. ORGANIZATION AND BASIS OF PRESENTATION

C & E Rental and Service, Inc. ("C & E Rental" or the "Company", formerly Bob's Rental & Supply, Inc.), was incorporated in the State of Indiana in August 1959 and is engaged in the rental of a broad array of equipment to a diverse customer base that includes construction industry participants, industrial companies, homeowners and others. The Company also engages in related activities such as selling new and used equipment, related merchandise and parts. The nature of the Company's business is such that short-term obligations are typically met by cash flow generated from long-term assets. Consequently, consistent with industry practice, the accompanying balance sheets are presented on an unclassified basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents. At December 31, 1996 and December 22, 1997, the Company had no cash equivalents.

Inventories

Inventories consist of equipment, tools, parts, fuel and related supply items. Inventories are stated at the lower of cost (first-in, first-out) or market.

Rental equipment

Rental equipment is recorded at cost and depreciated over the estimated useful lives of the equipment using an accelerated method. The useful life estimated by management for rental equipment is seven years. Ordinary maintenance and repair costs are charged to operations as incurred.

Property and equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives using straight-line and accelerated methods. Ordinary maintenance and repair costs are charged to operations as incurred. The range of useful lives estimated by management for property and equipment is as follows:

<TABLE>
<CAPTION>

| <S> | YEARS <C> |
|---|---|
| Machinery and equipment | 5 |
| Furniture and fixtures | 5 |
| Autos and trucks | 5 |
| Buildings | 20 - 30 |
| Leasehold improvements | Life of lease |

</TABLE>

Impairment of long-lived assets

The Company periodically reviews its valuation for long-lived assets used in operations when indicators of impairment are present. If the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount, the Company records impairment as required under generally accepted accounting principles. No such impairment losses were incurred for the periods presented.

Fair value of financial instruments

The carrying amounts reported in the accompanying balance sheets for cash and cash equivalents, accounts receivable, accounts payable and accrued expenses and other liabilities approximate fair value as of December 31, 1996 and December 22, 1997 and approximates the carrying value of such debt.

Revenue recognition

Revenue related to the sale of equipment, parts and supplies is recognized at the point of sale. Revenue related to rental equipment is recognized over the contract term.

Income taxes

The Company is an S corporation for income tax purposes. Accordingly, income, losses and related temporary differences which arise in the recording of income and expense items for financial reporting and tax reporting purposes are included in the individual tax return of the stockholder. Therefore, no provision or liability for Federal and state income taxes has been included in the accompanying financial statements.

The pro forma adjustment to reflect income taxes in the accompanying statements of income is for informational purposes only. The pro forma provision for income tax has been provided at the estimated effective rate of 40%.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash investments and accounts receivable. The Company maintains cash and cash equivalents with high quality financial institutions. Concentrations of credit risk with respect to accounts receivable are limited because a large number of diverse customers make up the Company's customer base. No single customer represents greater than 10% of total accounts receivable. The Company controls credit risk through credit approvals, credit limits and monitoring procedures.

3. RENTAL EQUIPMENT

Rental equipment and related accumulated depreciation consist of the following:

<TABLE>
<CAPTION>

| <S> | DECEMBER 31, 1996 <C> | DECEMBER 22, 1997 <C> |
|---|---|---|
| Rental equipment | $ 4,245,254 | $ 5,275,468 |
| Less -- accumulated depreciation | (2,042,421) | (2,253,314) |
| Rental equipment, net | $ 2,202,833 | $ 3,022,154 |

</TABLE>





4. PROPERTY AND EQUIPMENT

A summary of property and equipment consists of the following:

<TABLE>
<CAPTION>

| <S> | DECEMBER 31, 1996 <C> | DECEMBER 22, 1997 <C> |
|---|---|---|
| Machinery and equipment | $ 26,190 | $ 47,614 |
| Furniture and fixtures | 153,241 | 245,779 |

| | | |
|---|---|---|
| Autos and trucks | 406,528 | 479,348 |
| Buildings | 349,743 | 349,743 |
| Leasehold improvements | -- | 195,351 |
| Land | 88,566 | 89,430 |
| | 1,024,268 | 1,407,265 |
| Less -- accumulated depreciation | (629,603) | (785,531) |
| Property and equipment, net | $ 394,665 | $ 621,734 |

</TABLE>

5. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consists of the following:

<TABLE>
<CAPTION>

| <S> | DECEMBER 31, 1996 <C> | DECEMBER 22, 1997 <C> |
|---|---|---|
| Payroll-related | $100,640 | $ 70,069 |
| Sales, property and other taxes | 97,803 | 115,018 |
| Accrued expenses and other liabilities | $198,443 | $185,087 |

</TABLE>

6. DEBT

Debt consists of the following:

<TABLE>
<CAPTION>

| <S> | DECEMBER 31, 1996 <C> | DECEMBER 22, 1997 <C> |
|---|---|---|
| Line of credit, with borrowings up to $950,000, secured by substantially all of the Company's business assets, interest at 9.00% and 8.75%, as of 1996 and 1997, respectively, payable in monthly installments through November 1998 | $ 227,000 | $150,000 |
| Promissory note, secured by substantially all of the Company's business assets, interest at 8.00%, payable in monthly installments of $15,775 through July 2001 | 712,908 | 587,539 |
| Note payable to officer, unsecured, interest at 9.50% and 9.00%, as of 1996 and 1997, respectively, payable in December 1997 | 345,000 | 65,000 |
| Note payable to bank, secured by certain real property, interest at 8.75%, payable in monthly installments of $1,583 through May 2000 | -- | 120,317 |
| Total debt | $1,284,908 | $922,856 |

</TABLE>





C & E RENTAL AND SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Maturities of the Company's debt at December 22, 1997, for the years ended December 22, are as follows:

<TABLE>

| <S> | <C> |
|---|---|
| 1998 | $371,459 |
| 1999 | 169,516 |
| 2000 | 275,014 |
| 2001 | 106,867 |
| Total | $922,856 |

</TABLE>

7. RELATED-PARTY TRANSACTIONS

In addition to the note payable to officer, described in Note 6, the Company made a $372,115 advance to an affiliated company during 1996 which is reflected as due from affiliate in the accompanying balance sheet as of December 31, 1996. The advance was repaid in 1997. During 1997, the Company entered into a monthly operating lease with the same affiliated company for one of its buildings. For the period ended December 22, 1997, such rental expense totaled approximately $40,000.

## 8. COMMITMENTS AND CONTINGENCIES

### Operating Leases

The Company leases real estate under operating leases. Certain leases require the Company to pay maintenance, insurance, taxes and certain other expenses in addition to the stated rentals. Future minimum lease payments, by year and in the aggregate, for noncancelable operating leases with initial or remaining terms of one year or more are as follows at December 22, 1997:

| | |
|---|---|
| 1998 | $54,600 |
| 1999 | 28,935 |
| Total | $83,535 |

Rent expense under operating leases for the year ended December 31, 1996 and the period ended December 22, 1997 were approximately $46,800 and $94,600, respectively.

### Litigation, Claims and Assessments

From time to time, the Company may be engaged in routine litigation and disputes incidental to its business. The Company does not believe that the ultimate resolution of any of these matters will have a material adverse effect on the accompanying financial statements.

## 9. EMPLOYEE BENEFIT PLAN

The Company has a contributory 401(k) profit-sharing plan under which substantially all full-time employees are eligible to participate. Employer contributions were approximately $51,000 and $61,000 for 1996 and 1997, respectively.

## 10. SUBSEQUENT EVENT

Effective December 23, 1997, substantially all of the Company's operating assets and liabilities were purchased by NationsRent, Inc., an unaffiliated third party, in exchange for cash and debt.





## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To Titan Rentals, Inc.:

We have audited the accompanying balance sheet of Titan Rentals, Inc. (a West Virginia corporation) as of December 30, 1997, and the related statements of income, stockholders' equity and cash flows for the period from January 1, 1997 through December 30, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Titan Rentals, Inc. as of December 30, 1997, and the results of its operations and its cash flows for the period from January 1, 1997 through December 30, 1997 in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Fort Lauderdale, Florida,
May 6, 1998.

TITAN RENTALS, INC.

BALANCE SHEET

AS OF DECEMBER 30, 1997

| | |
|---|---|
| ASSETS | |
| Cash and cash equivalents | $ 249,470 |
| Accounts receivable, net of allowance for doubtful accounts of $37,360 | 637,253 |
| Inventories | 93,120 |
| Prepaid expenses and other assets | 117,205 |
| Rental equipment, net | 1,132,746 |
| Property and equipment, net | 73,305 |
| Income taxes receivable | 70,352 |
| Total assets | $2,373,451 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | |
| LIABILITIES: | |
| Accounts payable | $ 105,384 |
| Accrued expenses and other liabilities | 97,354 |
| Debt | 501,612 |
| Deferred income taxes | 194,307 |
| Total liabilities | 898,657 |
| COMMITMENTS AND CONTINGENCIES (Notes 9 and 11) | |
| STOCKHOLDERS' EQUITY: | |
| Common stock -- $1,000 par value, 1,000 shares authorized, 155 shares issued and outstanding | 155,000 |
| Retained earnings | 1,319,794 |
| Total stockholders' equity | 1,474,794 |
| Total liabilities and stockholders' equity | $2,373,451 |

The accompanying notes to financial statements are an integral part of this balance sheet.





TITAN RENTALS, INC.

STATEMENT OF INCOME

FOR THE PERIOD FROM JANUARY 1, 1997 THROUGH DECEMBER 30, 1997

| | |
|---|---|
| REVENUE: | |
| Equipment rentals | $1,926,760 |
| Sales of equipment, parts and supplies | 2,991,843 |
| Other | 50,611 |
| | 4,969,214 |
| COST OF REVENUE: | |
| Cost of equipment rentals, excluding depreciation | 1,302,454 |
| Rental equipment depreciation | 302,271 |
| Cost of sales of equipment, parts and supplies | 2,043,201 |
| | 3,647,926 |
| Gross profit | 1,321,288 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | 823,906 |
| NONRENTAL DEPRECIATION AND AMORTIZATION | 16,048 |
| Operating income | 481,334 |
| OTHER INCOME (EXPENSE): | |
| Interest expense | (33,579) |
| Other expense | (7,438) |

| | |
|---|---|
| Total other income (expense), net | (41,017) |
| Income before provision for income tax | 440,317 |
| PROVISION FOR INCOME TAX | 168,085 |
| NET INCOME | $ 272,232 |

</TABLE>

The accompanying notes to financial statements are an integral part of this statement.





TITAN RENTALS, INC.

STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE PERIOD FROM JANUARY 1, 1997 THROUGH DECEMBER 30, 1997

<TABLE>
<CAPTION>

| | COMMON STOCK | | | |
|---|---|---|---|---|
| | NUMBER OF SHARES | AMOUNT | RETAINED EARNINGS | TOTAL |
| <S> | <C> | <C> | <C> | <C> |
| BALANCE, January 1, 1997 | 155 | $155,000 | $1,047,562 | $1,202,562 |
| Net income | -- | -- | 272,232 | 272,232 |
| BALANCE, December 30, 1997 | 155 | $155,000 | $1,319,794 | $1,474,794 |

</TABLE>

The accompanying notes to financial statements are an integral part of this statement.





TITAN RENTALS, INC.

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM JANUARY 1, 1997 THROUGH DECEMBER 30, 1997

<TABLE>

| <S> | <C> |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Net income | $ 272,232 |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Depreciation and amortization | 318,319 |
| Gain on sale of rental equipment | (666,617) |
| Deferred income taxes | 56,199 |
| Changes in operating assets and liabilities: | |
| Accounts receivable | (72,740) |
| Inventories | (5,430) |
| Prepaid expenses and other assets | 49,703 |
| Income taxes receivable | (41,127) |
| Accounts payable | (184,448) |
| Accrued expenses and other liabilities | 49,522 |
| Net cash used in operating activities | (224,387) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Purchases of rental equipment | (1,063,670) |
| Purchases of property and equipment | (61,822) |
| Proceeds from sale of rental equipment | 1,510,660 |
| Net cash provided by investing activities | 385,168 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | |
| Proceeds from debt | 417,271 |
| Repayments of debt | (578,759) |
| Net cash used in financing activities | (161,488) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (707) |
| CASH AND CASH EQUIVALENTS, beginning of period | 250,177 |

| | |
|---|---|
| CASH AND CASH EQUIVALENTS, end of period | $ 249,470 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | |
| Cash paid for interest | $ 33,579 |
| Cash paid for income taxes | $ 154,467 |

</TABLE>

The accompanying notes to financial statements are an integral part of this statement.





TITAN RENTALS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 30, 1997

1. ORGANIZATION AND BASIS OF PRESENTATION

Titan Rentals, Inc. (the "Company") was incorporated in the state of West Virginia in January 1990 for the purpose of creating an equipment rental company. The Company rents a broad array of equipment to a diverse customer base that includes construction industry participants, industrial companies, homeowners and others. The Company also engages in related activities such as selling used equipment, acting as a distributor for certain new equipment and selling related merchandise and parts. The nature of the Company's business is such that short-term obligations are typically met by cash flow generated from long-term assets. Consequently, consistent with industry practice, the accompanying balance sheet is presented on an unclassified basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents. At December 30, 1997, the Company had no cash equivalents.

Inventories

Inventories consist of equipment, tools, parts, fuel and related supply items. Inventories are stated at the lower of average cost or market.

Rental equipment

Rental equipment is recorded at cost and depreciated over the estimated useful lives of the equipment using accelerated and straight-line methods. The range of useful lives estimated by management for rental equipment is three to seven years. Rental equipment having a cost of $500 or less is expensed at the time of purchase. Ordinary maintenance and repair costs are charged to operations as incurred.

Revenue recognition

Revenue related to the sale of equipment, parts and supplies is recognized at the point of sale. Revenue related to rental equipment is recognized over the contract term.

Property and equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives using accelerated and straight-line methods. The range of useful lives estimated by management for property and equipment is five to seven years. Ordinary maintenance and repair costs are charged to operations as incurred.

Impairment of long-lived assets

The Company periodically reviews its valuation for long-lived assets used in operations when indicators of impairment are present. If the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount, the Company records impairment as required under generally accepted accounting principles. No such impairment losses were incurred for the periods presented.

Fair value of financial instruments

The carrying amounts reported in the accompanying balance sheet for cash and cash equivalents, accounts receivable, income taxes receivable, accounts payable, accrued expenses and other liabilities and debt approximate fair value as of December 30, 1997 and approximates the carrying value of such debt.

Income taxes

The Company follows Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," which requires, among other things, recognition of future tax effects measured at enacted rates attributable to deductible temporary differences between financial statement and income tax bases of assets and liabilities to the extent that realization of said effects is more likely than not.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash investments and accounts receivable. The Company maintains cash and cash equivalents with high quality financial institutions. Concentrations of credit risk with respect to accounts receivable are limited because a large number of diverse customers make up the Company's customer base. No single customer represents greater than 10% of total accounts receivable. The Company controls credit risk through credit approvals, credit limits and monitoring procedures.

3. RENTAL EQUIPMENT

As of December 30, 1997, rental equipment and related accumulated depreciation consist of the following:

<TABLE>

| <S> | <C> |
|---|---|
| Rental equipment | $1,491,084 |
| Less -- accumulated depreciation | (358,338) |
| Rental equipment, net | $1,132,746 |

</TABLE>

4. PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 30, 1997, is as follows:

<TABLE>

| <S> | <C> |
|---|---|
| Furniture, fixtures and office equipment | $121,175 |
| Less -- accumulated depreciation | (47,870) |
| Property and equipment, net | $ 73,305 |

</TABLE>







5. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities as of December 30, 1997, consists of the following:

<TABLE>

| <S> | <C> |
|---|---|
| Payroll-related | $12,746 |
| Property and sales tax | 30,469 |
| Other | 54,139 |

| | |
|---|---|
| Accrued expenses and other liabilities | $97,354 |

6. DEBT

As of December 30, 1997, debt consists of the following:

| | |
|---|---|
| Line of credit, secured by accounts receivable and inventory, interest at prime plus .50% (9.5% at December 30, 1997), payable in monthly installments through December 2002 | $ 33,303 |
| Equipment notes, secured by equipment, interest from 7.90% to 9.25%, payable in various monthly installments through January 2000 | 468,309 |
| Total debt | $501,612 |

Maturities of the Company's debt at December 30, 1997, for the years ended December 30, are as follows:

| | |
|---|---|
| 1998 | $247,731 |
| 1999 | 158,804 |
| 2000 | 95,077 |
| Total | $501,612 |

7. INCOME TAXES

The provision for Federal and state income taxes for the period from January 1, 1997 through December 30, 1997, is as follows:

| | |
|---|---|
| Current | $111,886 |
| Deferred | 56,199 |
| | $168,085 |
| Federal | $112,552 |
| State | 55,533 |
| | $168,085 |

A reconciliation of the difference between the expected provision for income taxes for the period from January 1, 1997 through December 30, 1997, using the statutory federal income tax rate of 34% and the Company's effective tax rate is as follows:

| | |
|---|---|
| Provision at statutory tax rate | $149,700 |
| State income taxes, net of federal benefit | 36,652 |
| Other | (18,267) |
| | $168,085 |





The components of deferred income tax assets and (liabilities) as of December 30, 1997, are as follows:

| | |
|---|---|
| Accrued liabilities | $ 22,000 |

| | |
|---|---|
| Accounts receivable | (36,504) |
| Prepaid expenses | (13,429) |
| Property and equipment | (166,374) |
| Deferred tax liability | $(194,307) |

</TABLE>

8. RELATED-PARTY TRANSACTIONS

Effective January 1, 1994, the Company entered into a lease with a related party to lease its office and operating facilities. The minimum annual rental payments amount to $84,000 per year and are paid on a month-to-month basis.

The accompanying financial statements include revenue of $173,499 for the period from January 1, 1997 through December 30, 1997 and outstanding accounts receivable as of December 30, 1997 of $24,117 related to sales to a related party.

9. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases rental equipment under operating leases. Future minimum lease payments, by year and in the aggregate, for noncancelable operating leases with initial or remaining terms of one year or more are as follows at December 30, 1997:

<TABLE>

| <S> | <C> |
|---|---|
| 1998 | $74,292 |
| 1999 | 39,893 |

</TABLE>

Rental equipment expense under noncancelable operating leases was $74,292 for the period from January 1, 1997 through December 30, 1997.

Litigation, Claims and Assessments

From time to time, the Company may be engaged in routine litigation and disputes incidental to its business. The Company does not believe that the ultimate resolution of any of these matters will have a material adverse effect on the accompanying financial statements.

10. EMPLOYEE BENEFIT PLAN

The Company has a defined contribution profit-sharing plan under which employees having worked a minimum of twelve months are eligible to participate. Employer contributions, which are discretionary and depend on the Company's profitability, were approximately $49,000 for 1997.

11. SUBSEQUENT EVENT

Effective December 31, 1997, all of the outstanding stock of the Company was purchased by NationsRent, Inc., an unrelated third party, in exchange for cash and debt.





REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To The Bode-Finn Company:

We have audited the accompanying balance sheets of The Bode-Finn Company (an Ohio corporation) as of December 31, 1996 and 1997, and the related statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 financial statements referred to above present fairly, in all material respects, the financial position of The Bode-Finn Company as of

December 31, 1996 and 1997, and the results of its operations and cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Fort Lauderdale, Florida,
May 12, 1998.





