



IRA
Mendelsohn

FocalPoint Partners is a middle market investment banking firm serving the equipment rental industry. Ira Mendelsohn, founder of U.S. Rentals and Action Holdings, Inc. (the predecessor company to RSC), shares his insights into the market forces which are shaping the equipment rental industry.

Market Outlook

The equipment rental industry is going through a massive change in the ownership of its largest players. Of the ten largest companies in the 2006 RER 100 published in May, only three, United Rentals (#1), Home Depot (#5), and Sunstate Equipment (#10) have not announced any plans to merge, sell or make any other significant changes in their corporate structure.

This activity is a healthy sign that capital is again flowing to the industry after suffering through a prolonged downturn in the early 2000's. As opposed to the consolidation craze that swept through the industry in the late 1990's, these transactions are much more rational and based on solid business fundamentals.

How will the industry react to these changes at the top? Who will acquire RSC? How will this economic cycle play out?

The past several years have been very good to the rental industry. The next down cycle will not be as painful as was the downturn of 2000-2003, in my opinion, barring any calamitous world event that touches American soil.

M& A Activity

The industry is likely to see a temporary pause in merger and acquisition activity as the ownership changes in the RER top ten are digested. We will likely see some corporate spin-off activity as shareholders focus on profitable value-added products and services. Acquisitive companies like United Rentals will continue to be active. Strong regional companies will continue to be attractive "tuck-in" acquisition targets.

Niche Deals

Niche deals will continue, especially deals involving rental companies serving the oil & gas sector. Buyers of these businesses are not necessarily from the rental industry, but companies with a presence in the energy field.

Industry News

Sunbelt Rentals Acquires NationsRent

In one of the largest deals in rental industry history, Sunbelt Rentals announced it will acquire Fort Lauderdale, FL-based NationsRent in a \$1.05 billion transaction. The merger of Charlotte, NC-based Sunbelt Rentals with NationsRent, will make the combined company the third-largest rental company in North America.

NationsRent was co-founded in 1997 by Wayne Huizenga Jr, and racked up an unsustainable amount of debt in acquiring 58 businesses that drove it to bankruptcy in 2001. It was purchased out of bankruptcy in 2003 by Baupost Group LLC, a Boston investment firm, for \$80 million. Baupost now owns 65.5%, management 21%, and Phoenix Rental Partners LLC, a fund run by a team of veteran equipment rental executives, holds 14.1%.

One analyst estimates Ashtead, the UK parent of Sunbelt, is paying 5.3 times earnings before interest, taxes, depreciation and amortization ("EBITDA").

NES Rentals Shareholders Approve Sale

A majority of NES Rentals Holdings Inc. shareholders approved the company's acquisition by affiliates of private equity firm Diamond Castle Holdings LLC. The vote follows the announcement of a definitive agreement for affiliates of Diamond Castle to acquire NES in a transaction valued at about \$850 million including the assumption of liabilities.

Maxim Crane to Explore Potential Sale or Merger

Maxim Crane Works (RER #8) announced it is exploring business alternatives including a possible merger, sale of the business, or other potential transactions. The Pittsburgh-based crane rental company has retained Goldman, Sachs & Co. to act as its financial advisor during the process. During 2005, Maxim Crane increased its annual revenue by more than 10% compared with the previous year, the company said. During the first quarter of 2006, Maxim increased its rental revenue 21% over the first quarter of 2005.

**If you are interested in selling your business or raising growth capital, contact the equipment rental experts
Ira Mendelsohn and Dan Conway at FocalPoint Partners.**

