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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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**AMENDMENT NO. 1**  
**TO**  
**FORM S-1**  
**REGISTRATION STATEMENT**  
**UNDER**  
**THE SECURITIES ACT OF 1933**

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

(Exact name of registrant as specified in its charter)

**DELAWARE**

(State or other jurisdiction of  
incorporation or organization)

**7350**

(Primary Standard Industrial  
Classification Code Number)

**20-3507540**

(I.R.S. Employer  
Identification Number)

**11100 Mead Road, Suite 200**  
**Baton Rouge, Louisiana 70816**  
**(225) 298-5200**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**JOHN M. ENGQUIST**  
**PRESIDENT AND CHIEF EXECUTIVE OFFICER**  
**11100 MEAD ROAD, SUITE 200**  
**BATON ROUGE, LOUISIANA 70816**  
**(225) 298-5200**

(Name, address including zip code, and telephone number, including area code, of agent for service)

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**Approximate date of proposed sale to the public:**  
**As soon as practicable after the effective date of this registration statement.**

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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, 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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**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 have filed 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 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED NOVEMBER 23, 2005

## Shares



## H&E EQUIPMENT SERVICES, INC.

### Common Stock

Prior to the offering, there has been no public market for our common stock. The initial public offering price of our common stock is expected to be between \$ \_\_\_\_\_ and \$ \_\_\_\_\_ per share. We have applied to have our common stock approved for quotation on The Nasdaq National Market under the symbol "HEES."

The underwriters have an option to purchase a maximum of \_\_\_\_\_ additional shares to cover over-allotments.

**Investing in our common stock involves risks. See "Risk Factors" on page 12.**

	Price to Public	Underwriting Discounts and Commissions	Proceeds to H&E Equipment Services, Inc.
Per Share	\$ _____	\$ _____	\$ _____
Total	\$ _____	\$ _____	\$ _____

Delivery of the shares of common stock will be made on or about \_\_\_\_\_, 2005.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

**Credit Suisse First Boston**

**UBS Investment Bank**

The date of this prospectus is \_\_\_\_\_, 2005.

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**You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate as of the date of this document.**

### **Dealer Prospectus Delivery Obligation**

Until \_\_\_\_\_, 2005, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

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## PROSPECTUS SUMMARY

*The following summary highlights information contained elsewhere in this prospectus and is qualified in its entirety by more detailed information and consolidated financial statements included elsewhere in this prospectus. Because it is a summary, it does not contain all of the information that you should consider before investing in our common stock. You should read this prospectus carefully, including the section entitled "Risk Factors" and the consolidated financial statements and the related notes to those statements included elsewhere in this prospectus.*

*Unless we state otherwise, "we," "us," "our," and similar terms, as well as references to "H&E," "H&E Equipment Services" and the "Company," refer to H&E Equipment Services, Inc., a newly formed Delaware corporation, and our consolidated subsidiaries after giving effect to the reincorporation mergers and other transactions to be completed prior to the consummation of this offering as described in "Related Party Transactions—Reorganization Transactions." References to "H&E LLC" refer to H&E Equipment Services L.L.C., a Louisiana limited liability company and the principal operating subsidiary of H&E Holdings L.L.C., a Delaware limited liability company ("H&E Holdings"), prior to the completion of the reorganization transactions. H&E LLC itself is the result of the merger of ICM Equipment Company LLC and its consolidated subsidiaries ("ICM") and Head & Engquist Equipment, LLC ("Head & Engquist," a wholly-owned subsidiary of Gulf Wide Industries, LLC ("Gulf Wide")), with and into Gulf Wide. We refer to the combination of ICM and Head & Engquist into Gulf Wide as the "Gulf Wide transaction," and the operating results in this prospectus for periods prior to the Gulf Wide transaction reflect the historical results of Head & Engquist. Unless we state otherwise, the information in this prospectus gives effect to the reorganization transactions described in "Related Party Transactions—Reorganization Transactions." Some of the statements in this summary are forward-looking statements. For more information, see "Forward-Looking Statements."*

*All information in this prospectus assumes that the underwriters do not exercise their over-allotment option, unless otherwise indicated.*

*"EBITDA" and "Adjusted EBITDA" are defined and discussed in footnote 5 under the heading "Summary Historical and Pro Forma Financial Data."*