THE BODE-FINN COMPANY

BALANCE SHEETS

| | DECEMBER 31, 1996 | DECEMBER 31, 1997 | MARCH 31, 1998 (UNAUDITED) |
|---|---|---|---|
| ASSETS | | | |
| Cash and cash equivalents | $ 244,625 | $ 398,042 | $ 887,170 |
| Accounts receivable, net of allowance for doubtful accounts of $770,000, $760,000 and $798,180 (unaudited) for 1996, 1997 and 1998, respectively | 8,013,745 | 7,840,930 | 7,250,208 |
| Inventories, net | 4,635,371 | 3,823,388 | 4,855,835 |
| Rental equipment, net | 20,438,368 | 21,560,523 | 21,920,589 |
| Property and equipment, net | 1,041,681 | 956,768 | 989,588 |
| Other assets | 879,378 | 886,487 | 849,219 |
| Total assets | $35,253,168 | $35,466,138 | $36,752,609 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| LIABILITIES: | | | |
| Accounts payable | $ 3,951,392 | $ 2,350,332 | $ 3,921,807 |
| Accrued expenses and other liabilities | 4,623,823 | 5,374,820 | 5,094,374 |
| Debt | 16,407,989 | 16,086,500 | 15,839,363 |
| Total liabilities | 24,983,204 | 23,811,652 | 24,855,544 |
| COMMITMENTS AND CONTINGENCIES (Notes 9 and 12) | | | |
| STOCKHOLDERS' EQUITY: | | | |
| Common stock, no par value, 2,500 shares authorized, 1,250 shares issued and outstanding | 125,000 | 125,000 | 125,000 |
| Retained earnings | 10,144,964 | 11,529,486 | 11,772,065 |
| Total stockholders' equity | 10,269,964 | 11,654,486 | 11,897,065 |
| Total liabilities and stockholders' equity | $35,253,168 | $35,466,138 | $36,752,609 |

The accompanying notes to financial statements are an integral part of these balance sheets.





THE BODE-FINN COMPANY

STATEMENTS OF INCOME

| | FOR THE YEAR ENDED DECEMBER 31, 1995 | 1996 | 1997 | FOR THE THREE MONTH PERIOD ENDED MARCH 31, 1997 (UNAUDITED) | 1998 (UNAUDITED) |
|---|---|---|---|---|---|
| REVENUE: | | | | | |
| Equipment rentals | $18,231,447 | $19,772,670 | $20,211,679 | $ 4,742,679 | $ 4,687,176 |

| | | | | | |
|---|---|---|---|---|---|
| Sales of equipment, parts and supplies | 26,599,122 | 32,722,336 | 33,821,681 | 7,324,630 | 8,254,837 |
| Service and other | 5,468,525 | 6,251,936 | 7,216,815 | 1,753,068 | 1,768,973 |
| | 50,299,094 | 58,746,942 | 61,250,175 | 13,820,377 | 14,710,986 |
| COST OF REVENUE: | | | | | |
| Cost of equipment rentals, excluding depreciation | 4,771,698 | 5,229,390 | 4,978,411 | 1,323,300 | 1,399,440 |
| Rental equipment depreciation | 5,436,903 | 6,515,970 | 7,265,763 | 1,745,328 | 1,832,972 |
| Cost of sales of equipment, parts and supplies | 20,161,831 | 25,937,735 | 26,425,012 | 5,752,417 | 6,177,680 |
| Other | 2,052,764 | 1,895,993 | 2,159,402 | 589,033 | 576,602 |
| | 32,423,196 | 39,579,088 | 40,828,588 | 9,410,078 | 9,986,694 |
| Gross profit | 17,875,898 | 19,167,854 | 20,421,587 | 4,410,299 | 4,724,292 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | 14,093,787 | 15,443,249 | 16,596,595 | 3,755,319 | 3,964,404 |
| NONRENTAL DEPRECIATION AND AMORTIZATION | 205,564 | 260,652 | 256,808 | 72,853 | 61,814 |
| Operating income | 3,576,547 | 3,463,953 | 3,568,184 | 582,127 | 698,074 |
| OTHER INCOME (EXPENSE): | | | | | |
| Interest expense | (1,329,494) | (1,494,310) | (1,601,831) | (349,526) | (379,571) |
| Other income | 227,106 | 212,218 | 347,947 | 39,326 | 85,795 |
| Other income (expense), net | (1,102,388) | (1,282,092) | (1,253,884) | (310,200) | (293,776) |
| Income before provision for income taxes | 2,474,159 | 2,181,861 | 2,314,300 | 271,927 | 404,298 |
| PROVISION FOR INCOME TAXES | 1,036,771 | 936,241 | 929,778 | 137,461 | 161,719 |
| NET INCOME | $ 1,437,388 | $ 1,245,620 | $ 1,384,522 | $ 134,466 | $ 242,579 |

</TABLE>

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





THE BODE-FINN COMPANY

STATEMENTS OF STOCKHOLDERS' EQUITY

FOR EACH OF THE THREE YEARS ENDED DECEMBER 31, 1997

AND THE THREE MONTH PERIOD ENDED MARCH 31, 1998 (UNAUDITED)

<TABLE>
<CAPTION>

| | COMMON STOCK | | | |
|---|---|---|---|---|
| | NUMBER OF SHARES | AMOUNT | RETAINED EARNINGS | TOTAL STOCKHOLDERS' EQUITY |
| <S> | <C> | <C> | <C> | <C> |
| BALANCE, January 1, 1995 | 1,250 | $125,000 | $ 7,461,956 | $ 7,586,956 |
| Net income | -- | -- | 1,437,388 | 1,437,388 |
| BALANCE, December 31, 1995 | 1,250 | 125,000 | 8,899,344 | 9,024,344 |
| Net income | -- | -- | 1,245,620 | 1,245,620 |
| BALANCE, December 31, 1996 | 1,250 | 125,000 | 10,144,964 | 10,269,964 |
| Net income | -- | -- | 1,384,522 | 1,384,522 |
| BALANCE, December 31, 1997 | 1,250 | 125,000 | 11,529,486 | 11,654,486 |
| Net income (unaudited) | -- | -- | 242,579 | 242,579 |
| BALANCE, March 31, 1998 (unaudited) | 1,250 | $125,000 | $11,772,065 | $11,897,065 |

</TABLE>

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

THE BODE-FINN COMPANY

STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED DECEMBER 31, | | | FOR THE THREE MONTH PERIOD ENDED MARCH 31, | |
|---|---|---|---|---|---|
| | 1995 | 1996 | 1997 | 1997 | 1998 |
| | | | | (UNAUDITED) | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Net income.......................... | $ 1,437,388 | $ 1,245,620 | $ 1,384,522 | $ 134,466 | $ 242,579 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | | |
| Depreciation and amortization..... | 5,642,467 | 6,776,622 | 7,522,571 | 1,818,181 | 1,899,786 |
| Provision for bad debts........... | 291,256 | 413,151 | 244,184 | 54,550 | 57,169 |
| Provision for inventory obsolescence.................... | -- | -- | 50,000 | -- | -- |
| Gain on sale of rental equipment...................... | (618,322) | (712,961) | (800,940) | (121,132) | (131,185) |
| (Gain) loss on sale of property and equipment.................. | 740 | (22,522) | (230,537) | 1,231 | (29,649) |
| Changes in operating assets and liabilities: | | | | | |
| Accounts receivable............ | (220,880) | (810,847) | (71,369) | 390,384 | 533,553 |
| Inventories..................... | (1,359,110) | 1,198,655 | 1,614,587 | 553,534 | (795,309) |
| Other assets.................... | 275,012 | 140,938 | (7,109) | (16,922) | 37,268 |
| Accounts payable................ | 604,748 | 1,179,194 | (1,601,060) | (1,008,860) | 1,571,475 |
| Accrued expenses and other liabilities................. | 383,309 | (274,895) | 750,997 | 141,046 | (280,446) |
| Total adjustments........... | 4,999,220 | 7,887,335 | 7,471,324 | 1,812,012 | 2,862,662 |
| Net cash provided by operating activities....... | 6,436,608 | 9,132,955 | 8,855,846 | 1,946,478 | 3,105,241 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Purchases of rental equipment... | (10,733,785) | (10,254,290) | (10,364,431) | (2,720,488) | (2,588,134) |
| Purchases of property and equipment................... | (419,435) | (702,564) | (211,398) | (43,803) | (101,984) |
| Proceeds from sale of rental equipment.................. | 1,690,437 | 1,850,831 | 1,736,844 | 283,554 | 289,142 |
| Proceeds from sale of property and equipment............... | 16,422 | 42,378 | 458,045 | 1,200 | 32,000 |
| Net cash used in investing activities................ | (9,446,361) | (9,063,645) | (8,380,940) | (2,479,537) | (2,368,976) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | | |
| Proceeds from debt............... | 8,236,990 | 10,797,136 | 17,437,380 | 18,054,160 | 758,150 |
| Repayments of debt............... | (5,331,819) | (10,831,673) | (17,758,869) | (17,066,355) | (1,005,287) |
| Net cash provided by (used in) financing activities........... | 2,905,171 | (34,537) | (321,489) | 987,805 | (247,137) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.................... | (104,582) | 34,773 | 153,417 | 454,746 | 489,128 |
| CASH AND CASH EQUIVALENTS, beginning of period.......................... | 314,434 | 209,852 | 244,625 | 244,625 | 398,042 |
| CASH AND CASH EQUIVALENTS, end of period............................. | $ 209,852 | $ 244,625 | $ 398,042 | $ 699,371 | $ 887,170 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | | | | |
| Cash paid for interest............. | $ 1,441,462 | $ $1,476,730 | $ 1,582,877 | $ 349,380 | $ 373,420 |
| Cash paid for income taxes.......... | $ 832,954 | $ 915,026 | $ 812,481 | $ 98,200 | $ 88,000 |

</TABLE>

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





THE BODE-FINN COMPANY

1. ORGANIZATION AND BASIS OF PRESENTATION:

The Bode-Finn Company (the "Company") was incorporated in Ohio in January 1938. The Company rents a broad array of equipment to a diverse customer base that includes construction industry participants, industrial companies and others in the states of Ohio, Kentucky, West Virginia and Indiana. The Company also engages in related activities such as selling used equipment, acting as a distributor for certain new equipment and selling related merchandise and parts. The nature of the Company's business is such that short-term obligations are typically met by cash flow generated from long-term assets. Consequently, consistent with industry practice, the accompanying audited and unaudited balance sheets are presented on an unclassified basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents.

Inventories

Inventories consist of equipment, parts and related supply items. New and used equipment inventories are stated at the lower of cost (determined using a first-in, first-out "FIFO" basis) or market. Parts inventories are determined using a combination of the last-in, first-out "LIFO" and FIFO methods and are stated at replacement cost which approximates market.

Rental equipment

Rental equipment is recorded at cost and depreciated over the estimated useful lives of the equipment using an accelerated method. The range of useful lives estimated by management for rental equipment is five to seven years. Rental equipment is depreciated to a salvage value of ten to twenty percent of cost. Rental equipment having a cost of $2,000 or less is expensed at the time of purchase. Ordinary maintenance and repair costs are charged to operations as incurred.

Revenue recognition

Revenue related to the sale of equipment, parts and supplies is recognized at the point of sale. Revenue related to rental equipment is recognized over the contract term.

Property and equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives using an accelerated method. The range of useful lives estimated by management for property and equipment is two to thirty-nine years. Property and equipment is depreciated to a salvage value of zero to twenty percent of cost. Ordinary maintenance and repair costs are charged to operations as incurred.

Impairment of long-lived assets

The Company periodically reviews its valuation for long-lived assets used in operations when indicators of impairment are present. If the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount, the Company records impairment as required under generally accepted accounting principles. No such impairment losses were incurred for the periods presented.





Fair value of financial instruments

The carrying amounts for accounts receivable, accounts payable and accrued expenses and other liabilities approximate fair value due to the short-term nature of these accounts. The fair value of debt is determined using current interest rates for similar instruments as of December 31, 1996 and 1997 and approximates the carrying value of these notes due to the fact that the underlying instruments include provisions to adjust note balances and interest rates to approximate fair market value.

Income taxes

The Company follows Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," which requires, among other things, recognition of future tax benefits measured at enacted rates attributable to deductible temporary differences between financial statement and income tax bases of assets and liabilities and to tax net operating loss carryforwards to the extent that realization of said benefits is more likely than not.

Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash investments and accounts receivable. The Company maintains cash and cash equivalents with high quality financial institutions. Concentrations of credit risk with respect to accounts receivable are limited because a large number of geographically diverse customers make up the Company's customer base. No single customer represents greater than 10% of total accounts receivable. The Company controls credit risk through credit approvals, credit limits, and monitoring procedures.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Interim financial information

In the opinion of management, the unaudited interim financial information as of March 31, 1998 and for the three month periods ended March 31, 1997 and 1998 furnished herein reflects all adjustments consisting of normal recurring accruals that, in the opinion of management, are necessary for a fair presentation of the results for the interim period. The results of operations for the three months ended March 31, 1998 are not necessarily indicative of the results to be expected for the entire year.

3. INVENTORIES:

Inventories are comprised of the following:

<TABLE>
<CAPTION>

| | DECEMBER 31, | | MARCH 31, |
|---|---|---|---|
| | 1996 | 1997 | 1998 |
| | | | (UNAUDITED) |
| <S> | <C> | <C> | <C> |
| New and used equipment, FIFO............ | $ 2,581,561 | $ 1,590,860 | $ 2,319,053 |
| Parts, LIFO............................. | 645,076 | 801,055 | 747,327 |
| Parts, FIFO............................. | 900,780 | 901,854 | 921,799 |
| Work in progress, at cost............... | 682,954 | 754,619 | 1,092,656 |
| Allowance for obsolete inventory......... | (175,000) | (225,000) | (225,000) |
| Total inventories, net......... | $ 4,635,371 | $ 3,823,388 | $ 4,855,835 |

</TABLE>





The current costs, determined by using the FIFO basis, of LIFO inventories was $1,122,383, $1,301,380 and $1,247,652 (unaudited) at December 31, 1996 and 1997 and March 31, 1998.

4. RENTAL EQUIPMENT:

Rental equipment and related accumulated depreciation consist of the following:

<TABLE>
<CAPTION>

| | DECEMBER 31, | | MARCH 31, |
|---|---|---|---|
| | 1996 | 1997 | 1998 |
| | | | (UNAUDITED) |

| <S> | <C> | <C> | <C> |
|---|---|---|---|
| Rental equipment | $ 46,719,676 | $ 50,299,100 | $ 51,198,041 |
| Less -- accumulated depreciation | (26,281,308) | (28,738,577) | (29,277,452) |
| Rental equipment, net | $ 20,438,368 | $ 21,560,523 | $ 21,920,589 |

</TABLE>

5. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

<TABLE>
<CAPTION>

| | DECEMBER 31, | | MARCH 31, |
|---|---|---|---|
| | 1996 | 1997 | 1998 |
| | | | (UNAUDITED) |
| <S> | <C> | <C> | <C> |
| Furniture, fixtures and office equipment | $ 3,728,682 | $ 3,588,314 | $ 3,621,218 |
| Less -- accumulated depreciation | (2,687,001) | (2,631,546) | (2,631,630) |
| Property and equipment, net | $ 1,041,681 | $ 956,768 | $ 989,588 |

</TABLE>

6. ACCRUED EXPENSES AND OTHER LIABILITIES:

Accrued expenses and other liabilities consists of the following:

<TABLE>
<CAPTION>

| | DECEMBER 31, | | MARCH 31, |
|---|---|---|---|
| | 1996 | 1997 | 1998 |
| | | | (UNAUDITED) |
| <S> | <C> | <C> | <C> |
| Compensation and payroll-related | $2,083,332 | $2,422,240 | $1,723,623 |
| Deferred income-rental and maintenance | 777,237 | 955,808 | 999,391 |
| Taxes | 532,373 | 698,314 | 737,698 |
| Medical insurance reserve | 232,256 | 302,381 | 302,381 |
| Other | 998,625 | 996,077 | 1,331,281 |
| Accrued expenses and other liabilities | $4,623,823 | $5,374,820 | $5,094,374 |

</TABLE>





7. DEBT:

Debt consists of the following:

<TABLE>
<CAPTION>

| | DECEMBER 31, | | MARCH 31, |
|---|---|---|---|
| | 1996 | 1997 | 1998 |
| | | | (UNAUDITED) |
| <S> | <C> | <C> | <C> |
| Notes payable, unsecured, interest at 6%, payable on demand | $ 28,095 | $ 35,525 | $ 43,675 |
| Revolving $7,000,000 credit agreement, secured by rental equipment and inventory, interest at prime, 8.5% at December 31, 1997 and March 31, 1998 (unaudited), due 1999 | -- | 2,950,000 | 3,350,000 |
| Revolving $15,000,000 credit agreement, secured by rental equipment and inventory, interest at 9.25%, payable in monthly installments through February 2003 | -- | 12,916,670 | 12,291,674 |
| Revolving $8,000,000 credit agreement, secured by rental equipment and inventory, interest at prime 8.5% at December 31, | | | |

| | | | |
|---|---|---|---|
| 1997 and March 31, 1998 (unaudited), repaid during 1997........................ | 6,650,000 | -- | -- |
| Notes payable, secured by rental equipment and inventory, interest at prime plus 1/2% (9.0% at December 31, 1997 and March 31, 1998 (unaudited)), payable in monthly installments, repaid during 1997.......... | 9,123,939 | -- | -- |
| Note payable, secured by property and equipment, interest at 9.1%, payable in monthly installments, repaid during 1997.................................... | 317,337 | -- | -- |
| Rental equipment notes, secured by rental equipment and inventory, interest from 8.5% to 10.5%, payable in various monthly installments through 2001................ | 288,618 | 184,305 | 154,014 |
| | ----------- | ----------- | ----------- |
| Total debt........................ | $16,407,989 | $16,086,500 | $15,839,363 |
| | =========== | =========== | =========== |

</TABLE>

Maturities of the Company's debt at December 31, 1997 for the years ended December 31, are as follows:

<TABLE>

| <S> | <C> |
|---|---|
| 1998...................................................... | $ 2,610,563 |
| 1999...................................................... | 5,497,943 |
| 2000...................................................... | 2,536,997 |
| 2001...................................................... | 2,524,034 |
| 2002...................................................... | 2,500,297 |
| 2003 and thereafter....................................... | 416,666 |
| | ----------- |
| | $16,086,500 |
| | =========== |

</TABLE>





8. INCOME TAXES:

The provision (benefit) for Federal and state income taxes is as follows:

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED DECEMBER 31, | | | FOR THE THREE MONTH PERIOD ENDED MARCH 31, | |
|---|---|---|---|---|---|
| | 1995 | 1996 | 1997 | 1997 | 1998 |
| | | | | (UNAUDITED) | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Current................................... | $ 800,518 | $1,157,016 | $828,793 | $128,263 | $150,404 |
| Deferred.................................. | 236,253 | (220,775) | 100,985 | 9,198 | 11,315 |
| | ---------- | ---------- | -------- | -------- | -------- |
| | $1,036,771 | $ 936,241 | $929,778 | $137,461 | $161,719 |
| | ========== | ========== | ======== | ======== | ======== |
| Federal................................... | $ 888,321 | $ 805,329 | $789,496 | $116,774 | $137,462 |
| State and local........................... | 148,450 | 130,912 | 140,282 | 20,687 | 24,257 |
| | ---------- | ---------- | -------- | -------- | -------- |
| | $1,036,771 | $ 936,241 | $929,778 | $137,461 | $161,719 |
| | ========== | ========== | ======== | ======== | ======== |

</TABLE>

The deferred income tax results from temporary differences in the recognition of certain items for tax and financial statement purposes, principally from differences in depreciation methods, allowance for doubtful accounts and other expenses not currently deductible for tax purposes. For financial statement purposes, the credit has been recognized in 1997 as a deferred tax asset.

A reconciliation of the difference between the expected provision for income taxes using the statutory federal income tax rate of 34% and the Company's actual provision is as follows:

<TABLE>
<CAPTION>

FOR THE THREE MONTH

| | FOR THE YEAR ENDED DECEMBER 31, | | | PERIOD ENDED MARCH 31, | |
|---|---|---|---|---|---|
| | 1995 | 1996 | 1997 | 1997 | 1998 |
| | | | | (UNAUDITED) | |
| Provision at statutory tax rate | $ 841,214 | $741,832 | $786,862 | $117,225 | $137,462 |
| State and local income taxes, net of federal benefit | 97,977 | 86,402 | 92,586 | 13,653 | 16,010 |
| Other | 97,580 | 108,007 | 50,330 | 6,583 | 8,247 |
| | $1,036,771 | $936,241 | $929,778 | $137,461 | $161,719 |

The components of deferred income tax assets (liabilities) are as follows:

| | DECEMBER 31, | | MARCH 31, |
|---|---|---|---|
| | 1996 | 1997 | 1998 |
| | | | (UNAUDITED) |
| Reserves and accruals not deductible until paid | $ 945,915 | $ 1,103,736 | $ 1,116,255 |
| Depreciation | (1,274,973) | (1,394,170) | (1,320,000) |
| Alternative minimum tax credit carryforward | 392,356 | 252,747 | 252,747 |
| Net deferred tax asset (liability) | $ 63,298 | $ (37,687) | $ 49,002 |

Net deferred tax assets and net deferred tax liability are reported in the accompanying balance sheets as components of other assets and accrued expenses and other liabilities, respectively.