Ira Mendelsohn
949-500-5663
irarents@aol.com

Dan Conway
310-405-7010
dconway@focalpointllc.com

Selected Rental Industry M&A Transactions

Date	Buyer	Seller	Unit Sold
1-Aug-06	Oakmont Acquisition Corp.	One Source Equipment Rentals LLC	
31-Jul-06	Bestway, Inc.	Rent World LLC	Rent World LLC /7 Rent-To-Own Stores
19-Mar-06	Ashtead Group Plc	NationsRent Cos., Inc.	
11-Jul-06	Ray Investment SARL	General Electric Co.	GE Supply
10-Jul-06	Industrial Hoist Services	B&H Air Tools LLC	
10-Jul-06	Industrial Hoist Services	Port Rentals	
27-Jun-06	Forrester UK Holdings LLC	Hypercom Corp.	Hypercom EMEA Ltd.
22-Jun-06	Asyst Technologies, Inc.	Shinko Electric Co. Ltd.	Asyst Shinko Inc.
1-Jun-06	DXP Enterprises, Inc.	Production Pump Systems, Inc.	
24-May-06	Diamond Castle Holdings LLC	NES Rentals Holdings, Inc.	
15-May-06	Bio Solutions Manufacturing, Inc.	BioExtraction Services, Inc.	
9-May-06	GlobalTech Acquisition LLC	International Card Establishment, Inc.	GlobalTech Leasing Inc.
3-May-06	Lehman Brothers Holdings, Inc.	Cross Group, Inc.	
28-Apr-06	Rubicon Ventures, Inc.	Diamond Rental, Inc.	
24-Apr-06	Genuine Parts Co.	Don Hills Co.	
7-Apr-06	Advent International Corp.	Euroloc de Maquinaria SL	
5-Apr-06	Filmop Srl	HPC Cleaning Innovation LLC	
4-Apr-06	Harrington Group Ltd.	Sun Biomedical Laboratories, Inc.	
29-Mar-06	Phoenix Associates Land Syndicate	CM Ideal Energy, Inc.	
24-Mar-06	United Rentals, Inc.	Handy Rent-All Center	
21-Mar-06	Rush Enterprises, Inc.	Great Southern Peterbilt, Inc.	Great Southern Peterbilt, Inc. /Jacksonville Dealership
20-Mar-06	Lime Rock Partners LP	IDM Equipment Ltd.	
16-Mar-06	MSC Industrial Direct Co, Inc.	Kennametal, Inc.	J&L Industrial Supply
14-Mar-06	Triton Holdings Ltd.	A Royal Wolf Portable Storage, Inc.	
3-Mar-06	IPS Packaging	All-Star Packaging, Inc.	
28-Feb-06	H&E Equipment Services LLC	Eagle High Reach Equipment, Inc.	
27-Feb-06	Allied Capital Corp.	Commercial Credit Group, Inc.	
15-Feb-06	Parker Hannifin Corp.	Denquip Hydraulics Pty Ltd.	Denquip Hydraulics Pty Ltd. /Hydraulic Distribution
10-Feb-06	Stallion Oilfield Services Ltd.	Trail Blazer Hot Shot, Inc.	
1-Feb-06	Airgas, Inc.	West Point Supply Co.	
30-Jan-06	Terra Firma Capital Partners Ltd.	Morgan Stanley	Ansett Worldwide Aviation Services, Inc.
30-Jan-06	RotorCraft Leasing Co. LLC	Industrial Helicopters	
21-Jan-05	Coast Crane Co.	Swinerton, Inc.	SI Equipment Services, Inc.
16-Jan-06	Alimak Hek Group AB	Champion Elevators, Inc.	Champion Elevators, Inc. /Manufacturing Business
12-Jan-06	N-1 Technologies	Deutsche Bank AG	Deutsche Bank AG /Gfinance Assets
12-Jan-06	London Merchant Securities Plc	Dynamic Cranes LLC	

Comparative Company Valuations*

Company	Ticker	Market Cap	Enterprise Value	EV/EBITDA	Revenue	EBITDA	Stock Price	52 Week Range
Equipment Rental Companies								
Ahern Rentals	-	-	-	-	\$219M	\$92M	-	-
H&E Equipment Services inc.	HEES	\$1.03B	\$1.35B	9.7x	\$654M	\$139M	\$26.94	\$20.25 - \$42.05
Neff Corp.	-	-	-	-	\$295M	\$92M	-	-
United Rentals	URI	\$2.25B	\$4.99B	5.1x	\$3.68B	\$981M	\$28.35	\$17.06 - \$37.84
Equipment Manufacturers								
Caterpillar	CAT	\$47.64B	\$73.52B	11.6x	\$38.64B	\$6.33B	\$71.15	\$48.25 - \$82.03
JLG Industries Inc.	JLG	\$1.96B	\$1.86B	7.0x	\$2.17B	\$263M	\$18.44	\$14.76 - \$32.49
Terex Corp.	TEX	\$4.55B	\$4.92B	8.1x	\$7.00B	\$604M	\$44.91	\$22.82 - \$51.57

*as of August 2, 2006

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