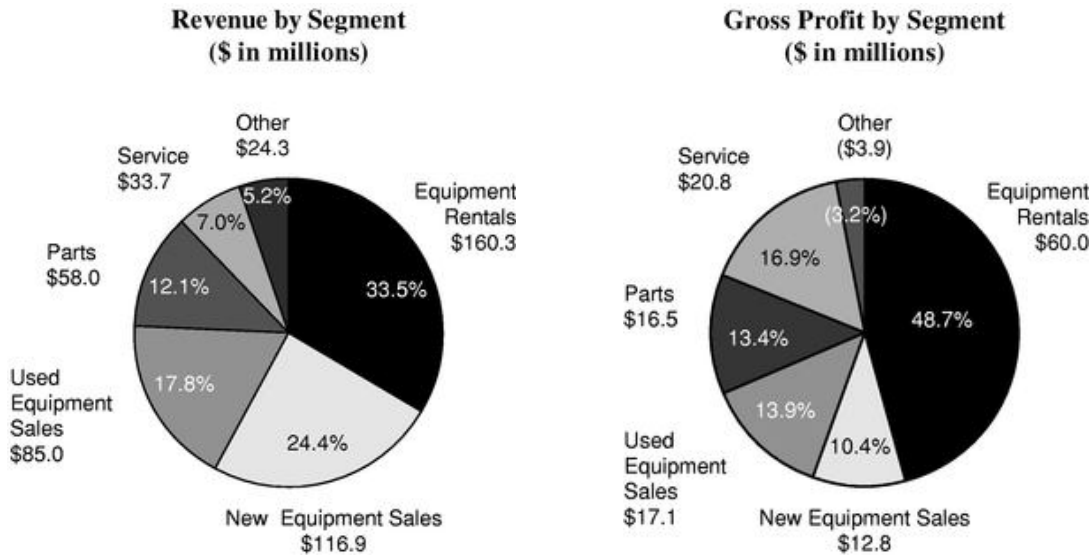
### **The Company**

We are one of the largest integrated equipment services companies in the United States focused on heavy construction and industrial equipment. We rent, sell and provide parts and service support for four core categories of specialized equipment: (1) hi-lift or aerial platform equipment; (2) cranes; (3) earthmoving equipment; and (4) industrial lift trucks. We engage in five principal business activities in these equipment categories:

- equipment rental;
- new equipment sales;
- used equipment sales;
- parts sales; and
- repair and maintenance services.

By providing rental, sales, parts, repair and maintenance functions under one roof, we offer our customers a one-stop solution for their equipment needs. This full service approach provides us with (1) multiple points of customer contact; (2) cross-selling opportunities among our rental, used and new equipment sales, parts sales and services operations; (3) an effective method to manage our rental fleet through efficient maintenance and profitable distribution of used equipment; and (4) a mix of business activities that enables us to operate effectively throughout economic cycles. We believe that the operating experience and extensive infrastructure we have developed throughout our history as an integrated equipment services company provide us with a competitive advantage over rental-focused

companies and equipment distributors. In addition, our focus on four core categories of heavy construction and industrial equipment enables us to offer specialized knowledge and support to our customers. For the year ended December 31, 2004, we generated total revenues of approximately \$478.2 million. For the nine months ended September 30, 2005, our total revenues were approximately \$414.7 million. The pie charts below illustrate a breakdown of our revenues and gross profit for the year ended December 31, 2004, respectively, by business segment (as reported):



We have operated, through our predecessor companies, as an integrated equipment services company for approximately 44 years and have built an extensive infrastructure that includes 41 full service facilities located throughout the high growth Intermountain, Southwest, Gulf Coast and Southeast regions of the United States. Our management, from the corporate level down to the branch level, has extensive industry experience. We focus our rental and sales activities on, and organize our personnel principally by, our four equipment categories. We believe this allows us to provide specialized equipment knowledge, improve the effectiveness of our rental and equipment sales forces and strengthen our customer relationships. In addition, we operate our day-to-day business on a branch basis, which we believe allows us to more closely service our customers, fosters management accountability at local levels, and strengthens our local and regional relationships.

#### Products and Services

**Equipment Rentals.** We rent our heavy construction and industrial equipment on a daily, weekly and monthly basis to our customers. We have an extremely well-maintained rental fleet that, at September 30, 2005, consisted of approximately 14,160 pieces of equipment which have an average age of approximately 41 months. Our rental business creates cross-selling opportunities for us in sales and services.

**New Equipment Sales.** We sell new equipment in all four equipment categories, and we are a leading distributor for nationally-recognized suppliers including JLG Industries, Gehl, Genie Industries (Terex), Komatsu, Bobcat and Yale Material Handling. In addition, we are the world's largest distributor of Grove and Manitowoc crane equipment. Our new equipment sales operation is a source of new customers for our parts sales and service support activities, as well as for used equipment sales.