## 9. COMMITMENTS AND CONTINGENCIES:

### Operating Leases

The Company leases rental equipment, real estate and certain office equipment under noncancelable operating leases. These leases expire at various dates through September 30, 2010. Certain real estate leases require the Company to pay maintenance, insurance, taxes and certain other expenses in addition to the stated rentals. Future minimum lease payments for noncancelable operating leases with initial or remaining terms of one year or more are as follows at December 31, 1997:

| | |
|---|---|
| 1998 | $1,644,419 |
| 1999 | 1,055,192 |
| 2000 | 568,309 |
| 2001 | 356,649 |
| 2002 | 166,289 |
| Thereafter | 1,196,538 |
| | $4,987,396 |

Rent expense under noncancelable operating leases for the years ended December 31, 1995, 1996 and 1997 were $1,537,082, $1,598,979 and $1,824,938, respectively.

### Litigation

From time to time, the Company may be engaged in routine litigation and disputes incidental to its business. The Company does not believe that the ultimate resolution of any of these matters will have a material adverse effect on the accompanying consolidated financial statements.

## 10. RELATED PARTY TRANSACTIONS:

The Company leases land and buildings used in its operations from its stockholders and officers. The leases cover several operating locations and expire at various dates through September 30, 2010. The leases require minimum monthly payments plus override amounts when certain conditions are met or exceeded. The total rent expense related to these leases for the years ended December 31, 1995, 1996 and 1997 was $661,481, $739,781 and $768,716, respectively.

11. EMPLOYEE BENEFIT PLANS:

401(k) Plan

The Company participates in a 401(k) plan (the "Plan") which covers certain full-time employees over 21 years old who have worked a minimum of one year for the Company. The Plan is funded by employee deferrals of income and discretionary contributions by the Company. The Company's matching contributions totaled $207,982, $262,267 and $302,769 for the years ended December 31, 1995, 1996 and 1997. No amount was due to the Plan as of December 31, 1997.

Profit Sharing Plan

All full-time employees over 21 years old who have worked a minimum of one year for the Company may participate in the Company's Profit Sharing Retirement Plan (the "Profit Sharing Plan"). The Profit Sharing Plan is funded by contributions made by the Company. The Company's Board of Directors determines the annual amount of contributions. The Company's Profit Sharing retirement contributions totaled $550,000, $400,000 and $508,000 for the years ended December 31, 1995, 1996 and 1997, respectively.





THE BODE-FINN COMPANY

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Deferred Compensation Plan

The Company has deferred compensation agreements with various employees. Under the terms of the agreements, the Company will pay these employees a defined amount for ten years subsequent to their retirement from the Company, if retirement from the Company is after the agreed retirement date. A deferred compensation accrual of approximately $534,226, $539,585 and $539,585 (unaudited) is included in the accompanying balance sheets in accrued expenses and other liabilities at December 31, 1996 and 1997 and March 31, 1998.

12. SUBSEQUENT EVENT:

Effective May 5, 1998, substantially all of the outstanding stock of the Company was purchased by NationsRent, Inc., an unrelated third party, in exchange for cash and stock.





REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To RFL Enterprises, Inc.:

We have audited the accompanying balance sheet of RFL Enterprises, Inc. (an Indiana S corporation) as of December 31, 1997, and the related statements of income, stockholder's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RFL Enterprises, Inc. as of December 31, 1997, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Fort Lauderdale, Florida,
May 8, 1998.





RFL ENTERPRISES, INC.

BALANCE SHEETS

| | DECEMBER 31, 1997 | MARCH 31, 1998 (UNAUDITED) |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents | $ 50,158 | $ 390,055 |
| Accounts receivable, net of allowances for doubtful accounts of $10,000 and $10,000 (unaudited) as of December 31, 1997 and March 31, 1998, respectively | 215,240 | 170,300 |
| Inventories | 185,366 | 180,962 |
| Rental equipment, net | 1,622,404 | 1,333,136 |
| Property, plant and equipment, net | 199,192 | 197,592 |
| Total assets | $2,272,360 | $2,272,045 |
| LIABILITIES AND STOCKHOLDER'S EQUITY | | |
| LIABILITIES: | | |
| Accounts payable | $ 1,791 | $ 1,362 |
| Accrued expenses and other liabilities | 58,041 | 54,940 |
| Debt | 844,871 | 742,877 |
| Total liabilities | 904,703 | 799,179 |
| COMMITMENTS AND CONTINGENCIES (Notes 7 and 8) | | |
| STOCKHOLDER'S EQUITY: | | |
| Common stock -- no par value, 1,000 shares authorized, 100 issued and outstanding | 10,000 | 10,000 |
| Retained earnings | 1,357,657 | 1,462,866 |
| Total stockholder's equity | 1,367,657 | 1,472,866 |
| Total liabilities and stockholder's equity | $2,272,360 | $2,272,045 |

The accompanying notes to financial statements are an integral part of these balance sheets.





RFL ENTERPRISES, INC.

STATEMENTS OF INCOME

| | FOR THE YEAR ENDED DECEMBER 31, 1997 | FOR THE THREE MONTH PERIOD ENDED MARCH 31, 1997 (UNAUDITED) | 1998 (UNAUDITED) |
|---|---|---|---|
| REVENUE: | | | |
| Equipment rentals | $ 966,277 | $241,591 | $201,806 |
| Sales of equipment, parts and supplies | 1,950,382 | 522,518 | 473,635 |
| Other | 126,511 | 27,454 | 33,913 |
| | 3,043,170 | 791,563 | 709,354 |
| COST OF REVENUE: | | | |
| Cost of equipment rentals | 463,165 | 105,353 | 102,899 |
| Rental equipment depreciation | 261,405 | 58,259 | 77,144 |
| Cost of sales of equipment, parts and supplies | 1,471,807 | 334,783 | 326,984 |
| | 2,196,377 | 498,395 | 507,027 |

| | | | |
|---|---|---|---|
| Gross profit | 846,793 | 293,168 | 202,327 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | 208,694 | 47,470 | 46,365 |
| NONRENTAL DEPRECIATION | 23,307 | 1,600 | 1,600 |
| Operating income | 614,792 | 244,098 | 154,362 |
| OTHER INCOME (EXPENSE): | | | |
| Interest expense | (92,293) | (20,654) | (16,891) |
| Interest income | 14,925 | 2,356 | 348 |
| Total other income (expense), net | (77,368) | (18,298) | (16,543) |
| Net income | 537,424 | 225,800 | 137,819 |
| PRO FORMA PROVISION FOR INCOME TAXES | 214,970 | 90,320 | 55,128 |
| PRO FORMA NET INCOME | $ 322,454 | $135,480 | $ 82,691 |

</TABLE>

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





RFL ENTERPRISES, INC.

STATEMENTS OF STOCKHOLDER'S EQUITY

FOR THE YEAR ENDED DECEMBER 31, 1997 AND THE THREE MONTH PERIOD ENDED MARCH 31, 1998

<TABLE>
<CAPTION>

| | COMMON STOCK NO PAR VALUE | | | |
|---|---|---|---|---|
| | NUMBER OF SHARES | AMOUNT | RETAINED EARNINGS | TOTAL |
| <S> | <C> | <C> | <C> | <C> |
| BALANCE, January 1, 1997 | 100 | $10,000 | $ 940,484 | $ 950,484 |
| Distribution | -- | -- | (120,251) | (120,251) |
| Net income | -- | -- | 537,424 | 537,424 |
| BALANCE, December 31, 1997 | 100 | 10,000 | 1,357,657 | 1,367,657 |
| Distribution (unaudited) | -- | -- | (32,610) | (32,610) |
| Net income (unaudited) | -- | -- | 137,819 | 137,819 |
| BALANCE, March 31, 1998 (unaudited) | 100 | $10,000 | $1,462,866 | $1,472,866 |

</TABLE>

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





RFL ENTERPRISES, INC.

STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED DECEMBER 31, 1997 | FOR THE THREE MONTH PERIOD ENDED MARCH 31, 1997 | 1998 |
|---|---|---|---|
| | | (UNAUDITED) | |
| <S> | <C> | <C> | <C> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income | $ 537,424 | $ 225,800 | $ 137,819 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation | 284,712 | 59,859 | 78,744 |
| Gain on sale of rental equipment | (471,986) | (177,803) | (150,519) |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable, net | 56,067 | 97,997 | 44,940 |
| Inventories | (29,941) | (3,529) | 4,404 |
| Accounts payable | 968 | 174,349 | (429) |

| | | | |
|---|---|---|---|
| Accrued expenses and other liabilities............ | 31,674 | (11,446) | (3,101) |
| Net cash provided by operating activities....... | 408,918 | 365,227 | 111,858 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchases of rental equipment........................... | (2,077,859) | (616,880) | (110,992) |
| Proceeds from sale of rental equipment................. | 1,914,038 | 522,518 | 473,635 |
| Net cash provided by (used in) investing activities.................................. | (163,821) | (94,362) | 362,643 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Payment of distributions............................... | (120,251) | (120,000) | (32,610) |
| Repayments of debt.................................... | (133,202) | (101,752) | (101,994) |
| Net cash used in financing activities.......... | (253,453) | (221,752) | (134,604) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS...... | (8,356) | 49,113 | 339,897 |
| CASH AND CASH EQUIVALENTS, beginning of period........... | 58,514 | 58,514 | 50,158 |
| CASH AND CASH EQUIVALENTS, end of period................. | $ 50,158 | $ 107,627 | $ 390,055 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | | |
| Cash paid for interest................................. | $ 87,293 | $ 20,654 | $ 16,891 |

</TABLE>

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





RFL ENTERPRISES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997

1. ORGANIZATION AND BASIS OF PRESENTATION

RFL Enterprises, Inc. (the "Company") was incorporated in 1983 as an Indiana S corporation. The Company rents a broad array of equipment to a customer base that includes principally construction industry participants and industrial companies. The Company also engages in related activities such as selling used equipment, acting as a distributor for certain new equipment and selling related merchandise and parts. The nature of the Company's business is such that short-term obligations are typically met by cash flow generated from long-term assets. Consequently, consistent with industry practice, the accompanying audited and unaudited balance sheets are presented on an unclassified basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents. The Company had no cash equivalents at December 31, 1997 and March 31, 1998 (unaudited).

Inventories

Inventories consist of equipment, tools, parts, fuel and related supply items and are stated at the lower of average weighted cost or market.

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 useful lives estimated by management for rental equipment is five to ten years. Ordinary maintenance and repair costs are charged to operations as incurred.

Revenue recognition

Revenue related to the sale of equipment, parts and supplies is recognized at the point of sale. Revenue related to rental equipment is recognized over the contract term.

Property, plant and equipment

Property, plant and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. The range of useful lives estimated by management for property and equipment is five to thirty-nine years. Ordinary maintenance and repair costs are charged to operations as incurred.

Impairment of long-lived assets

The Company periodically reviews its valuation for long-lived assets used in operations when indicators of impairment are present. If the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount, the Company records impairment as required under generally accepted accounting principles. No such impairment losses were incurred for the periods presented.

Fair value of financial instruments

The carrying amounts reported in the accompanying balance sheets for cash and cash equivalents, accounts receivable, accounts payable and accrued expenses and other liabilities approximate fair value as of December 31, 1997 and March 31, 1998 (unaudited).





Income taxes

The Company is an S corporation for income tax purposes. Accordingly, income, losses and related temporary differences which arise in the recording of income and expense items for financial reporting and tax reporting purposes are included in the individual tax return of the shareholder. Therefore, no provision or liability for Federal and state income taxes has been included in the accompanying financial statements.

The pro forma adjustment to reflect income taxes in the accompanying statements of income is for information purposes only. The pro forma provision for income tax has been provided at the estimated rate of 40%.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash investments and accounts receivable. The Company maintains cash and cash equivalents with high quality financial institutions. Three customers each represent greater than 10% of total accounts receivable. As of December 31, 1997, these accounts represented 40% of total accounts receivable. The Company controls credit risk through credit approvals, credit limits, and monitoring procedures.

Interim financial information

In the opinion of management, the unaudited interim financial information as of March 31, 1998 and for the three month periods ended March 31, 1997 and 1998 furnished herein reflects all adjustments consisting of normal recurring accruals that, in the opinion of management, are necessary for a fair presentation of the results for the interim period. The results of operations for the three months ended March 31, 1998 are not necessarily indicative of the results to be expected for the entire year primarily due to seasonal variations.

3. RENTAL EQUIPMENT

Rental equipment and related accumulated depreciation consist of the following:

| | DECEMBER 31, 1997 | MARCH 31, 1998 (UNAUDITED) |
|---|---|---|
| Rental equipment | $2,161,788 | $1,880,998 |
| Less -- accumulated depreciation | (539,384) | (547,862) |
| Rental equipment, net | $1,622,404 | $1,333,136 |

4. PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment is as follows:

| | DECEMBER 31, 1997 | MARCH 31, 1998 (UNAUDITED) |
|---|---|---|
| Furniture, fixtures and office equipment | $ 20,603 | $ 20,603 |
| Building | 140,820 | 140,820 |
| Land | 80,000 | 80,000 |
| | 241,423 | 241,423 |
| Less -- accumulated depreciation | (42,231) | (43,831) |
| Property and equipment, net | $199,192 | $197,592 |

5. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consists of the following:

| | DECEMBER 31, 1997 | MARCH 31, 1998 (UNAUDITED) |
|---|---|---|
| Deferred revenues | $36,000 | $36,000 |
| Sales and property tax | 12,197 | 13,183 |
| Other | 9,844 | 5,757 |
| Accrued expenses and other liabilities | $58,041 | $54,940 |

6. DEBT

Debt consists of the following:

| | DECEMBER 31, 1997 | MARCH 31, 1998 (UNAUDITED) |
|---|---|---|
| Line of credit, interest at 8.75%, payable on demand | $550,000 | $ 64,000 |
| Term loan, secured by accounts receivable, inventories and equipment, interest at 9.9%, payable in semi annual installments through December 1999 | 114,000 | 500,000 |
| Mortgage, secured by building and land, interest at 9.18%, payable in monthly installments through June 2009 | 157,871 | 155,877 |
| Unsecured note payable to stockholder, interest at 10%, payable on demand | 23,000 | 23,000 |
| Total debt | $844,871 | $742,877 |





Subsequent to December 31, 1997, the Company retired the line of credit, term loan and note payable to stockholder in connection with its purchase by NationsRent, Inc., an unrelated third party. Maturities of the mortgage at

December 31, 1997, for the years ended December 31, are as follows:

| | |
|---|---|
| 1998 | $ 12,000 |
| 1999 | 12,000 |
| 2000 | 12,000 |
| 2001 | 12,000 |
| 2002 | 12,000 |
| Thereafter | 97,871 |
| Total | $157,871 |

7. COMMITMENTS AND CONTINGENCIES

From time to time, the Company may be engaged in routine litigation and disputes incidental to its business. The Company does not believe that the ultimate resolution of any of these matters will have a material adverse effect on the accompanying financial statements.

8. SUBSEQUENT EVENT

Effective April 15, 1998, substantially all of the Company's operating assets and liabilities were purchased by NationsRent, Inc. in exchange for cash and debt.





REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To Naples Rent-All & Sales Company, Inc.:

We have audited the accompanying balance sheet of Naples Rent-All & Sales Company, Inc. (a Florida S corporation) as of December 31, 1997, and the related statements of income, stockholder's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Naples Rent-All & Sales Company, Inc. as of December 31, 1997, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Fort Lauderdale, Florida,
May 1, 1998.





NAPLES RENT-ALL & SALES COMPANY, INC.

BALANCE SHEETS

| | DECEMBER 31, 1997 | MARCH 31, 1998 (UNAUDITED) |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents | $ 98,660 | $ 87,208 |
| Accounts receivable, net of allowances for doubtful accounts of $34,035 and $24,072 (unaudited) as of December 31, 1997 and March 31, 1998, respectively | 408,579 | 447,831 |

| | | |
|---|---|---|
| Inventories | 816,397 | 957,373 |
| Rental equipment, net | 913,137 | 866,056 |
| Property and equipment, net | 119,647 | 144,475 |
| Other assets | 27,259 | 55,240 |
| Total assets | $2,383,679 | $2,558,183 |

LIABILITIES AND STOCKHOLDER'S EQUITY

| | | |
|---|---|---|
| LIABILITIES: | | |
| Accounts payable | $ 428,714 | $ 564,619 |
| Accrued expenses and other liabilities | 148,452 | 172,948 |
| Debt | 176,128 | 171,420 |
| Total liabilities | 753,294 | 908,987 |
| COMMITMENTS AND CONTINGENCIES (Notes 7 and 9) | | |
| STOCKHOLDER'S EQUITY: | | |
| Common stock -- $10 par value, 5,500 shares authorized, 5,129 shares issued | 51,290 | 51,290 |
| Additional paid-in capital | 6,826 | 6,826 |
| Retained earnings | 1,901,639 | 1,920,450 |
| Treasury stock -- 1,709 shares at cost | (329,370) | (329,370) |
| Total stockholder's equity | 1,630,385 | 1,649,196 |
| Total liabilities and stockholder's equity | $2,383,679 | $2,558,183 |

</TABLE>

The accompanying notes to financial statements are an integral part of these balance sheets.





NAPLES RENT-ALL & SALES COMPANY, INC.

STATEMENTS OF INCOME

<TABLE>
<CAPTION>

| <S> | FOR THE YEAR ENDED DECEMBER 31, 1997 <C> | FOR THE THREE MONTH PERIOD ENDED MARCH 31, 1997 (UNAUDITED) <C> | 1998 (UNAUDITED) <C> |
|---|---|---|---|
| REVENUE: | | | |
| Equipment rentals | $2,262,014 | $ 509,684 | $ 512,784 |
| Sales of equipment, parts and supplies | 3,747,704 | 807,151 | 867,976 |
| Other | 57,121 | 19,900 | 24,782 |
| | 6,066,839 | 1,336,735 | 1,405,542 |
| COST OF REVENUE: | | | |
| Cost of equipment rentals, excluding depreciation | 1,706,311 | 360,942 | 394,948 |
| Rental equipment depreciation | 440,152 | 93,437 | 94,377 |
| Cost of sales of equipment, parts and supplies | 2,967,261 | 627,675 | 686,811 |
| | 5,113,724 | 1,082,054 | 1,176,136 |
| Gross profit | 953,115 | 254,681 | 229,406 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | 517,662 | 109,503 | 119,820 |
| NONRENTAL DEPRECIATION AND AMORTIZATION | 44,970 | 6,981 | 9,333 |
| Operating income | 390,483 | 138,197 | 100,253 |
| OTHER INCOME (EXPENSE): | | | |
| Interest expense | (23,535) | (4,976) | (3,976) |
| Other income, net | 52,433 | 14,907 | 13,054 |
| Total other income (expense), net | 28,898 | 9,931 | 9,078 |
| Net income | 419,381 | 148,128 | 109,331 |
| PRO FORMA PROVISION FOR INCOME TAX | 167,752 | 59,251 | 43,732 |
| PRO FORMA NET INCOME | $ 251,629 | $ 88,877 | $ 65,599 |

</TABLE>

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

NAPLES RENT-ALL & SALES COMPANY, INC.

STATEMENTS OF STOCKHOLDER'S EQUITY

| | COMMON STOCK NUMBER OF SHARES | COMMON STOCK AMOUNT | ADDITIONAL PAID-IN CAPITAL | RETAINED EARNINGS | TREASURY STOCK | TOTAL |
|---|---|---|---|---|---|---|
| BALANCE, January 1, 1997......... | 5,129 | $51,290 | $6,826 | $1,810,258 | $(329,370) | $1,539,004 |
| Stockholder distributions...... | -- | -- | -- | (328,000) | -- | (328,000) |
| Net income..................... | -- | -- | -- | 419,381 | -- | 419,381 |
| BALANCE, December 31, 1997....... | 5,129 | 51,290 | 6,826 | 1,901,639 | (329,370) | 1,630,385 |
| Stockholder distributions (unaudited)................ | -- | -- | -- | (90,520) | -- | (90,520) |
| Net income (unaudited)......... | -- | -- | -- | 109,331 | -- | 109,331 |
| BALANCE, March 31, 1998 (unaudited)................... | 5,129 | $51,290 | $6,826 | $1,920,450 | $(329,370) | $1,649,196 |

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





NAPLES RENT-ALL & SALES COMPANY, INC.

STATEMENTS OF CASH FLOWS

| | FOR THE YEAR ENDED DECEMBER 31, 1997 | FOR THE THREE MONTH PERIOD ENDED MARCH 31, 1997 | FOR THE THREE MONTH PERIOD ENDED MARCH 31, 1998 |
|---|---|---|---|
| | | (UNAUDITED) | (UNAUDITED) |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income.............................................. | $ 419,381 | $148,128 | $109,331 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization......................... | 485,122 | 100,418 | 103,710 |
| Gain on sale of rental equipment...................... | (212,328) | (35,288) | (69,563) |
| Gain on sale of property and equipment................ | (4,637) | -- | -- |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable, net............................ | (64,496) | (13,733) | (39,252) |
| Inventories......................................... | 64,926 | (17,837) | (140,976) |
| Other assets........................................ | 1,533 | (53,435) | (27,981) |
| Accounts payable.................................... | (18,273) | 29,397 | 135,905 |
| Accrued expenses and other liabilities.............. | 31,964 | (12,133) | 24,496 |
| Net cash provided by operating activities........ | 703,192 | 145,517 | 95,670 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchases of rental equipment........................... | (560,004) | (112,088) | (85,472) |
| Purchases of property and equipment..................... | (71,997) | (2,869) | (34,161) |
| Proceeds from sale of rental equipment.................. | 393,040 | 65,646 | 107,739 |
| Proceeds from sale of property and equipment............ | 16,320 | -- | -- |
| Net cash used in investing activities............ | (222,641) | (49,311) | (11,894) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Stockholder distributions............................... | (328,000) | (72,132) | (90,520) |
| Proceeds from debt...................................... | 65,000 | 10,632 | -- |
| Repayments of debt...................................... | (188,261) | (35,000) | (4,708) |
| Net cash used in financing activities............ | (451,261) | (96,500) | (95,228) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS....... | 29,290 | (294) | (11,452) |
| CASH AND CASH EQUIVALENTS, beginning of period............ | 69,370 | 69,370 | 98,660 |

| | | | |
|---|---|---|---|
| CASH AND CASH EQUIVALENTS, end of period | $ 98,660 | $ 69,076 | $ 87,208 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | | |
| Cash paid for interest | $ 23,535 | $ 4,976 | $ 3,976 |

</TABLE>

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



NAPLES RENT-ALL & SALES COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997

1. ORGANIZATION AND BASIS OF PRESENTATION

Naples Rent-All & Sales Company, Inc. (the "Company") was incorporated in January 1968 to serve as a rental center for homeowners and contractors equipment, lawn and garden equipment, and golf course and turf maintenance equipment. The Company also engages in related activities such as selling used equipment, acting as a distributor for certain new equipment and selling related merchandise and parts. The nature of the Company's business is such that short-term obligations are typically met by cash flow generated from long-term assets. Consequently, consistent with industry practice, the accompanying audited and unaudited balance sheets are presented on an unclassified basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents. As of December 31, 1997 and March 31, 1998 (unaudited), the Company had no cash equivalents.

Inventories

Inventories consist of equipment, tools, parts, fuel and related supply items. Inventories are stated at the lower of weighted average cost or market.

Rental equipment

Rental equipment is recorded at cost and depreciated over a five-year life using accelerated methods. Rental equipment is depreciated to a salvage value of five percent of cost. Rental equipment having a cost of $500 or less is expensed at the time of purchase. Ordinary maintenance and repair costs are charged to operations as incurred.

Property and equipment

Property and equipment are recorded at cost and depreciated over an estimated useful life of five years using the straight-line method. Ordinary maintenance and repair costs are charged to operations as incurred. The range of useful lives estimated by management for property and equipment is as follows:

<TABLE>
<CAPTION>

| <S> | <C> YEARS |
|---|---|
| Furniture and fixtures | 5 |
| Equipment | 5 |
| Leasehold improvements | Life of lease |

</TABLE>

Impairment of long-lived assets

The Company periodically reviews its valuation for long-lived assets used in operations when indicators of impairment are present. If the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount, the Company records impairment as required under generally accepted accounting principles. No such impairment losses were incurred for the periods presented.

Fair value of financial instruments

The carrying amounts reported in the accompanying balance sheets for cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and other liabilities and debt approximate fair value as of December 31, 1997 and March 31, 1998 (unaudited).

Revenue recognition

Revenue related to the sale of equipment, parts and supplies is recognized at the point of sale. Revenue related to rental equipment is recognized over the contract term.

Income taxes

The Company is an S corporation for tax purposes. Accordingly, income, losses and related temporary differences which arise in the recording of income and expense items for financial reporting and tax reporting purposes are included in the individual tax return of the stockholder. Therefore, no provision or liability for Federal and state income taxes has been included in the accompanying financial statements.

The pro forma adjustment to reflect income taxes in the accompanying statements of income is for informational purposes only. The pro forma provision for income tax has been provided at the estimated effective tax rate of 40%.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash investments and accounts receivable. The Company maintains cash and cash equivalents with high quality financial institutions. Concentrations of credit risk with respect to accounts receivable are limited because a large number of customers make up the Company's customer base. No single customer represents greater than 10% of total accounts receivable. The Company controls credit risk through credit approvals, credit limits, and monitoring procedures.

Interim financial information

In the opinion of management, the unaudited interim financial information as of March 31, 1998 and for the three month periods ended March 31, 1997 and 1998 furnished herein reflects all adjustments consisting of normal recurring accruals that, in the opinion of management, are necessary for a fair presentation of the results for the interim period. The results of operations for the three months ended March 31, 1998 are not necessarily indicative of the results to be expected for the entire year primarily due to seasonal variations.





3. RENTAL EQUIPMENT

Rental equipment and related accumulated depreciation consist of the following:

<TABLE>
<CAPTION>

| <S> | DECEMBER 31, 1997 <C> | MARCH 31, 1998 (UNAUDITED) <C> |
|---|---|---|
| Rental equipment | $ 2,033,651 | $ 2,051,524 |
| Less -- accumulated depreciation | (1,120,514) | (1,185,468) |
| Rental equipment, net | $ 913,137 | $ 866,056 |

</TABLE>

4. PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

| | DECEMBER 31, 1997 | MARCH 31, 1998 (UNAUDITED) |
|---|---|---|
| Furniture and fixtures | $ 32,697 | $ 32,032 |
| Equipment | 278,072 | 291,313 |
| Leasehold improvements | 36,847 | 38,362 |
| | 347,616 | 361,707 |
| Less -- accumulated depreciation | (227,969) | (217,232) |
| Property and equipment, net | $ 119,647 | $ 144,475 |

5. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consists of the following:

| | DECEMBER 31, 1997 | MARCH 31, 1998 (UNAUDITED) |
|---|---|---|
| Payroll-related | $ 55,247 | $ 56,988 |
| Accrued dividends payable | 45,000 | 50,429 |
| Accrued property taxes | 15,187 | 4,978 |
| Other | 33,018 | 60,553 |
| Accrued expenses and other liabilities | $148,452 | $172,948 |





6. DEBT

Debt consists of the following:

| | DECEMBER 31, 1997 | MARCH 31, 1998 (UNAUDITED) |
|---|---|---|
| Revolving line of credit, with borrowings up to $350,000, secured by substantially all of the Company's receivables, interest at prime plus .25% (8.75% at December 31, 1997 and March 31, 1998), payable in monthly installments through November 1998 | $ 50,000 | $ 50,000 |
| Equipment notes, secured by equipment, interest at rates averaging approximately 7%, payable in monthly installments through December 2000 | 126,128 | 121,420 |
| Total debt | $176,128 | $171,420 |

Maturities of the Company's debt at December 31, 1997 for the years ended December 31, are as follows:

| | |
|---|---|
| 1998 | $122,090 |
| 1999 | 36,168 |
| 2000 | 17,870 |
| Total | $176,128 |

========

</TABLE>

7. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases real estate 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. Future minimum lease payments, by year and in the aggregate, for noncancelable operating leases with initial or remaining terms of one year or more are as follows at December 31, 1997:

| | |
|---|---|
| 1998 | $221,710 |
| 1999 | 203,234 |
| Total | $424,944 |

Rent expense under operating leases for the year ended December 31, 1997 and three month periods ended March 31, 1997 and 1998 was approximately $222,000, $58,000 (unaudited) and $55,000 (unaudited), respectively.

Consulting Agreement

The Company has a consulting agreement with a former stockholder in which the Company is required to pay the former stockholder $30,000 per year through November 1, 1999. Consulting fees for the year ended December 31, 1997 under the terms of this agreement were $30,000. Subsequent to year-end, all future amounts owed under this agreement were settled in exchange for approximately $40,000.

Litigation, Claims and Assessments

From time to time, the Company may be engaged in routine litigation and disputes incidental to its business. The Company does not believe that the ultimate resolution of any of these matters will have a material adverse effect on the accompanying financial statements.





8. EMPLOYEE BENEFIT PLAN

The Company has a contributory 401(k) profit-sharing plan under which substantially all full-time employees are eligible to participate. The plan allows for discretionary employer contributions as determined by the Company. Employees vest in contributions made by the employer over a seven-year period. Employer contributions for the year ended December 31, 1997 and three month periods ended March 31, 1997 and 1998 were approximately $17,000, $0 (unaudited) and $3,000 (unaudited), respectively.

9. SUBSEQUENT EVENT

Effective April 30, 1998, substantially all of the Company's operating assets and liabilities were purchased by NationsRent, Inc., an unrelated third party, in exchange for cash and debt.





REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To Raymond Equipment Company, Inc.:

We have audited the accompanying balance sheets of Raymond Equipment Company, Inc. (a Kentucky S corporation) as of June 30, 1996 and 1997, and the related statements of income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 financial statements referred to above present fairly, in all material respects, the financial position of Raymond Equipment Company, Inc. as of June 30, 1996 and 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Fort Lauderdale, Florida,
May 13, 1998.





RAYMOND EQUIPMENT COMPANY, INC.

BALANCE SHEETS

<TABLE>
<CAPTION>

| <S> | JUNE 30, 1996 <C> | JUNE 30, 1997 <C> | MARCH 31, 1998 (UNAUDITED) <C> |
|---|---|---|---|
| ASSETS | | | |
| Cash and cash equivalents | $ 749,276 | $ 224,684 | $ 427,366 |
| Marketable securities at market value | 1,227,355 | 777,860 | 914,335 |
| Accounts receivable | 3,390,079 | 3,608,443 | 2,198,061 |
| Inventories | 644,061 | 586,321 | 752,124 |
| Rental equipment, net | 28,865,568 | 32,685,787 | 33,704,468 |
| Property and equipment, net | 2,709,715 | 2,719,656 | 2,868,278 |
| Other assets | 195,664 | 399,687 | 397,243 |
| Total assets | $37,781,718 | $41,002,438 | $41,261,875 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| LIABILITIES: | | | |
| Accounts payable | $ 974,322 | $ 793,087 | $ 883,350 |
| Accrued expenses and other liabilities | 1,059,130 | 539,020 | 328,848 |
| Debt | 24,498,329 | 25,883,180 | 23,468,571 |
| Total liabilities | 26,531,781 | 27,215,287 | 24,680,769 |
| COMMITMENTS AND CONTINGENCIES (Notes 9 and 10) | | | |
| STOCKHOLDERS' EQUITY: | | | |
| Common stock, no par value, 500,000 shares authorized, 207,650, 209,651 and 210,975 (unaudited) shares issued and outstanding at June 30, 1996, 1997 and March 31, 1998, respectively | 439,116 | 544,168 | 629,513 |
| Retained earnings | 10,461,809 | 12,969,978 | 15,442,113 |
| Net unrealized gain on marketable securities | 349,012 | 273,005 | 509,480 |
| Total stockholders' equity | 11,249,937 | 13,787,151 | 16,581,106 |
| Total liabilities and stockholders' equity | $37,781,718 | $41,002,438 | $41,261,875 |

</TABLE>

The accompanying notes to financial statements are an integral part of these balance sheets.





RAYMOND EQUIPMENT COMPANY, INC.

STATEMENTS OF INCOME

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED JUNE 30, | FOR THE NINE MONTH PERIOD ENDED MARCH 31, |
|---|---|---|

| | 1996 | 1997 | 1997 | 1998 |
|---|---|---|---|---|
| | | | (UNAUDITED) | |
| <S> | <C> | <C> | <C> | <C> |
| REVENUE: | | | | |
| Equipment rentals........................ | $10,427,708 | $11,997,902 | $ 8,082,542 | $ 9,113,745 |
| Sales of equipment, parts and supplies.... | 8,700,165 | 9,323,810 | 7,318,745 | 6,923,388 |
| | 19,127,873 | 21,321,712 | 15,401,287 | 16,037,133 |
| COST OF REVENUE: | | | | |
| Cost of equipment rentals, excluding depreciation.......................... | 3,172,008 | 3,329,502 | 2,506,446 | 2,291,828 |
| Rental equipment depreciation............ | 3,652,589 | 4,198,076 | 3,049,772 | 3,565,429 |
| Cost of sales of equipment, parts and supplies.............................. | 5,287,538 | 5,991,061 | 4,178,088 | 4,123,883 |
| | 12,112,135 | 13,518,639 | 9,734,306 | 9,981,140 |
| Gross profit..................... | 7,015,738 | 7,803,073 | 5,666,981 | 6,055,993 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES................................ | 2,361,132 | 2,837,207 | 1,865,711 | 1,952,962 |
| NONRENTAL DEPRECIATION AND AMORTIZATION..... | 147,637 | 182,783 | 150,571 | 167,226 |
| Operating income.................. | 4,506,969 | 4,783,083 | 3,650,699 | 3,935,805 |
| OTHER INCOME (EXPENSE): | | | | |
| Interest expense......................... | (1,670,707) | (1,801,706) | (1,303,290) | (1,429,917) |
| Interest income.......................... | 28,544 | 23,812 | 11,619 | 20,190 |
| Other, net............................... | 93,829 | 121,010 | 112,418 | 258,086 |
| Total other expense, net.......... | (1,548,334) | (1,656,884) | (1,179,253) | (1,151,641) |
| Net income........................ | 2,958,635 | 3,126,199 | 2,471,446 | 2,784,164 |
| PRO FORMA PROVISION FOR INCOME TAXES........ | 1,239,454 | 1,306,480 | 1,044,578 | 1,169,665 |
| PRO FORMA NET INCOME........................ | $ 1,719,181 | $ 1,819,719 | $ 1,426,868 | $ 1,614,499 |

</TABLE>

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





RAYMOND EQUIPMENT COMPANY, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

| | COMMON STOCK | | | | |
|---|---|---|---|---|---|
| | NUMBER OF SHARES | AMOUNT | RETAINED EARNINGS | NET UNREALIZED GAIN ON MARKETABLE SECURITIES | TOTAL STOCKHOLDERS' EQUITY |
| <S> | <C> | <C> | <C> | <C> | <C> |
| BALANCE, July 1, 1995................. | 202,880 | $256,651 | $ 8,595,607 | $174,455 | $ 9,026,713 |
| Issuance of common stock............ | 4,770 | 182,465 | -- | -- | 182,465 |
| Distributions to stockholders....... | -- | -- | (1,092,433) | -- | (1,092,433) |
| Net income.......................... | -- | -- | 2,958,635 | -- | 2,958,635 |
| Net increase in unrealized gain on marketable securities............ | -- | -- | -- | 174,557 | 174,557 |
| BALANCE, June 30, 1996................ | 207,650 | 439,116 | 10,461,809 | 349,012 | 11,249,937 |
| Issuance of common stock............ | 2,001 | 105,052 | -- | -- | 105,052 |
| Distributions to stockholders....... | -- | -- | (618,030) | -- | (618,030) |
| Net income.......................... | -- | -- | 3,126,199 | -- | 3,126,199 |
| Net decrease in unrealized gain on marketable securities............ | -- | -- | -- | (76,007) | (76,007) |
| BALANCE, June 30, 1997................ | 209,651 | 544,168 | 12,969,978 | 273,005 | 13,787,151 |
| Issuance of common stock (unaudited)...................... | 1,324 | 85,345 | -- | -- | 85,345 |
| Distributions to stockholders (unaudited)...................... | -- | -- | (312,029) | -- | (312,029) |
| Net income (unaudited).............. | -- | -- | 2,784,164 | -- | 2,784,164 |
| Net increase in unrealized gain on marketable securities (unaudited)...................... | -- | -- | -- | 236,475 | 236,475 |
| BALANCE, March 31, 1998 (unaudited)... | 210,975 | $629,513 | $15,442,113 | $509,480 | $16,581,106 |

======= ======== =========== ======== ===========

</TABLE>

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





RAYMOND EQUIPMENT COMPANY, INC.

STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED JUNE 30, | | FOR THE NINE MONTH PERIOD ENDED MARCH 31, | |
|---|---|---|---|---|
| | 1996 | 1997 | 1997 | 1998 |
| | | | (UNAUDITED) | |
| <S> | <C> | <C> | <C> | <C> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Net income | $ 2,958,635 | $ 3,126,199 | $ 2,471,446 | $ 2,784,164 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 3,800,226 | 4,380,859 | 3,200,343 | 3,732,655 |
| Gain on sale of rental equipment | (1,540,076) | (1,385,381) | (1,195,800) | (867,733) |
| Realized gain on sale of marketable securities | (27,458) | (73,615) | (73,615) | (50,000) |
| Charitable contribution marketable securities | -- | 297,103 | -- | -- |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable | (83,880) | (218,364) | 1,900,804 | 1,410,382 |
| Inventories | (239,521) | 57,740 | 103,038 | (165,803) |
| Other assets | (3,724) | (204,023) | 29,620 | 2,444 |
| Accounts payable | 497,168 | (181,235) | 1,210,542 | 90,263 |
| Accrued expenses and other liabilities | 48,138 | (520,110) | (784,978) | (210,172) |
| Net cash provided by operating activities | 5,409,508 | 5,279,173 | 6,861,400 | 6,726,200 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Purchases of marketable securities | (490,000) | -- | -- | -- |
| Proceeds from the sale of marketable securities | 99,997 | 150,000 | 150,000 | 150,000 |
| Purchases of rental equipment | (10,790,192) | (11,300,675) | (7,291,951) | (7,650,313) |
| Purchases of property and equipment | (1,223,457) | (217,559) | (138,068) | (363,494) |
| Proceeds from sale of rental equipment | 4,258,338 | 4,678,959 | 4,295,084 | 3,947,732 |
| Proceeds from sale of property and equipment | 173,075 | 13,637 | 13,637 | 33,850 |
| Net cash used in investing activities | (7,972,239) | (6,675,638) | (2,971,298) | (3,882,225) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | |
| Proceeds from issuance of common stock, net of issuance costs | 182,465 | 105,052 | 105,052 | 85,345 |
| Proceeds from debt | 15,404,343 | 15,329,825 | 4,907,186 | 9,839,377 |
| Principal payments on debt | (11,416,600) | (13,944,974) | (9,183,049) | (12,253,986) |
| Distributions to stockholders | (1,092,433) | (618,030) | (246,761) | (312,029) |
| Net cash provided by (used in) financing activities | 3,077,775 | 871,873 | (4,417,572) | (2,641,293) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 515,044 | (524,592) | (527,470) | 202,682 |
| CASH AND CASH EQUIVALENTS, beginning of period | 234,232 | 749,276 | 749,276 | 224,684 |
| CASH AND CASH EQUIVALENTS, end of period | $ 749,276 | $ 224,684 | $ 221,806 | $ 427,366 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | | | |
| Cash paid for interest | $ 1,653,083 | $ 1,832,804 | $ 1,364,318 | $ 1,407,413 |

</TABLE>

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





RAYMOND EQUIPMENT COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1996 AND JUNE 30, 1997

1. ORGANIZATION AND BASIS OF PRESENTATION

Raymond Equipment Company, Inc. (the "Company") was incorporated in the state of Kentucky in 1955. The Company rents a broad array of equipment to a diverse customer base that includes construction industry participants, industrial companies, homeowners and others. The Company also engages in related activities such as selling used equipment, acting as a distributor for certain new equipment and selling related merchandise parts and supplies. The nature of the Company's business is such that short-term obligations are typically met by cash flow generated from long-term assets. Consequently, consistent with industry practice, the accompanying audited and unaudited balance sheets are presented on an unclassified basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents. At June 30, 1996 and 1997 and March 31, 1998 (unaudited), the Company had no cash equivalents.