**Used Equipment Sales.** We sell used equipment primarily from our rental fleet, as well as inventoried equipment that we acquire through trade-ins from our equipment customers and selective purchases of high-quality used equipment. Selling used equipment is an effective way for us to manage

the size and composition of our rental fleet and provides a profitable distribution channel for disposal of rental equipment. For the year ended December 31, 2004, approximately 77% of our used equipment sales revenues were derived from sales of rental fleet equipment. Used equipment sales, like new equipment sales, generate parts and services business for us.

*Parts Sales.* We sell new and used parts to customers and also provide parts to our own rental fleet. We maintain an extensive in-house new and used parts inventory in order to provide timely parts and service support. In addition, our parts operations enable us to maintain a high quality rental fleet and provide additional support to our end users.

*Service Support.* We provide maintenance and repair services for our customers' owned equipment and to our own rental fleet. In addition to repair and maintenance on an as-needed or scheduled basis, we provide ongoing preventative maintenance services and warranty repairs for our customers. Over time, we have built a full-scale services infrastructure that would be difficult for companies without the requisite resources and lead time to replicate.

In addition to our principal business activities mentioned above, we provide ancillary equipment support activities including transportation, hauling, parts shipping and loss damage waivers.

## **Our Competitive Strengths**

*Integrated Platform of Products and Services.* We believe that the operating experience and extensive infrastructure we have developed through years of operating as an integrated equipment services company provide us with a competitive advantage over rental-focused companies and equipment distributors. Key strengths of our integrated equipment services platform include:

- Ability to strengthen customer relationships by providing a full-range of products and services;
- Purchasing power gained through purchases for our new equipment sales and rental operations;
- High quality rental fleet supported by our strong product support capabilities;
- Established retail sales network resulting in profitable disposal of our used equipment; and
- Mix of business activities that enable us to effectively operate through economic cycles.

*Complementary, High Margin Parts and Service Operations.* Our parts and service businesses allow us to maintain our rental fleet in excellent condition and to offer our customers top quality rental equipment. Our after-market parts and service businesses together provide us with a high-margin revenue source that has proven to be stable throughout a range of economic cycles.

*Specialized, High Quality Equipment Fleet.* Our focus on four core types of heavy construction and industrial equipment allows us to better provide the specialized knowledge and support that our customers demand when renting and purchasing equipment. These four types of equipment are attractive because they have a long useful life, high residual value and strong industry demand.

*Well-Developed Infrastructure.* We have built an extensive infrastructure that includes a network of 41 full-service facilities, and a workforce that includes approximately 544 highly-skilled service technicians, a new/used equipment sales force of 75 people and a rental sales force of 79 people. We believe that our well-developed infrastructure helps us to better serve large multi-regional customers than our historically rental focused competitors and provides an advantage when competing for lucrative fleet and project management business.

*Leading Distributor for Suppliers.* We are a leading distributor for nationally-recognized equipment suppliers, including JLG Industries, Gehl, Genie Industries (Terex), Komatsu, Bobcat and Yale Material Handling. In addition, we are the world's largest distributor of Grove and Manitowoc crane equipment. These relationships improve our ability to negotiate equipment acquisition pricing and allow us to purchase parts at wholesale costs.

*Customized Information Technology Systems.* Our customized information systems allow us to actively manage our business and our rental fleet. Our customer relationship management system, which is currently being implemented, will provide our sales force with real-time access to customer and sales information.

*Experienced Management Team.* Our senior management team is led by John M. Engquist, our President and Chief Executive Officer, who has approximately 31 years of industry experience. Our senior and regional managers have an average of approximately 21 years of industry experience. Our branch managers have extensive knowledge and industry experience as well.

## **Our Business Strategy**

*Leverage our Integrated Business Model.* We intend to continue to actively leverage our integrated business model to offer a one-stop solution to customers' varied needs with respect to the four categories of heavy construction and industrial equipment on which we focus. We will continue to cross-sell our services to expand and deepen our customer relationships. We believe that our integrated equipment services model provides us with a strong platform for additional growth.

*Managing the Life Cycle of our Rental Equipment.* We actively manage the size, quality, age and composition of our rental fleet, employing a "cradle through grave" approach. During the life of our rental equipment, we (1) aggressively negotiate on purchase price; (2) use our customized information technology systems to closely monitor and analyze, among other things, time utilization (equipment usage based on customer demand), rental rate trends and targets and equipment demand; (3) continuously adjust our fleet mix and pricing; (4) maintain fleet quality through regional quality control managers and our on-site parts and services support; and (5) dispose of rental equipment through our retail sales force. This allows us to purchase our rental equipment at competitive prices, optimally utilize our fleet, cost-effectively maintain our equipment quality and maximize the value of our equipment at the end of its useful life.