Marketable securities

In accordance with the provisions of Statement of Financial Accounting Standards No. 115, unrealized gains and losses on investments available-for-sale (which are stated at quoted fair value) are included as a separate component of stockholders' equity. All of the Company's marketable securities are held as available-for-sale.

Inventories

Inventories consist of equipment, tools, parts, fuel and related supply items. Inventories are stated at the lower of weighted average cost or market.

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 useful lives estimated by management for rental equipment is two to ten years. Rental equipment is depreciated to a salvage value of zero to ten percent of cost. All rental equipment is capitalized at the time of purchase. Ordinary maintenance and repair costs are charged to operations as incurred.

Property and equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. The range of useful lives estimated by management are as follows:

| | YEARS |
|---|---|
| Buildings and improvements | 20 - 25 |
| Automobiles and trucks | 3 - 7 |
| Office furniture and fixtures | 5 - 10 |

Ordinary maintenance and repair costs are charged to operations as incurred.





Impairment of long-lived assets

The Company periodically reviews its valuation for long-lived assets used in operations when indicators of impairment are present. If the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount, the Company records impairment as required under generally accepted accounting principles. No such impairment losses were incurred for the periods presented.

Fair value of financial instruments

The carrying amount reported in the accompanying balance sheets for cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and other liabilities and debt approximates fair value as of June 30, 1996 and 1997 and March 31, 1998 (unaudited).

Revenue recognition

Revenue related to the sale of equipment, parts and supplies is recognized at the point of sale. Revenue related to rental equipment is recognized over the contract term.

Income taxes

The Company is an S corporation for income tax purposes. Accordingly, income, losses and related temporary differences which arise in the recording of income and expense items for financial reporting and tax reporting purposes are proportionally included in the individual tax returns of the stockholders. Therefore, no provision or liability for Federal and state income taxes has been included in the accompanying financial statements.

The pro forma adjustment to reflect income taxes in the accompanying statements of income is for informational purposes only. The pro forma provision for income tax has been provided at the estimated effective rate of 40% of taxable net income.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash investments, marketable securities and accounts receivable. The Company maintains cash and cash equivalents with high quality financial institutions. Concentrations of credit risk with respect to accounts receivable are limited because a large number of diverse customers make up the Company's customer base. No single customer represents greater than 10% of total accounts receivable. The Company controls credit risk through credit approvals, credit limits and monitoring procedures.

Interim financial information

In the opinion of management, the unaudited financial information as of March 31, 1998 and for the nine month periods ended March 31, 1997 and 1998 furnished herein reflects all adjustments consisting of normal recurring accruals that are necessary for a fair presentation of the results for the interim periods. The results of operations for the nine months ended March 31, 1998 are not necessarily indicative of the results to be expected for the entire year.





RAYMOND EQUIPMENT COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

3. MARKETABLE SECURITIES

The cost and estimated market value of marketable securities are as follows:

<TABLE>
<CAPTION>

| | JUNE 30, 1996 | JUNE 30, 1997 | MARCH 31, 1998 (UNAUDITED) |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Cost | $ 878,343 | $504,855 | $404,855 |
| Unrealized gains | 349,012 | 273,005 | 509,480 |
| Estimated market value | $1,227,355 | $777,860 | $914,335 |

</TABLE>

4. RENTAL EQUIPMENT

Rental equipment and related accumulated depreciation consist of the following:

<TABLE>
<CAPTION>

| | JUNE 30, 1996 | JUNE 30, 1997 | MARCH 31, 1998 (UNAUDITED) |
|---|---|---|---|
| Rental equipment | $35,794,948 | $41,753,287 | $ 44,188,277 |
| Less -- accumulated depreciation | (6,929,380) | (9,067,500) | (10,483,809) |
| Rental equipment, net | $28,865,568 | $32,685,787 | $ 33,704,468 |

</TABLE>

5. PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation consist of the following:

<TABLE>
<CAPTION>

| | JUNE 30, 1996 | JUNE 30, 1997 | MARCH 31, 1998 (UNAUDITED) |
|---|---|---|---|
| Furniture, fixtures and office equipment | $3,615,247 | $ 3,740,810 | $ 3,994,517 |
| Less -- accumulated depreciation | (905,532) | (1,021,154) | (1,126,239) |
| Property and equipment, net | $2,709,715 | $ 2,719,656 | $ 2,868,278 |

</TABLE>

6. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consists of the following:

<TABLE>
<CAPTION>

| | JUNE 30, 1996 | JUNE 30, 1997 | MARCH 31, 1998 (UNAUDITED) |
|---|---|---|---|
| Payroll-related | $ 769,254 | $279,162 | $ 39,308 |
| Accrued interest | 129,231 | 64,308 | 86,812 |
| Accrued property taxes | 123,830 | 161,723 | 200,066 |
| Other | 36,815 | 33,827 | 2,662 |
| Accrued expenses and other liabilities | $1,059,130 | $539,020 | $328,848 |

</TABLE>





7. DEBT

Debt consists of the following:

<TABLE>
<CAPTION>

| | JUNE 30, 1996 | JUNE 30, 1997 | MARCH 31, 1998 (UNAUDITED) |
|---|---|---|---|
| Equipment notes, secured by equipment, interest at an average of approximately 8.00% payable in various monthly installments through March 2002 | $18,977,807 | $21,303,549 | $19,614,353 |

| | | | |
|---|---|---|---|
| Two installment notes with a local bank, secured by property, interest at 8.00% and 9.00%, payable in various monthly installments through December 1998 and June 2006, respectively | 5,520,522 | 4,579,631 | 3,854,218 |
| | $24,498,329 | $25,883,180 | $23,468,571 |

</TABLE>

Maturities of the Company's debt at June 30, 1997 for the year ended June 30, are as follows:

<TABLE>

| <S> | <C> |
|---|---|
| 1998 | $10,670,581 |
| 1999 | 6,404,076 |
| 2000 | 6,489,429 |
| 2001 | 1,743,065 |
| 2002 | 95,915 |
| Thereafter | 480,114 |
| Total | $25,883,180 |

</TABLE>

8. PROFIT SHARING PLAN

The Company has a profit sharing plan the ("Plan") that covers substantially all employees. The Plan allows for discretionary employer contributions as determined by the Company's Board of Directors. Employer contributions for the years ended June 30, 1996 and 1997 and the nine months ended March 31, 1997 and 1998 were $150,000, $150,000, $150,000 (unaudited) and $112,000 (unaudited), respectively.

9. COMMITMENTS AND CONTINGENCIES

From time to time, the Company may be engaged in routine litigation and disputes incidental to its business. The Company does not believe that the ultimate resolution of any of these matters will have a material adverse effect on the accompanying financial statements.

10. SUBSEQUENT EVENT

Effective May 7, 1998, the Company entered into a definitive agreement for the sale of all of the outstanding stock of the Company to NationsRent, Inc., an unrelated third party, in exchange for cash and debt.





REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To General Rental, Inc.:

We have audited the accompanying division balance sheet for the Florida Panhandle and Southeast Texas Divisions of General Rental, Inc. (a Delaware corporation) as of December 31, 1997, and the related statements of division operations, division equity and division cash flows for the year then ended. These division financial statements are the responsibility of the Divisions' management. Our responsibility is to express an opinion on these division financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the division financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the division financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall division financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the division financial statements referred to above present fairly, in all material respects, the financial position of the Florida Panhandle and Southeast Texas Divisions of General Rental, Inc. as of December 31, 1997, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Fort Lauderdale, Florida,
May 29, 1998 (except with respect
to the matter referred to in Note 11 as
to which the date is July 10, 1998).





THE FLORIDA PANHANDLE AND SOUTHEAST TEXAS DIVISIONS

OF GENERAL RENTAL, INC.

DIVISION BALANCE SHEETS

<TABLE>
<CAPTION>

| | DECEMBER 31, 1997 | MARCH 31, 1998 |
|---|---|---|
| | | (UNAUDITED) |
| <S> | <C> | <C> |
| ASSETS | | |
| Cash | $ 7,550 | $ 6,244 |
| Accounts receivable, net of allowance for doubtful accounts of $214,626 and $185,355 (unaudited) for December 31, 1997 and March 31, 1998, respectively | 1,912,175 | 1,655,344 |
| Inventories | 381,576 | 246,871 |
| Rental equipment, net | 11,970,725 | 11,610,015 |
| Property and equipment, net | 392,292 | 373,888 |
| Goodwill, net | 2,067,955 | 2,050,136 |
| Non-compete agreements, net | 1,390,000 | 1,311,000 |
| Prepaid expenses and other assets | 19,402 | 18,744 |
| Total assets | $18,141,675 | $17,272,242 |
| LIABILITIES AND DIVISION EQUITY | | |
| LIABILITIES: | | |
| Accounts payable | $ 1,462,325 | $ 1,315,244 |
| Accrued expenses and other liabilities | 1,837,982 | 1,893,161 |
| Revolver debt | 4,125,533 | 4,125,533 |
| Notes payable | 8,648,739 | 8,212,220 |
| Total liabilities | 16,074,579 | 15,546,158 |
| COMMITMENTS AND CONTINGENCIES (Notes 8, 9 and 11) | | |
| DIVISION EQUITY | 2,067,096 | 1,726,084 |
| Total liabilities and division equity | $18,141,675 | $17,272,242 |

</TABLE>

The accompanying notes to division financial statements are an integral part of these division balance sheets.





THE FLORIDA PANHANDLE AND SOUTHEAST TEXAS DIVISIONS

OF GENERAL RENTAL, INC.

STATEMENTS OF DIVISION OPERATIONS

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED DECEMBER 31, 1997 | FOR THE THREE MONTH PERIOD ENDED MARCH 31, 1997 | 1998 |
|---|---|---|---|
| | | (UNAUDITED) | |
| <S> | <C> | <C> | <C> |
| REVENUE: | | | |
| Equipment rentals | $7,238,033 | $646,230 | $2,209,487 |
| Sales of equipment, parts and supplies | 1,875,624 | 234,000 | 311,184 |

| | | | |
|---|---|---|---|
| Total revenue | 9,113,657 | 880,230 | 2,520,671 |
| COST OF REVENUE: | | | |
| Cost of equipment rentals, excluding depreciation | 4,017,826 | 386,493 | 1,377,633 |
| Rental equipment depreciation | 941,665 | 117,406 | 291,246 |
| Cost of sales of equipment, parts and supplies | 1,203,840 | 156,721 | 204,305 |
| Total cost of revenue | 6,163,331 | 660,620 | 1,873,184 |
| Gross profit | 2,950,326 | 219,610 | 647,487 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | 1,494,933 | 119,442 | 298,139 |
| NONRENTAL DEPRECIATION AND AMORTIZATION | 407,605 | 27,279 | 115,420 |
| Operating income | 1,047,788 | 72,889 | 233,928 |
| INTEREST EXPENSE | 703,775 | 41,660 | 294,860 |
| Income (loss) before provision for income taxes | 344,013 | 31,229 | (60,932) |
| PROVISION FOR INCOME TAXES | 137,605 | 12,492 | -- |
| NET INCOME (LOSS) | $ 206,408 | $ 18,737 | $ (60,932) |

</TABLE>

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





THE FLORIDA PANHANDLE AND SOUTHEAST TEXAS DIVISIONS

OF GENERAL RENTAL, INC.

STATEMENTS OF DIVISION EQUITY

FOR THE YEAR ENDED DECEMBER 31, 1997 AND THE

THREE MONTH PERIOD ENDED MARCH 31, 1998 (UNAUDITED)

<TABLE>

| <S> | <C> |
|---|---|
| BALANCE, December 31, 1996 | $1,326,099 |
| Net income | 206,408 |
| Net transfers from corporate | 534,589 |
| BALANCE, December 31, 1997 | 2,067,096 |
| Net loss (unaudited) | (60,932) |
| Net distributions to corporate (unaudited) | (280,080) |
| BALANCE, March 31, 1998 (unaudited) | $1,726,084 |

</TABLE>

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





THE FLORIDA PANHANDLE AND SOUTHEAST TEXAS DIVISIONS

OF GENERAL RENTAL, INC.

STATEMENTS OF DIVISION CASH FLOWS

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED DECEMBER 31, 1997 | FOR THE THREE MONTH PERIOD ENDED MARCH 31, 1997 | 1998 |
|---|---|---|---|
| | | (UNAUDITED) | |
| <S> | <C> | <C> | <C> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income (loss) | $ 206,408 | $ 18,737 | $ (60,932) |
| Adjustments to reconcile net income to net cash provided by operating activities -- | | | |
| Depreciation and amortization | 1,349,270 | 144,685 | 406,666 |
| (Gain) loss on sale of rental equipment | (221,170) | 17,050 | (8,868) |

| | | | |
|---|---|---|---|
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | (705,914) | (183,219) | 256,831 |
| Inventories | (91,421) | 43,516 | 134,705 |
| Prepaid expenses and other assets | (19,402) | (27,761) | 658 |
| Accounts payable | 368,097 | 91,252 | (147,081) |
| Accrued expenses and other liabilities | 243,240 | 43,465 | 55,179 |
| Total adjustments | 922,700 | 128,988 | 698,090 |
| Net cash provided by operating activities | 1,129,108 | 147,725 | 637,158 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Cash used in acquisitions | (4,125,533) | -- | -- |
| Purchases of rental equipment | (4,191,992) | (855,787) | (2,141) |
| Purchases of property and equipment | (167,407) | (19,577) | (3,357) |
| Proceeds from sale of rental equipment | 695,353 | 35,473 | 83,633 |
| Net cash provided by (used in) investing activities | (7,789,579) | (839,891) | 78,135 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from revolver debt | 4,125,533 | -- | -- |
| Proceeds from notes payable | 3,735,697 | 519,938 | -- |
| Repayments of notes payable | (1,729,748) | (109,249) | (436,519) |
| Net transfers from (distributions to) corporate | 534,589 | 281,477 | (280,080) |
| Net cash provided by (used in) financing activities | 6,666,071 | 692,166 | (716,599) |
| NET INCREASE (DECREASE) IN CASH | 5,600 | -- | (1,306) |
| CASH, beginning of period | 1,950 | 1,950 | 7,550 |
| CASH, end of period | $ 7,550 | $ 1,950 | $ 6,244 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | | |
| Cash paid for interest | $ 703,775 | $ 41,660 | $ 294,860 |

</TABLE>

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





# THE FLORIDA PANHANDLE AND SOUTHEAST TEXAS DIVISIONS OF GENERAL RENTAL, INC.

## NOTES TO DIVISION FINANCIAL STATEMENTS

DECEMBER 31, 1997

### 1. ORGANIZATION

General Rental, Inc. ("General"), a Delaware corporation, was incorporated in 1996. General operates through various geographical divisions including the Florida Panhandle and Southeast Texas Divisions (the "Divisions"). The Divisions consist of six stores in the Florida Panhandle and seven stores in Texas. The principal business of the Divisions is rental of a broad array of equipment to a diverse customer base that includes construction industry participants, industrial companies and others in Florida and Texas. The Divisions also engage in related activities such as selling used equipment, acting as a distributor for certain new equipment and selling related merchandise and parts. The nature of the Divisions' business is such that short-term obligations are typically met by cash flow generated from long-term assets. Consequently, consistent with industry practice, the accompanying audited and unaudited division balance sheets are presented on an unclassified basis.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The accompanying division financial statements include only the Florida Panhandle and Southeast Texas Divisions of General. These division financial statements were carved out of the financial statements of General on a specific identification basis or by using the following allocations, as required.

#### Allocations

The accompanying division balance sheets and statements of division operations include allocations of certain liabilities and expenses where specific identification is not practicable. Management of the Divisions believes that the following allocation methods used are reasonable:

| FINANCIAL STATEMENT CAPTION | ALLOCATION METHOD |
|---|---|
| - Accounts payable | - Portion based on the percentage of revenues related to the Divisions |
| - Accrued expenses and other liabilities | - Portion based on the percentage of revenues or debt related to the Divisions |
| - Revolver debt | - Based on the cash required for acquisitions (see Note 3) |
| - Notes payable | - Based on the percentage of rental equipment financed related to the Divisions |
| - Selling, general and administrative expenses | - Portion based on the percentage of revenues related to the Divisions |
| - Interest expense | - Based on the average debt balance allocated to the Divisions using an average interest rate of 9.5% |
| - Provision for income taxes | - Provided at an assumed income tax rate of 40%, no benefit is recorded for losses |

Inventories

Inventories consist of equipment and parts. New equipment and parts inventories are stated at the lower of average cost or market.





Rental equipment

Rental equipment is recorded at cost and depreciated over the estimated useful lives of the equipment on a straight-line basis. The range of useful lives estimated by management for rental equipment is three to ten years. Rental equipment is depreciated to a salvage value of 20% of cost. Ordinary maintenance and repair costs are charged to operations as incurred.

Revenue recognition

Revenue related to the sale of equipment, parts and supplies is recognized at the point of sale. Revenue related to rental equipment is recognized over the contract term. Earned but not billed revenue included in accounts receivable was $221,206 at December 31, 1997 and $229,420 (unaudited) at March 31, 1998, respectively.

Property and equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives using a straight-line basis. The range of useful lives estimated by management for property and equipment is three to ten years. Ordinary maintenance and repair costs are charged to operations as incurred.

Long-lived assets

Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of " requires that long-lived assets, including certain identifiable intangibles and the goodwill related to those assets, be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset in question may not be recoverable. Management has reviewed the long-lived assets of the Divisions and has determined that there are no events requiring impairment loss recognition.

Fair value of financial instruments

The carrying amounts for accounts receivable, accounts payable and accrued expenses and other liabilities as of December 31, 1997 is not significantly different than fair value due to the short-term nature of these accounts. The fair value of revolver debt and notes payable is determined using current applicable interest rates for similar instruments as of December 31, 1997 and is not significantly different than the carrying value of such debt.

Division equity

Division equity represents the difference between division assets and division liabilities. Changes in division equity result from operating results of the Divisions and any net transfers from or net distributions to corporate.

These transfers and distributions to and from corporate consist mainly of funding for operating losses, funding of purchases of rental equipment and fixed assets, funding of debt service costs and distributions of excess cash.

Concentrations of credit risk

Financial instruments that potentially subject the Divisions to significant concentrations of credit risk consist principally of accounts receivable. Concentrations of credit risk with respect to accounts receivable are limited because a large number of geographically diverse customers make up the Divisions' customer base. No





single customer represents greater than 10% of total accounts receivable. The Divisions control credit risk through credit approvals, credit limits, and monitoring, generally without requiring collateral.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the division financial statements and accompanying notes. Actual results could differ from those estimates.

Interim financial information

In the opinion of management, the unaudited interim financial information as of March 31, 1998 and for the three month periods ended March 31, 1997 and 1998 furnished herein reflects all adjustments consisting of normal recurring accruals that, in the opinion of management, are necessary for a fair presentation of the results for the interim period. The results of operations for the three months ended March 31, 1998 are not necessarily indicative of the results to be expected for the entire year.

3. ACQUISITIONS

During 1997, General purchased the assets and assumed certain liabilities of stores (the "Acquired Stores") which are included in the division financial statements beginning on their dates of acquisition. The acquisitions of the Acquired Stores were accounted for under the purchase method. As a result, the Divisions recorded approximately $1.0 million of goodwill and $1.4 million of non-compete agreement costs. The assets and liabilities of the Acquired Stores at their dates of acquisition are as follows:

<TABLE>

| | |
|---|---|
| Accounts receivable, net of allowance for doubtful accounts of $27,361 | $ 932,877 |
| Inventories | 45,000 |
| Prepaid expenses and other assets | 100,000 |
| Rental equipment | 6,780,603 |
| Property and equipment | 51,760 |
| Goodwill | 977,833 |
| Non-compete agreements | 1,430,000 |
| Accounts payable | (348,726) |
| Accrued expenses and other liabilities | (1,386,018) |
| Notes payable | (4,457,796) |
| Cash paid for acquisitions | $ 4,125,533 |

</TABLE>

4. RENTAL EQUIPMENT

Rental equipment and related accumulated depreciation consist of the following:

<TABLE>
<CAPTION>

| | DECEMBER 31, 1997 | MARCH 31, 1998 (UNAUDITED) |
|---|---|---|

| | | |
|---|---|---|
| Rental equipment | $12,959,442 | $12,862,897 |
| Less -- accumulated depreciation | (988,717) | (1,252,882) |
| Rental equipment, net | $11,970,725 | $11,610,015 |

</TABLE>





5. PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation consist of the following:

<TABLE>
<CAPTION>

| | DECEMBER 31, 1997 | MARCH 31, 1998 (UNAUDITED) |
|---|---|---|
| <S> | <C> | <C> |
| Property and equipment | $ 507,909 | $ 511,266 |
| Less -- accumulated depreciation | (115,617) | (137,378) |
| Property and equipment, net | $ 392,292 | $ 373,888 |

</TABLE>

6. INTANGIBLE ASSETS

Goodwill and related accumulated amortization consist of the following:

<TABLE>
<CAPTION>

| | DECEMBER 31, 1997 | MARCH 31, 1998 (UNAUDITED) |
|---|---|---|
| <S> | <C> | <C> |
| Goodwill | $2,138,270 | $2,138,270 |
| Less -- accumulated amortization | (70,315) | (88,134) |
| Goodwill, net | $2,067,955 | $2,050,136 |

</TABLE>

Goodwill amortization expense was $47,930 for the year ended December 31, 1997 and $9,693 (unaudited) and $17,819 (unaudited) for the three months ended March 31, 1997 and 1998, respectively.

Non-compete agreements and related accumulated amortization consist of the following:

<TABLE>
<CAPTION>

| | DECEMBER 31, 1997 | MARCH 31, 1998 (UNAUDITED) |
|---|---|---|
| <S> | <C> | <C> |
| Non-compete agreements | $1,580,000 | $1,580,000 |
| Less -- accumulated amortization | (190,000) | (269,000) |
| Non-compete agreements, net | $1,390,000 | $1,311,000 |

</TABLE>

Non-compete agreements amortization expense was $187,500 for the year ended December 31, 1997 and $7,500 (unaudited) and $79,000 (unaudited) for the three months ended March 31, 1997 and 1998, respectively.

Goodwill and non-compete agreements are amortized over their estimated useful lives of 30 years and 5 years, respectively.

7. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following:

| | DECEMBER 31, 1997 | MARCH 31, 1998 (UNAUDITED) |
|---|---|---|
| Payroll-related accrued expenses | $ 181,893 | $ 187,354 |
| Non-payroll tax-related accrued expenses | 144,484 | 148,822 |
| Non-compete agreement liabilities | 1,353,412 | 1,394,043 |
| Other | 158,193 | 162,942 |
| Accrued expenses and other liabilities | $1,837,982 | $1,893,161 |

8. REVOLVER DEBT AND NOTES PAYABLE

The revolver debt and notes payable have been allocated from General as discussed in Note 2. All assets of the Divisions are pledged as collateral for General's debt. As a result of cash flow difficulties at General, all such debt is currently in default and is due on demand. The interest rate on such debt was at a variable rate for the revolver debt and a fixed rate for the notes payable, and approximated 9.5% for all periods presented in the accompanying division financial statements.

9. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Divisions lease rental equipment, real estate, vehicles and certain office equipment under noncancelable operating leases. These leases expire at various dates through January 31, 2011. Certain real estate leases require the Divisions to pay maintenance, insurance, taxes and certain other expenses in addition to the stated rentals. Future minimum lease payments, by year and in the aggregate, for noncancelable operating leases with initial or remaining terms of one year or more are as follows at December 31, 1997:

| | |
|---|---|
| 1998 | $ 764,393 |
| 1999 | 732,495 |
| 2000 | 782,424 |
| 2001 | 449,930 |
| 2002 | 157,550 |
| Thereafter | 339,099 |
| | $3,225,891 |

Rent expense under noncancelable operating leases was $567,163 for the year ended December 31, 1997 and $74,020 (unaudited) and $141,791 (unaudited) for the three months ended March 31, 1997 and 1998.

10. EMPLOYEE BENEFIT PLAN

The Divisions participate in a 401(k) plan (the "Plan") which covers certain full-time employees over 21 years old who have worked a minimum of one year for the Divisions. The Plan is funded by employee deferrals of income and matching contributions by the Divisions of $.50 per $1.00 up to a matching contribution of 3% of a participant's compensation. The Divisions' matching contributions totaled $8,000 for the year ended December 31, 1997, and $1,000 (unaudited) and $2,000 (unaudited) for the three months ended March 31, 1997 and 1998, respectively.

11. SUBSEQUENT EVENT

In May 1998, General entered into a definitive agreement to sell the assets of the Divisions to NationsRent, Inc., an unrelated third party, in exchange for cash and the assumption of certain accrued liabilities. General's management intends to utilize the proceeds of the sale to reduce its debt obligations. Such transaction was completed on July 10, 1998.





REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To Associated Rental Equipment Management Company, Inc.:

We have audited the accompanying balance sheets of Associated Rental Equipment Management Company, Inc. (a Texas Corporation) as of December 31, 1996 and 1997, and the related statements of income, stockholder's equity and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 financial statements referred to above present fairly, in all material respects, the financial position of Associated Rental Equipment Management Company, Inc. as of December 31, 1996 and 1997, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Fort Lauderdale, Florida,
June 11, 1998.





ASSOCIATED RENTAL EQUIPMENT MANAGEMENT COMPANY, INC.

BALANCE SHEETS

<TABLE>
<CAPTION>

| | DECEMBER 31, 1996 | DECEMBER 31, 1997 | MARCH 31, 1998 (UNAUDITED) |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| ASSETS | | | |
| Cash and cash equivalents | $ 337,694 | $ 828,345 | $ 1,050,550 |
| Accounts receivable, net of allowances for doubtful accounts of $553,000, $461,000 and $400,000 (unaudited) for 1996, 1997 and 1998, respectively | 2,904,093 | 4,436,887 | 4,813,464 |
| Due from stockholder | 315,000 | 75,000 | 75,000 |
| Marketable securities | 2,235,030 | 2,612,642 | 2,861,312 |
| Inventories | 1,111,530 | 1,914,717 | 749,384 |
| Prepaid expenses and other assets | 251,809 | 573,934 | 462,032 |
| Rental equipment, net | 35,287,240 | 59,982,594 | 66,134,633 |
| Property and equipment, net | 2,561,625 | 4,975,581 | 5,391,791 |
| Total assets | $45,004,021 | $75,399,700 | $81,538,166 |
| LIABILITIES AND STOCKHOLDER'S EQUITY | | | |
| LIABILITIES: | | | |
| Accounts payable | $ 1,156,178 | $ 2,027,383 | $ 1,273,626 |

| | | | |
|---|---|---|---|
| Accrued expenses and other liabilities | 2,362,396 | 2,915,667 | 2,275,330 |
| Debt | 36,017,937 | 61,598,630 | 67,781,414 |
| Total liabilities | 39,536,511 | 66,541,680 | 71,330,370 |
| COMMITMENTS AND CONTINGENCIES (Notes 7, 8 and 11) | | | |
| STOCKHOLDER'S EQUITY: | | | |
| Common stock -- no par value; 1,000 shares authorized, issued and outstanding | 1,000 | 1,000 | 1,000 |
| Paid-in capital | 25,134 | 25,134 | 25,134 |
| Unrealized gains on marketable securities | 27,934 | 96,677 | 320,748 |
| Retained earnings | 5,413,442 | 8,735,209 | 9,860,914 |
| Total stockholder's equity | 5,467,510 | 8,858,020 | 10,207,796 |
| Total liabilities and stockholder's equity | $45,004,021 | $75,399,700 | $81,538,166 |

</TABLE>

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





ASSOCIATED RENTAL EQUIPMENT MANAGEMENT COMPANY, INC.

STATEMENTS OF INCOME

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED DECEMBER 31, | | | FOR THE THREE-MONTH PERIOD ENDED MARCH 31, | |
|---|---|---|---|---|---|
| | 1995 | 1996 | 1997 | 1997 | 1998 |
| | | | | (UNAUDITED) | (UNAUDITED) |
| <S> | <C> | <C> | <C> | <C> | <C> |
| REVENUE: | | | | | |
| Equipment rentals | $20,726,189 | $18,930,099 | $24,261,338 | $ 4,288,418 | $ 7,153,512 |
| Sales of equipment | 4,167,919 | 4,827,389 | 16,527,647 | 5,904,630 | 4,290,175 |
| | 24,894,108 | 23,757,488 | 40,788,985 | 10,193,048 | 11,443,687 |
| COST OF REVENUE: | | | | | |
| Cost of equipment rentals, excluding depreciation | 2,390,006 | 2,341,976 | 4,972,991 | 592,083 | 1,281,994 |
| Rental equipment depreciation | 5,867,435 | 6,369,939 | 8,625,665 | 1,626,480 | 2,643,037 |
| Cost of sales of equipment | 3,041,939 | 4,233,657 | 13,463,673 | 4,754,430 | 3,665,302 |
| | 11,299,380 | 12,945,572 | 27,062,329 | 6,972,993 | 7,590,333 |
| Gross profit | 13,594,728 | 10,811,916 | 13,726,656 | 3,220,055 | 3,853,354 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | 8,114,872 | 6,751,686 | 6,144,202 | 951,277 | 1,473,824 |
| NON-RENTAL DEPRECIATION AND AMORTIZATION | 300,697 | 385,806 | 466,240 | 96,942 | 123,302 |
| Operating income | 5,179,159 | 3,674,424 | 7,116,214 | 2,171,836 | 2,256,228 |
| OTHER (EXPENSE) INCOME: | | | | | |
| Investment earnings | 62,767 | 227,717 | 344,301 | 5,131 | 36,566 |
| Interest expense | (2,290,370) | (2,803,824) | (3,748,335) | (734,705) | (1,225,593) |
| Other, net | (66,316) | (14,093) | 13,358 | 7,310 | 58,504 |
| Other (expense) income, net | (2,293,919) | (2,590,200) | (3,390,676) | (722,264) | (1,130,523) |
| Income before benefit for income taxes | 2,885,240 | 1,084,224 | 3,725,538 | 1,449,572 | 1,125,705 |
| BENEFIT FOR INCOME TAXES | (836,000) | -- | -- | -- | -- |
| NET INCOME | 3,721,240 | 1,084,224 | 3,725,538 | 1,449,572 | 1,125,705 |
| PRO FORMA PROVISION FOR INCOME TAXES | 1,990,096 | 433,690 | 1,490,215 | 579,829 | 450,282 |
| PRO FORMA NET INCOME | $ 1,731,144 | $ 650,534 | $ 2,235,323 | $ 869,743 | $ 675,423 |

</TABLE>

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





ASSOCIATED RENTAL EQUIPMENT MANAGEMENT COMPANY, INC.

STATEMENTS OF STOCKHOLDER'S EQUITY

| | COMMON STOCK NO PAR VALUE NUMBER OF SHARES | AMOUNT | PAID-IN CAPITAL | UNREALIZED GAINS ON SECURITIES | RETAINED EARNINGS | TOTAL |
|---|---|---|---|---|---|---|
| BALANCE, January 1, 1995 | 1,000 | $1,000 | $25,134 | $ -- | $1,144,683 | $ 1,170,817 |
| Net income | -- | -- | -- | -- | 3,721,240 | 3,721,240 |
| BALANCE, December 31, 1995 | 1,000 | 1,000 | 25,134 | -- | 4,865,923 | 4,892,057 |
| Unrealized gains on marketable securities | -- | -- | -- | 27,934 | -- | 27,934 |
| Dividends to stockholder | -- | -- | -- | -- | (536,705) | (536,705) |
| Net income | -- | -- | -- | -- | 1,084,224 | 1,084,224 |
| BALANCE, December 31, 1996 | 1,000 | 1,000 | 25,134 | 27,934 | 5,413,442 | 5,467,510 |
| Unrealized gains on marketable securities | -- | -- | -- | 68,743 | -- | 68,743 |
| Dividends to stockholder | -- | -- | -- | -- | (403,771) | (403,771) |
| Net income | -- | -- | -- | -- | 3,725,538 | 3,725,538 |
| BALANCE, December 31, 1997 | 1,000 | 1,000 | 25,134 | 96,677 | 8,735,209 | 8,858,020 |
| Unrealized gains on marketable securities (unaudited) | -- | -- | -- | 224,071 | -- | 224,071 |
| Net income (unaudited) | -- | -- | -- | -- | 1,125,705 | 1,125,705 |
| BALANCE, March 31, 1998 (unaudited) | 1,000 | $1,000 | $25,134 | $320,748 | $9,860,914 | $10,207,796 |

</TABLE>

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





ASSOCIATED RENTAL EQUIPMENT MANAGEMENT COMPANY, INC.

STATEMENTS OF CASH FLOWS

| | FOR THE YEAR ENDED DECEMBER 31, 1995 | 1996 | 1997 | FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 1997 (UNAUDITED) | 1998 (UNAUDITED) |
|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Net income | $ 3,721,240 | $ 1,084,224 | $ 3,725,538 | $ 1,449,572 | $ 1,125,705 |
| Adjustments to reconcile net income to net cash provided by operating activities -- | | | | | |
| Depreciation and amortization | 6,168,132 | 6,755,745 | 9,091,905 | 1,723,422 | 2,766,339 |
| Gain on sale of rental equipment | (1,125,980) | (593,732) | (3,063,974) | (1,150,020) | (624,873) |
| Changes in operating assets and liabilities: | | | | | |
| Accounts receivable | (259,253) | 182,134 | (1,532,794) | (947,876) | (376,577) |
| Prepaid expenses and other assets | (117,912) | (45,002) | (322,125) | (707,848) | 111,902 |
| Accounts payable | (679,218) | 351,343 | 871,205 | 327,808 | 241,441 |
| Accrued expenses and other liabilities | 199,573 | (73,953) | 553,271 | (454,545) | (1,635,535) |
| Net cash provided by operating activities | 7,906,582 | 7,660,759 | 9,323,026 | 240,513 | 1,608,402 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Purchases of property and equipment | (641,045) | (1,548,066) | (2,880,196) | (786,076) | (539,512) |
| Proceeds from sale of rental equipment | 4,167,919 | 4,827,389 | 16,527,647 | 5,904,630 | 4,290,175 |

| | | | | | |
|---|---|---|---|---|---|
| Marketable securities | 16,954 | (2,207,096) | (308,869) | 90,687 | (24,599) |
| Net cash provided by investing activities | 3,543,828 | 1,072,227 | 13,338,582 | 5,209,241 | 3,726,064 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | | |
| Proceeds from debt | 469,999 | 1,718,414 | 12,326,137 | -- | 2,344,168 |
| Repayments of debt | (10,671,000) | (11,758,122) | (34,333,323) | (5,616,132) | (7,456,429) |
| Dividends to stockholder | -- | (536,705) | (403,771) | -- | -- |
| Due from stockholder | (191,450) | 18,133 | 240,000 | 315,000 | -- |
| Net cash used in financing activities | (10,392,451) | (10,558,280) | (22,170,957) | (5,301,132) | (5,112,261) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,057,959 | (1,825,294) | 490,651 | 148,622 | 222,205 |
| CASH AND CASH EQUIVALENTS, beginning of period | 1,105,029 | 2,162,988 | 337,694 | 337,694 | 828,345 |
| CASH AND CASH EQUIVALENTS, end of period | $ 2,162,988 | $ 337,694 | $ 828,345 | $ 486,316 | $ 1,050,550 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | | | | |
| Cash paid for interest, net of capitalization of $150,000 in 1997 | $ 2,290,405 | $ 2,798,349 | $ 3,419,630 | $ 751,847 | $ 1,332,907 |
| SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES: | | | | | |
| Rental equipment financing with debt | $ 7,846,334 | $ 17,830,405 | $ 47,587,879 | $ 8,815,983 | $ 11,295,045 |
| Transfers of rental equipment to inventory, net | $ -- | $ 1,111,530 | $ 803,187 | $ -- | $ -- |

</TABLE>

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





ASSOCIATED RENTAL EQUIPMENT MANAGEMENT COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995, 1996 AND 1997

1. ORGANIZATION AND BASIS OF PRESENTATION

Associated Rental Equipment Management Company, Inc. (the "Company") was incorporated on July 28, 1989 in the state of Texas. The Company rents a broad array of equipment to a diverse customer base that includes construction industry participants, industrial companies and others in the states of Texas and Louisiana. The Company also engages in related activities such as selling used rental equipment. The nature of the Company's business is such that short-term obligations are typically met by cash flows generated from long-term assets. Consequently, consistent with industry practice, the accompanying balance sheets are presented on an unclassified basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents. At December 31, 1996 and 1997 and March 31, 1998 (unaudited), the Company had no cash equivalents.

Marketable Securities

In accordance with the provisions of Statement of Financial Accounting Standards No. 115, unrealized gains and losses on investments available-for-sale (which are stated at quoted fair value) are included as a separate component of stockholder's equity. All of the Company's marketable securities are held as available-for-sale.

Inventories

Inventories consist of used rental equipment held for resale and are stated at the lower of cost or market.

Rental Equipment

Rental equipment is recorded at cost and depreciated to zero salvage value over the estimated useful lives of the equipment on a straight-line basis. The average useful life estimated by management for rental equipment is seven years. Ordinary maintenance and repair costs are charged to operations as incurred. Significant improvements that extend the useful life of rental equipment are capitalized.

Revenue Recognition

Revenue related to the sale of rental equipment is recognized at the point of sale. Revenue related to rental equipment is recognized over the contract term.

Property and Equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives using accelerated methods. The range of useful lives estimated by management for property and equipment is five to forty years. Property and equipment is depreciated to a salvage value of zero to twenty percent. Ordinary maintenance and repair costs are charged to operations as incurred. Interest costs incurred during the construction period are capitalized in accordance with generally accepted accounting principles.

Impairment of Long-Lived Assets

The Company periodically reviews its valuation for long-lived assets used in operations when indicators of impairment are present. If the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount, the Company records impairment as required under generally accepted accounting principles. No such impairment losses were incurred for the periods presented.





Fair Value of Financial Instruments

The carrying amounts reported in the accompanying balance sheets for accounts receivable, due from stockholder, accounts payable, accrued expenses and other liabilities approximate fair value due to the short-term nature of these accounts. The fair value of debt is determined using current interest rates for similar instruments as of December 31, 1996 and 1997 and March 31, 1998 (unaudited) and approximates the carrying value of these obligations due to the fact that the underlying instruments bear interest at market rates or include provisions to adjust note balances and interest rates to approximate fair market value.

Income Taxes

The Company has been an S corporation for income tax purposes since January 1, 1995. Accordingly, income, losses and related temporary differences which arise in the recording of income and expense items for financial reporting and tax reporting purposes are included in the individual tax return of the stockholder. Therefore, no historical provision or liability for Federal and state income taxes has been included in the accompanying financial statements for the years ended December 31, 1996 and 1997.

Included in the accompanying statement of income for the year ended December 31, 1995 is a benefit for income taxes of $836,000, which represents the reversal of the deferred income tax liability balance as of December 31, 1994 due to the change in the Company's tax status to an S corporation. The deferred income tax liability as of December 31, 1994 arose due to the use of accelerated depreciation methods for income tax reporting purposes.

An enterprise that changes from taxable C corporation status to nontaxable S corporation status should continue to recognize a deferred tax liability to the extent that the enterprise would be subject to a corporate-level tax on net unrecognized built-in gains, as defined by Federal tax rules. At the time of the change in tax status, the Company determined that it had no net unrecognized built-in gains.

The pro forma adjustment to reflect income taxes in the accompanying statements of income is for informational purposes only. The pro forma provision for income taxes has been provided so that the estimated effective Federal and state income rate will be 40% for all periods presented.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash investments and accounts receivable. The Company maintains cash and cash equivalents with high quality financial institutions. Concentrations of credit risk with respect to accounts receivable are limited because a large number of geographically diverse customers make up the Company's customer base. No single customer represents greater than 10% of total accounts receivable. The Company controls credit risk through credit approvals, credit limits, and monitoring procedures.

Interim Financial Information

In the opinion of management, the unaudited financial information as of March 31, 1998 and for the three-month periods ended March 31, 1997 and 1998 furnished herein reflects all adjustments, consisting of normal recurring accruals that are necessary for a fair presentation of the results for the interim periods. The





results of operations for the three months ended March 31, 1998 are not necessarily indicative of the results to be expected for the entire year.

Comprehensive Income

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS No. 130"). This statement establishes standards for reporting and display of comprehensive income. Comprehensive income is defined as the change in equity during the financial reporting period of a business enterprise resulting from non-owner sources. Comprehensive income was $3,721,240, $1,112,158, $3,794,281, $1,449,572 (unaudited) and $1,349,776 (unaudited) for the years ended December 31, 1995, 1996 and 1997 and the three months ended March 31, 1997 and 1998, respectively.

3. MARKETABLE SECURITIES

The cost and estimated fair market value of marketable securities are as follows:

<TABLE>
<CAPTION>

| | DECEMBER 31, 1996 | DECEMBER 31, 1997 | MARCH 31, 1998 (UNAUDITED) |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Cost | $2,207,096 | $2,515,965 | $2,540,564 |
| Unrealized gains | 27,934 | 96,677 | 320,748 |
| Estimated market value | $2,235,030 | $2,612,642 | $2,861,312 |

</TABLE>

The Company uses the specific identification method to determine cost of securities upon sale. The net change in unrealized appreciation on the securities available for sale of $27,934, $68,743 and $224,071 (unaudited) for the years ended December 31, 1996 and 1997 and the three-month period ended March 31, 1998, respectively, has been reflected in the accompanying statements of stockholder's equity.

4. RENTAL EQUIPMENT

Rental equipment and related accumulated depreciation consists of the following:

<TABLE>
<CAPTION>

| | DECEMBER 31, 1996 | DECEMBER 31, 1997 | MARCH 31, 1998 (UNAUDITED) |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Rental equipment | $ 46,551,847 | $ 69,017,032 | $ 76,969,007 |
| Less -- accumulated depreciation | (11,264,607) | (9,034,438) | (10,834,374) |

| | | | |
|---|---|---|---|
| Rental equipment, net............. | $ 35,287,240 | $ 59,982,594 | $ 66,134,633 |

</TABLE>

Net rental equipment under rental equipment financing obligations was $27,801,496, $43,501,198 and $50,486,876 (unaudited) as of December 31, 1996 and 1997 and March 31, 1998, respectively.





5. PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

<TABLE>
<CAPTION>

| | DECEMBER 31, 1996 | DECEMBER 31, 1997 | MARCH 31, 1998 (UNAUDITED) |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Land.................................................. | $ -- | $ 144,013 | $ 144,013 |
| Buildings............................................. | 39,244 | 2,703,212 | 2,696,472 |
| Leaseholds............................................ | 553,616 | 980,102 | 963,847 |
| Furniture and fixtures................................ | 206,051 | 383,720 | 383,720 |
| Machinery and equipment............................... | 120,912 | 171,876 | 194,876 |
| Vehicles.............................................. | 1,915,599 | 2,175,748 | 2,184,471 |
| Construction in process............................... | 849,507 | -- | 495,587 |
| | 3,684,929 | 6,558,671 | 7,062,986 |
| Less -- accumulated depreciation and amortization........ | (1,123,304) | (1,583,090) | (1,671,195) |
| Property and equipment, net........................... | $2,561,625 | $4,975,581 | $5,391,791 |

</TABLE>

Buildings include structures and improvements constructed on land that is leased from the stockholder (see note 9). Interest costs of $150,000 were capitalized in 1997.

6. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities are as follows:

<TABLE>
<CAPTION>

| | DECEMBER 31, 1996 | DECEMBER 31, 1997 | MARCH 31, 1998 (UNAUDITED) |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Accrued payroll and related expenses.................... | $ 125,334 | $ 161,089 | $ 120,555 |
| Interest accrual........................................ | 25,440 | 354,145 | 333,970 |
| Accrued taxes........................................... | 1,621,679 | 1,293,892 | 793,288 |
| Bank overdrafts......................................... | 584,740 | 1,096,046 | 995,198 |
| Other................................................... | 5,203 | 10,495 | 32,319 |
| Total accrued expenses and other liabilities... | $2,362,396 | $2,915,667 | $2,275,330 |

</TABLE>





7. DEBT

Debt consists of the following:

<TABLE>
<CAPTION>

| | DECEMBER 31, | MARCH 31, |
|---|---|---|

| | 1996 | 1997 | 1998 |
|---|---|---|---|
| | | | (UNAUDITED) |
| <S> | <C> | <C> | <C> |
| LINES OF CREDIT: | | | |
| Rental equipment financing line of credit from a financing company with borrowings up to $4,000,000 (increased to $5,484,000 on March 26, 1998); interest at 1.25% over the greater of prime or commercial paper rates (changed to 3.25% over the commercial paper rate effective March 26, 1998) and payable monthly; collateralized by equipment held for sale and personally guaranteed by the stockholder; repaid in the first quarter of 1998........................ | $ -- | $ 2,258,900 | $ -- |
| Working capital line of credit from a bank with borrowings up to $2,000,000; interest at prime plus 1/2% with interest payable monthly; collateralized by accounts receivable, inventory and property and equipment and personally guaranteed by the stockholder; the underlying credit agreement expires September 1, 1998................................. | 768,207 | 1,231,407 | 1,571,407 |
| Working capital line of credit from a financial services institution with borrowings up to $2,000,000; interest at 2.40% over the 30-day commercial paper rate; collateralized by marketable securities; the underlying credit agreement expires October 31, 1999.................................. | -- | -- | 730,435 |
| Subtotal.................................. | 768,207 | 3,490,307 | 2,301,842 |
| NOTES PAYABLE: | | | |
| Various notes payable, secured by equipment, payable in monthly principal and interest installments; interest ranging from 3.99% to 7.9%; due between April 1997 and January 2002.................................. | 8,055,522 | 15,364,724 | 15,750,295 |

</TABLE>

(CONTINUED)





ASSOCIATED RENTAL EQUIPMENT MANAGEMENT COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(CONTINUED)

<TABLE>
<CAPTION>

| | DECEMBER 31, | | MARCH 31, |
|---|---|---|---|
| | 1996 | 1997 | 1998 |
| | | | (UNAUDITED) |
| <S> | <C> | <C> | <C> |
| RENTAL EQUIPMENT FINANCING OBLIGATIONS: | | | |
| Rental equipment financing obligations, secured by equipment, payable in monthly installments, capitalized at the Company's incremental borrowing rate of approximately 8%, due between January 1998 and October 2002.................................. | 27,194,208 | 42,743,599 | 49,729,277 |
| Total debt................................. | $36,017,937 | $61,598,630 | $67,781,414 |

</TABLE>

Maturities of the Company's debt at December 31, 1997 for the years ended December 31, are as follows:

<TABLE>
<CAPTION>

| | LINES OF CREDIT | NOTES PAYABLE | RENTAL EQUIPMENT FINANCING OBLIGATIONS | TOTAL |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> |
| 1998.................... | $ 3,490,307 | $ 4,069,770 | $30,934,508 | $38,494,585 |
| 1999.................... | -- | 5,271,727 | 6,446,122 | 11,717,849 |
| 2000.................... | -- | 4,058,990 | 5,393,486 | 9,452,476 |
| 2001.................... | -- | 1,951,908 | 4,114,374 | 6,066,282 |
| 2002.................... | -- | 12,329 | 1,863,571 | 1,875,900 |
| | $ 3,490,307 | $15,364,724 | 48,752,061 | 67,607,092 |

| | | | | |
|---|---|---|---|---|
| | =========== | =========== | | |
| Less amount representing interest | | | (6,008,462) | (6,008,462) |
| | | | ----------- | ----------- |
| | | | $42,743,599 | $61,598,630 |
| | | | =========== | =========== |

</TABLE>

Each of the above lines of credit agreements subject the Company to certain restrictive covenants including financial ratios, minimum net worth requirements and payment of dividend restrictions. As of December 31, 1997, the Company was not in compliance with certain of these restrictive covenants. The existence of these events of default permits the lenders to take certain actions, including increasing interest rates and accelerating repayment of the debt obligations. Although the lenders have not exercised any of these rights, there is no assurance that they will not do so in the future.

Rental equipment financing obligations include leases and rental purchase option agreements, both of which meet the criteria for treatment as capital leases under generally accepted accounting principles. The rental purchase option agreements are noncancellable and have terms up to one year. Substantially all rental equipment is purchased during or at the conclusion of the option period and subsequently refinanced through third party leasing arrangements with terms up to 60 months.

Interest expense related to rental equipment under rental equipment financing leases for the years ended December 31, 1995, 1996 and 1997 and for the three month period ended March 31, 1998 was $1,884,180, $2,142,810, $2,746,663 and $923,110 (unaudited), respectively.

## 8. COMMITMENTS AND CONTINGENCIES

### Operating Leases

The Company leases real estate, certain office equipment and vehicles under noncancelable operating leases. These leases expire at various dates through September 30, 2002. Certain real estate leases require the Company to pay maintenance, insurance, taxes and certain other expenses in addition to the stated rentals.





Future minimum lease payments, by year and in the aggregate, for noncancelable operating leases with initial or remaining terms of one year or more are as follows at December 31, 1997:

<TABLE>

| <S> | <C> |
|---|---|
| 1998 | $ 396,813 |
| 1999 | 414,886 |
| 2000 | 329,701 |
| 2001 | 378,199 |
| 2002 | 295,796 |
| 2003 and thereafter | 94,046 |
| | ---------- |
| | $1,909,441 |
| | ========== |

</TABLE>

Rent expense under noncancelable operating leases for the years ended December 31, 1995, 1996 and 1997 was $312,083, $329,776 and $403,226, respectively.

### Sales and Use Tax Audit

During the three years ended December 31, 1997, various taxing authorities conducted and completed audits of sales and use tax with respect to the Company's equipment rental activities. The additional sales and use tax payable by the Company resulting from the ultimate audit settlements was less than the amounts accrued during the periods covered by the audits. The Company recorded these differences in the period in which the settlements were reached. Included in selling, general and administrative expenses for the year ended December 31, 1997 is a $655,000 credit that arose from the reversal of sales and use tax provided for in 1995. The Company believes that its remaining sales and use tax accruals are adequate.

### Litigation, Claims and Disputes

The Company is involved in routine litigation, claims and disputes arising in the normal course of business. Management has reviewed these matters with legal counsel and believes that the ultimate liability, if any, resulting from these matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

9. RELATED PARTY TRANSACTIONS

The Company leases land and buildings used in its operations from its stockholder. The leases cover several operating locations and expire annually on December 31. The total rent paid related to these leases for the years ended December 31, 1995, 1996 and 1997 was $252,000, $262,500 and $240,000, respectively.

The Company leases rental equipment from an affiliated company. The total rent paid for the years ended December 31, 1995, 1996 and 1997 was $322,648, $361,742 and $288,687, respectively. The Company also guarantees certain debt of the affiliate. Such debt had a balance of $226,295 at December 31, 1997.

The Company had the following balances due from/payable to affiliated companies at December 31, 1996 and 1997:

<TABLE>
<CAPTION>

| | DECEMBER 31, | |
|---|---|---|
| | 1996 | 1997 |
| <S> | <C> | <C> |
| Due from....................................... | $108,861 | $62,028 |
| Payable to..................................... | $ 58,624 | $61,684 |

</TABLE>





10. EMPLOYEE BENEFIT PLAN

The Company sponsors a 401(k) plan (the "Plan") which covers full-time employees over 21 years old who have worked a minimum of one year for the Company. The Plan is funded by employee deferrals of income and discretionary contributions by the Company. The Company's matching contributions totaled $20,998, $25,741 and $27,675 for the years ended December 31, 1995, 1996 and 1997, respectively. Amounts due to the Plan at December 31, 1996 and 1997 were $25,127 and $29,020, respectively.

11. SUBSEQUENT EVENT

In June 1998, the stockholder entered into an asset purchase agreement whereby substantially all of the Company's operating assets and liabilities, except for real property and certain equipment, will be purchased by NationsRent, Inc., an unrelated third party, in exchange for cash and a convertible promissory note. Completion of this transaction is subject to customary closing conditions.





REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To Revco Equipment Rentals, Inc.:

We have audited the accompanying balance sheet of Revco Equipment Rentals, Inc. (a Florida corporation) as of December 31, 1997, and the related statements of income, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Revco Equipment Rentals, Inc. as of December 31, 1997, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Fort Lauderdale, Florida,

July 11, 1998.





REVCO EQUIPMENT RENTALS, INC.

BALANCE SHEETS

<TABLE>
<CAPTION>

| <S> | DECEMBER 31, 1997 <C> | MARCH 31, 1998 (UNAUDITED) <C> |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 104,038 | $ 70,576 |
| Accounts receivable | 283,747 | 269,246 |
| Inventories | 42,600 | 51,527 |
| Other assets | 51,797 | 50,629 |
| Rental equipment, net | 1,831,082 | 1,693,161 |
| Property and equipment, net | 303,335 | 302,575 |
| Total assets | $2,616,599 | $2,437,714 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| LIABILITIES: | | |
| Accrued expenses and other liabilities | 11,680 | 11,243 |
| Debt | 1,525,991 | 1,336,347 |
| Total liabilities | 1,537,671 | 1,347,590 |
| COMMITMENTS AND CONTINGENCIES (Notes 6 and 7) | | |
| STOCKHOLDERS' EQUITY: | | |
| Common stock -- $10 par value, 1,000 shares authorized, 100 issued and outstanding | 1,000 | 1,000 |
| Treasury stock, at cost | (150,000) | (150,000) |
| Additional paid-in capital | 131,243 | 131,243 |
| Retained earnings | 1,096,685 | 1,107,881 |
| Total stockholders' equity | 1,078,928 | 1,090,124 |
| Total liabilities and stockholders' equity | $2,616,599 | $2,437,714 |

</TABLE>

The accompanying notes to financial statements are an integral part of these balance sheets.

REVCO EQUIPMENT RENTALS, INC.

STATEMENTS OF INCOME

| | FOR THE YEAR ENDED DECEMBER 31, 1997 | FOR THE THREE MONTH PERIOD ENDED MARCH 31, 1997 (UNAUDITED) | 1998 (UNAUDITED) |
|---|---|---|---|
| REVENUE: | | | |
| Equipment rentals | $2,128,701 | $566,346 | $492,627 |
| Sales of rental equipment, parts and supplies | 495,146 | 154,380 | 40,314 |
| | 2,623,847 | 720,726 | 532,941 |
| COST OF REVENUE: | | | |
| Cost of equipment rentals | 1,004,217 | 240,983 | 189,115 |
| Rental equipment depreciation | 612,634 | 133,993 | 139,390 |
| Cost of sales of rental equipment, parts and supplies | 222,818 | 65,172 | 27,216 |
| | 1,839,669 | 440,148 | 355,721 |
| Gross profit | 784,178 | 280,578 | 177,220 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | 312,470 | 79,465 | 79,246 |
| NONRENTAL EQUIPMENT DEPRECIATION | 24,743 | 5,438 | 760 |
| Operating income | 446,965 | 195,675 | 97,214 |
| OTHER INCOME (EXPENSE), net: | | | |
| Interest expense | (122,252) | (32,885) | (31,010) |
| Interest income | 3,304 | -- | -- |
| Total other income (expense), net | (118,948) | (32,885) | (31,010) |
| Net income | 328,017 | 162,790 | 66,204 |
| PRO FORMA PROVISION FOR INCOME TAX | 131,207 | 65,116 | 26,482 |
| PRO FORMA NET INCOME | $ 196,810 | $ 97,674 | $ 39,722 |

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





REVCO EQUIPMENT RENTALS, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY

| | COMMON STOCK NUMBER OF SHARES | COMMON STOCK AMOUNT | TREASURY STOCK, AT COST | ADDITIONAL PAID-IN CAPITAL | RETAINED EARNINGS | TOTAL |
|---|---|---|---|---|---|---|

| | | | | | | |
|---|---|---|---|---|---|---|
| BALANCE, January 1, 1997 | 100 | $1,000 | $(150,000) | $131,243 | $ 932,030 | $ 914,273 |
| Distributions | -- | -- | -- | -- | (163,362) | (163,362) |
| Net income | -- | -- | -- | -- | 328,017 | 328,017 |
| BALANCE, December 31, 1997 | 100 | 1,000 | (150,000) | 131,243 | 1,096,685 | 1,078,928 |
| Distributions (unaudited) | -- | -- | -- | -- | (55,008) | (55,008) |
| Net income (unaudited) | -- | -- | -- | -- | 66,204 | 66,204 |
| BALANCE, March 31, 1998 (unaudited) | 100 | $1,000 | $(150,000) | $131,243 | $1,107,881 | $1,090,124 |

</TABLE>

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





REVCO EQUIPMENT RENTALS, INC.

STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

| <S> | FOR THE YEAR ENDED DECEMBER 31, 1997 <C> | FOR THE THREE MONTH PERIOD ENDED MARCH 31, 1997 (UNAUDITED) <C> | 1998 (UNAUDITED) <C> |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income | $ 328,017 | $ 162,790 | $ 66,204 |
| Adjustments to reconcile net income to net cash provided by operating activities -- | | | |
| Depreciation | 637,377 | 139,431 | 140,150 |
| Gain on sale of rental equipment | (229,374) | (93,176) | (10,584) |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | (49,063) | (47,463) | 14,501 |
| Inventories | (17,942) | (21,300) | (8,927) |
| Other assets | (714) | 26 | 1,168 |
| Accrued expenses and other liabilities | 1,372 | 85 | (437) |
| Net cash provided by operating activities | 669,673 | 140,393 | 202,075 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchases of rental equipment | (948,004) | (140,698) | (9,198) |
| Purchases of property and equipment | (13,716) | -- | -- |
| Proceeds from sales of rental equipment | 458,514 | 150,034 | 18,313 |
| Net cash provided by (used in) investing activities | (503,206) | 9,336 | 9,115 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Payment of distributions | (126,792) | (60,212) | (55,008) |
| Additional borrowings of debt | 716,630 | 179,158 | -- |
| Repayments of debt | (702,694) | (256,730) | (189,644) |
| Net cash used in financing activities | (112,856) | (137,784) | (244,652) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 53,611 | 11,945 | (33,462) |
| CASH AND CASH EQUIVALENTS, beginning of period | 50,427 | 50,427 | 104,038 |
| CASH AND CASH EQUIVALENTS, end of period | $ 104,038 | $ 62,372 | $ 70,576 |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH NON-CASH TRANSACTION'S: | | | |
| Distributions of property and equipment | $ 36,570 | $ 36,570 | $ -- |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | | |
| Cash paid for interest | $ 122,252 | $ 32,885 | $ 31,010 |

</TABLE>

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





REVCO EQUIPMENT RENTALS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997

1. ORGANIZATION AND BASIS OF PRESENTATION

Revco Equipment Rentals, Inc. (the "Company") was incorporated on April 15, 1980, as a Florida S Corporation. The Company rents a broad array of equipment to a customer base that includes principally construction industry participants and industrial companies. The Company also engages in related activities such as selling used rental equipment and selling related merchandise and parts. The nature of the Company's business is such that short-term obligations are typically met by cash flow generated from long-term assets. Consequently, consistent with industry practice, the accompanying audited and unaudited balance sheets are presented on an unclassified basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents. The Company had no cash equivalents at December 31, 1997 and March 31, 1998 (unaudited).

Inventories

Inventories consist of equipment, tools, parts, fuel and related supply items and are stated at the lower of weighted average cost or market.

Rental equipment

Rental equipment is recorded at cost and depreciated over the estimated useful lives of the equipment using an accelerated method. The range of useful lives estimated by management for rental equipment is five to ten years. Ordinary maintenance and repair costs are charged to operations as incurred.

Revenue recognition

Revenue related to the sale of equipment, parts and supplies is recognized at the point of sale. Revenue related to rental equipment is recognized over the contract term.

### Property and equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives using an accelerated method. The range of useful lives estimated by management for property and equipment is five to thirty-nine years. Ordinary maintenance and repair costs are charged to operations as incurred.

### Fair value of financial instruments

The carrying amounts reported in the balance sheets for accounts receivable, accounts payable and accrued expenses and other liabilities approximate fair value due to the short-term nature of these accounts. The fair value of debt is determined using current applicable interest rates as of December 31, 1997 and March 31, 1998 (unaudited) and approximates the carrying value of such debt.

### Income taxes

The Company is an S Corporation for income tax purposes. Accordingly, income, losses, and related temporary differences which arise in the recording of income and expense items for financial reporting and tax





reporting purposes are included in the individual tax returns of the stockholders. Therefore, no provision or liability for Federal and state income taxes has been included in the accompanying financial statements.

The pro forma adjustment to reflect income taxes in the accompanying statements of income is for information purposes only. The pro forma provision for income tax has been provided at the estimated rate of 40%.

### Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

### Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash investments and accounts receivable. The Company maintains cash and cash equivalents with high quality financial institutions. Concentrations of credit risk with respect to accounts receivable are limited because a large number of diverse customers make up the Company's customer base.

3. RENTAL EQUIPMENT

Rental equipment and related accumulated depreciation consist of the following:

| | DECEMBER 31, 1997 | MARCH 31, 1998 (UNAUDITED) |
|---|---|---|
| Rental equipment | $ 3,582,745 | $ 3,567,215 |
| Less -- accumulated depreciation | (1,751,663) | (1,874,054) |
| Rental equipment, net | $ 1,831,082 | $ 1,693,161 |

4. PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

| | DECEMBER 31, 1997 | MARCH 31, 1998 (UNAUDITED) |
|---|---|---|
| Furniture, fixtures and office equipment | $ 33,396 | $ 33,396 |
| Vehicles | 241,528 | 241,528 |
| Buildings | 176,810 | 176,810 |
| Leasehold improvements | 27,750 | 27,750 |
| Land | 101,600 | 101,600 |
| | 581,084 | 581,084 |
| Less -- accumulated depreciation | (277,749) | (278,509) |
| Property and equipment, net | $ 303,335 | $ 302,575 |





5. DEBT

Debt consists of the following:

| | DECEMBER 31, 1997 | MARCH 31, 1998 (UNAUDITED) |
|---|---|---|
| Term loans, secured by accounts receivable, inventories and rental equipment, interest at rates ranging from 6.32% to | | |

| | | |
|---|---|---|
| 10.9%, payable in monthly installments | $1,322,456 | $1,137,672 |
| Mortgage, secured by building and land, interest at 8.25%, Payable in monthly installments through December 1, 2007 | 120,130 | 118,167 |
| Unsecured note payable to a former stockholder, interest at 8.5%, payable in monthly installments through August 25, 2003 | 83,405 | 80,508 |
| Total debt | $1,525,991 | $1,336,347 |

</TABLE>

Debt maturities at December 31, 1997, are as follows:

<TABLE>

| <S> | <C> |
|---|---|
| 1998 | $ 607,270 |
| 1999 | 435,368 |
| 2000 | 235,259 |
| 2001 | 135,976 |
| 2002 | 28,051 |
| Thereafter | 84,067 |
| Total | $1,525,991 |

</TABLE>

6. COMMITMENTS AND CONTINGENCIES

The Company leases certain equipment used for rental purposes under a noncancellable operating lease. Future minimum lease payments, by year and in the aggregate, for this lease are as follows:

<TABLE>

| <S> | <C> |
|---|---|
| 1998 | $ 37,740 |
| 1999 | 37,740 |
| 2000 | 37,740 |
| 2001 | 37,740 |
| 2002 | 31,422 |
| Total | $182,382 |

</TABLE>

7. SUBSEQUENT EVENT

Effective April 3, 1998, substantially all of the Company's operating assets and liabilities were purchased by NationsRent, Inc. in exchange for cash and debt.



[Photo of exterior of location]



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-----------------------------------------------------

NO DEALER, SALESMAN OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY OF THE SHARES BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED, OR IN WHICH THE PERSON MAKING THE OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. UNDER NO CIRCUMSTANCES SHALL THE DELIVERY OF THIS PROSPECTUS OR ANY SALE MADE PURSUANT TO THIS PROSPECTUS CREATE ANY IMPLICATION THAT INFORMATION CONTAINED IN THIS PROSPECTUS IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE OF THIS PROSPECTUS.

------------------------

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------------------------------------------------------

13,000,000 SHARES

NATIONSRENT, INC. LOGO

COMMON STOCK

PROSPECTUS

BEAR, STEARNS & CO. INC.

BT ALEX- BROWN

DONALDSON, LUFKIN & JENRETTE

NATIONSBANC MONTGOMERY SECURITIES LLC

, 1998

---------------------------------------------------------
---------------------------------------------------------



PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth expenses and costs payable by the Company (other than underwriting discounts and commissions) expected to be incurred in connection with the issuance and distribution of the securities described in this Registration Statement. All amounts are estimated except for the SEC registration fee, the National Association of Securities Dealers, Inc. ("NASD") filing fee and the New York Stock Exchange listing fee.

<TABLE>
<CAPTION>

| | AMOUNT |
|---|---|
| Registration fee under Securities Act | $ 52,923 |
| NASD filing fee | |
| New York Stock Exchange original listing fees | |
| Legal fees and expenses | |
| Accounting fees and expenses | |
| Blue Sky fees and expenses | |
| Printing and engraving expenses | |
| Registrar and transfer agent fees | |
| Miscellaneous expenses | |
| Total | $2,000,000* |

</TABLE>

--------------------

* estimated.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Certificate provides that the Company shall indemnify to the fullest extent permitted by Section 145 of the DGCL, each person who is involved in any litigation or other proceeding because such person is or was a director or officer of the Company, against all expense, loss or liability reasonably incurred or suffered in connection therewith. The Bylaws provides that a director or officer may be paid expenses incurred in defending any proceeding in advance of its final disposition upon receipt by the Company of an undertaking, by or on behalf of the director or officer, to repay all amounts so advanced if it is ultimately determined that such director or officer is not entitled to indemnification.

Section 145 of the DGCL permits a corporation to indemnify any director or officer of the corporation against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with any action, suit or proceeding brought by reason of the fact that such person is or was a director or officer of the corporation, if such person acted in good faith and in a manner that he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, if he had no reason to believe his conduct was unlawful. In a derivative action, (i.e., one brought by or on behalf of the corporation), indemnification may be made only for expenses, actually and reasonably incurred by any director or officer in connection with the defense or settlement of such an action or suit, if such person acted in good faith and in a manner that he reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made if such person shall have been adjudged to be liable to the corporation, unless and only to the extent that the court in which the action or suit was brought shall determine that the defendant is fairly and reasonably entitled to indemnity for such expenses despite such adjudication of liability.

Pursuant to Section 102(b)(7) of the DGCL, the Certificate eliminates the liability of a director to the corporation or its stockholders for monetary damages for such breach of fiduciary duty as a director, except for liabilities arising (i) from any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) from acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, or (iv) from any transaction from which the director derived an improper personal benefit.

The Company intends to obtain primary and excess insurance policies insuring the directors and officers of the Company and its subsidiaries against certain liabilities they may incur in their capacity as directors and officers. Under such policies, the insurer, on behalf of the Company, may also pay amounts for which the Company has granted indemnification to the directors or officers.

Additionally, reference is made to the Underwriting Agreement filed as Exhibit 1.1 hereto, which provides for indemnification by the Underwriters of the Company, its directors and officers who sign the Registration Statement and persons who control the Company, under certain circumstances.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

Since its formation in August 1997, the Company has issued securities in the following transactions. Each of these transactions was intended to be exempt from the registration requirements of the Securities Act by virtue of either Section 4(2) thereunder based on being issued in a transaction not involving a public offering to a limited number of accredited investors or Section 3(b) thereunder based on being issued to a limited number of non-executive employees pursuant to written contracts relating to compensation of such persons.

In September 1997, the Company issued 12,500,000 shares of Common Stock to H. Family Investments, Inc. and 12,500,000 shares to James L. Kirk in exchange for an aggregate of approximately $47.1 million of equity capital which was funded at various times from September 1997 through June 2, 1998 as required to complete acquisitions.

In September 1997, in connection with the acquisition of Sam's, the Company issued promissory notes in an aggregate principal amount of $7,690,000, which are convertible into shares of Common Stock at the option of the holder at the initial public offering price.

From November 1997 to April 1998, the Company granted options to certain of its employees to purchase an aggregate of 1,087,571 shares of Common Stock at exercise prices ranging from $2.96 to $6.69 per share and a weighted average exercise price of $5.33 per share. These options vest over a four year period at the rate of 25% per year beginning on the first anniversary of the date of grant.

In December 1997, in connection with the acquisition of certain assets of C&E, the Company issued a promissory note in the principal amount of $2,000,000, which is convertible into shares of Common Stock at the option of the holder at the initial public offering price.

In December 1997, in connection with the acquisition of certain assets of Titan, the Company issued promissory notes in an aggregate principal amount of $1,399,998, which are convertible into shares of Common Stock at the option of the holders at the initial public offering price.

In April 1998, in connection with the acquisition of certain assets of Revco, the Company issued a promissory note in the principal amount of $900,000, which is convertible into shares of Common Stock at the option of the holder at the initial public offering price.

In April 1998, in connection with the acquisition of certain assets of Naples, the Company issued a promissory note in the principal amount of $1,000,000, which is convertible into shares of Common Stock at the option of the holder at the initial public offering price.

In May 1998, in connection with the acquisition of Bode-Finn, the Company issued promissory notes in an aggregate principal amount of $10,000,000, which are convertible into shares of Common Stock at the option of the holder at the initial public offering price. The Company also issued warrants to purchase a number of shares of Common Stock equal to $800,000 divided by the initial public offering price at an exercise price equal to the initial public offering price and with a term of five years commencing 18 months following the consummation of the Offering.





In May 1998, in connection with the acquisition of certain assets of

U-Rent-It, the Company issued a promissory note in the principal amount of $500,000, which is convertible into shares of Common Stock at the option of the holder at the initial public offering price.

In June 1998, the Company issued an aggregate of 5,118,694 shares of Common Stock to accredited investors in a private placement transaction for aggregate proceeds of $27.6 million.

In June 1998, in connection with the acquisition of A-Action, the Company issued a promissory note in the principal amount of $1,000,000, which is convertible into shares of Common Stock at the option of the holder at the initial public offering price.

In June 1998, in connection with the acquisition of Jobs, the Company issued promissory notes with an aggregate principal amount of $12,000,000, which are convertible into shares of Common Stock at the option of the holder at the initial public offering price.

In July 1998, in connection with the acquisition of J. Kelly, the Company issued a promissory note in the principal amount of $2,500,000, which is convertible into shares of Common Stock at the option of the holder at the initial public offering price.

In July 1998, in connection with the acquisition of certain assets of Associated, the Company issued a promissory note in the principal amount of $10,000,000, which is convertible into shares of Common Stock at the option of the holder at the initial public offering price.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) The following documents are filed as exhibits to this registration statement:

<TABLE>
<CAPTION>

| EXHIBIT NUMBER | DESCRIPTION |
|---|---|
| <C> | <S> |
| 1.1* | Form of Underwriting Agreement. |
| 3.1* | Form of Amended and Restated Certificate of Incorporation of the Company. |
| 3.2* | Amended and Restated By-Laws of the Company. |
| 4.1* | Form of Certificate of Common Stock. |
| 4.2* | Amended and Restated Credit Agreement, dated as of June 29, 1998, by and among the Company, BankBoston, N.A., LaSalle National Bank, Fleet Bank N.A., NationsBank, N.A., BancBoston Securities, Inc. and other lending institutions named therein. |
| 4.3* | Security Agreement, dated as of March 18, 1998, between the Company and Bank Boston, N.A. |
| 4.4* | Omnibus Amendment to Security Documents, dated as of June 29, 1998, among the Company, its subsidiaries and Bank Boston, N.A. |
| 4.5* | Joinder and Commitment Increase Agreement, dated as of July 15, 1998, among the Company, its subsidiaries, Bank Boston N.A., US Trust and Bankers Trust Company. |
| 4.6* | Notice of Increase in Total Commitment, dated July 15, 1998, by Bank Boston N.A. |
| 5.1* | Opinion of Akerman, Senterfitt & Eidson, P.A. |
| 10.1* | Stock Purchase Agreement dated August 15, 1997, among the Company, Sam's and the shareholders of Sam's, together with Amendment No.s 1 - 6. |
| 10.2* | Form of Unsecured Subordinated Promissory Notes -- Sam's |
| 10.3* | Form of Unsecured Convertible Subordinated Promissory Note -- Sam's |
| 10.4* | Form of Unsecured Contingent Convertible Subordinated Promissory Notes -- Sam's |
| 10.5* | Agreement, dated September 22, 1997, between the Company and Gary L. Gabriel |
| 10.6* | Asset Purchase Agreement dated December 8, 1997 among NationsRent of Ohio, Inc., R&R and the shareholder of R&R, together with an Amendment dated December 10, 1997. |
| 10.7* | Form of Unsecured Subordinated Promissory Note -- R&R |

| | |
|---|---|
| 10.8* | Asset Purchase Agreement dated December 8, 1997, as amended, among NationsRent of Indiana, Inc. and C&E, together with an Amendment dated December 23, 1997. |
| 10.9* | Form of Unsecured Convertible Subordinated Promissory Note -- C&E |

</TABLE>





| EXHIBIT NUMBER | DESCRIPTION |
|---|---|
| 10.10* | Stock Purchase Agreement dated December 20, 1997, as amended, among NationsRent of West Virginia, Inc., Titan and the shareholders of Titan, together with an Amendment dated December 31, 1997. |
| 10.11* | Form of Unsecured Convertible Subordinated Promissory Notes -- Titan |
| 10.12* | Stock Purchase Agreement dated March 24, 1998 among the Company, Bode-Finn and the shareholders of Bode-Finn, together with Amendment No. 1 dated April 6, 1998 and Amendment No. 2 dated April 17, 1998. |
| 10.13* | Form of Unsecured Convertible Subordinated Promissory Notes -- Bode-Finn |
| 10.14* | Form of Warrant -- Bode-Finn |
| 10.15* | Registration Rights Agreement dated May 5, 1998 among the Company, Bode-Finn, L.P. and Raymond E. Mason Foundation |
| 10.16* | Asset Purchase Agreement dated March 25, 1998 among NationsRent of Indiana, Inc., RFL and the shareholder of RFL |
| 10.17* | Asset Purchase Agreement dated April 21, 1998 among NationsRent of Florida, Inc. and Naples |
| 10.18* | Form of Unsecured Convertible Subordinated Promissory Note -- Naples |
| 10.19* | Stock Purchase Agreement dated May 7, 1998 among the Company, Jobs and the shareholders of Jobs |
| 10.20* | Form of Unsecured Subordinated Promissory Notes -- Jobs |
| 10.21* | Form of Unsecured Convertible Subordinated Promissory Note -- Jobs |
| 10.22* | Asset Purchase Agreement dated May 14, 1998 among the Company and General Rental |
| 10.23* | Stock Purchase Agreement dated May 30, 1998 among the Company, J. Kelly and the shareholders of J. Kelly |
| 10.24* | Form of Unsecured Convertible Subordinated Promissory Note -- J. Kelly |
| 10.25* | Form of Registration Rights Agreement among the Company and the shareholders of J. Kelly |
| 10.26* | Asset Purchase Agreement dated June 7, 1998 among the Company, Associated and the sole shareholder of Associated |
| 10.27* | Form of Unsecured Convertible Subordinated Promissory Note -- Associated |
| 10.28* | Form of Registration Rights Agreement -- Associated |
| 10.29* | Form of Subscription Agreement, dated May 1998, between the Company and certain subscribers |
| 10.30* | Form of NationsRent 1998 Stock Option Plan |
| 21.1* | Subsidiaries of the Company |
| 23.1 | Consent of Arthur Andersen LLP |
| 23.3* | Consent of Akerman, Senterfitt & Eidson, P.A. (included in Exhibit 5.1 above) |
| 24.1 | Power of Attorney (previously filed) |
| 27.1 | Financial data schedule (previously filed) |

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* To be filed by amendment.

(b) Financial Statement Schedule. The following financial statement schedule together with report of independent certified public accountants is filed on pages S-1 and S-2 herewith:

Financial Statement Schedule II, Valuation and Qualifying Accounts and Reserves, for the Period Ended December 31, 1997.

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

ITEM 17. UNDERTAKINGS.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as





expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) To provide to the Underwriters at the closing specified in the underwriting agreements certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

(2) For purposes of determining any liability under the Securities Act, each filing of the registrant's annual reports pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(4) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.





SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Amendment No. 3 to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Fort Lauderdale, State of Florida, on July 22, 1998.

NATIONSRENT, INC.

By: /s/ JAMES L. KIRK
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James L. Kirk
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 3 to Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<TABLE>

| SIGNATURE | TITLE | DATE |
| --- | --- | --- |
| /s/ JAMES L. KIRK<br>James L. Kirk | Chairman of the Board, President and Chief Executive Officer (principal executive officer) | July 22, 1998 |
| /s/ GENE J. OSTROW<br>Gene J. Ostrow | Executive Vice President and Chief Financial Officer (principal financial officer) | July 22, 1998 |
| *<br>Kris E. Hansel | Vice President and Controller (principal accounting officer) | July 22, 1998 |
| *<br>Thomas H. Bruinooge | Director | July 22, 1998 |
| *<br>Gary L. Gabriel | Director | July 22, 1998 |
| *<br>H. Wayne Huizenga | Director | July 22, 1998 |
| *<br>Harris W. Hudson | Director | July 22, 1998 |
| *By: /s/ GENE J. OSTROW<br>Gene J. Ostrow, as attorney-in-fact | | |





REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SCHEDULE

To the Stockholders of NationsRent, Inc.:

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements of NationsRent, Inc., and subsidiaries included in this registration statement and have issued our report thereon dated June 3, 1998, except with respect to the matters referred to in the third and fifth paragraphs of Note 10 as to which the date is July 15, 1998. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule included under Item 16(b) is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Fort Lauderdale, Florida,
June 3, 1998.





NATIONSRENT, INC.

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
SCHEDULE II
(IN THOUSANDS)

<TABLE>
<CAPTION>

| | BALANCE AT | CHARGED TO | ACCOUNTS | | BALANCE AT |
| --- | --- | --- | --- | --- | --- |

| DESCRIPTIONS | BEGINNING OF PERIOD(1) | COSTS AND EXPENSES | WRITTEN OFF | OTHER(2) | END OF YEAR |
|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> |
| Period ended December 31, 1997 | | | | | |
| Allowance for Doubtful Accounts....... | $ -- | -- | (40) | 627 | $587 |

</TABLE>

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(1) August 14, 1997 (inception).
(2) Represents the historical allowances of the acquired companies.





INDEX TO EXHIBITS

<TABLE>

| <S> | <C> |
|---|---|
| 23.1 | Consent of Arthur Andersen LLP |
| 24.1 | Power of Attorney (previously filed) |
| 27.1 | Financial Data Schedule (previously filed) |

</TABLE>

Exhibit 23.1

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

As independent certified public accountants, we hereby consent to the use of our reports (and to all references to our Firm) included in or made part of this registration statement.

ARTHUR ANDERSEN LLP

Fort Lauderdale, Florida,
July 22, 1998.