*Grow our Parts and Service Operations.* Our strong parts and services operations are keystones of our integrated equipment services platform and together provide us with a relatively stable high-margin revenue source. Our parts and services operation helps us develop strong, ongoing customer relationships, attract new customers and maintain a high-quality rental fleet. We intend to grow this product support side of our business and further penetrate our customer base.

*Enter Carefully Selected New Markets.* We intend to continue to strategically expand our network to solidify our presence in the contiguous regions where we operate. Our proposed acquisition of Eagle High Reach Equipment, Inc., if consummated, will expand our presence into California. The regions in which we operate are attractive because they are among the highest growth areas in the United States. We have a proven track record of successfully entering new markets and we look to add locations that offer attractive growth opportunities, high demand for construction and heavy equipment, and contiguity to our existing markets.

*Make Selective Acquisitions.* The equipment industry is fragmented and consists of a large number of relatively small, independent businesses servicing discrete local markets. Some of these businesses may represent attractive acquisition candidates. We intend to evaluate and pursue acquisitions on an opportunistic basis, with an objective of increasing our revenues, improving our profitability, entering additional attractive markets and strengthening our competitive position.

## **History**

Through our predecessor companies, we have been in the equipment services business for approximately 44 years. H&E LLC was formed in June 2002 through the combination of Head & Engquist (a wholly-owned subsidiary of Gulf Wide) and ICM. Head & Engquist, founded in 1961, and ICM, founded in 1971, were two leading regional, integrated equipment service companies operating in



contiguous geographic markets. In the Gulf Wide transaction, Head & Engquist and ICM were merged with and into Gulf Wide, which was renamed H&E Equipment Services L.L.C. Prior to the combination, Head & Engquist operated 25 facilities in the Gulf Coast region, and ICM operated 16 facilities in the Intermountain region of the United States.

### **The Reorganization Transactions**

We were formed as a Delaware corporation in September 2005 as a wholly-owned subsidiary of H&E Holdings. The business is currently conducted through H&E LLC, the operating subsidiary of H&E Holdings. H&E LLC is a Louisiana limited liability company and H&E Holdings is a Delaware limited liability company. In order to have an operating Delaware corporation as the issuer for our initial public offering, immediately prior to the closing of this offering, H&E LLC and H&E Holdings will merge with and into us (H&E Equipment Services, Inc.), with us surviving the reincorporation merger as the operating company. In these transactions, holders of preferred limited liability company interests and holders of common limited liability company interests in H&E Holdings will receive shares of our common stock. As a result of these transactions, immediately prior to the consummation of this offering, Bruckmann, Rosser, Sherrill & Co. II, L.P. and Bruckmann, Rosser, Sherrill & Co., L.P. (collectively, "BRS") and their affiliates will own approximately % of our common stock and our executives, directors and principal stockholders will own approximately % of our common stock. Immediately following the consummation of this offering, BRS and its affiliates will own approximately % of our common stock and our executives, directors and principal stockholders will own approximately % of our common stock. Investors in this offering will purchase shares of our common stock. We refer to these transactions, together with the other transactions described in "Related Party Transactions—Reorganization Transactions," collectively in this prospectus as the "Reorganization Transactions."

### **Proposed Acquisition**

On September 22, 2005, we entered into a letter of intent to acquire all of the capital stock of Eagle High Reach Equipment, Inc. and all of the equity interests of its subsidiary, Eagle High Reach Equipment, LLC (together, "Eagle") for a formula-based purchase price to be determined (which, based on Eagle's June 30, 2005 financial results, is currently estimated to be approximately \$53.0 million, including assumed indebtedness). Although this letter of intent expired by its terms on October 31, 2005, the parties are continuing to negotiate the terms of a definitive purchase agreement. Eagle is a construction and industrial equipment rental company serving the southern California construction and industrial markets out of four locations. Eagle's principal business activity is renting aerial work platforms, which represents approximately 75% of that company's revenues. The Eagle acquisition provides us with entry into the high growth southern California market and a platform for further expansion on the West Coast. For its most recent fiscal year ended June 30, 2005, Eagle had revenues of \$30.6 million. Our proposed acquisition of Eagle is subject to the execution and delivery of a definitive purchase agreement and other documentation, receipt of financing and the satisfaction of customary closing conditions. Upon execution of a definitive purchase agreement, we will be required to make a \$2.0 million deposit that is refundable only under certain circumstances. Since February 2004, Gary W. Bagley, our Chairman, has served as the interim Chief Executive Officer of Eagle. In addition, Mr. Bagley and Kenneth R. Sharp, Jr., one of our executives, hold ownership interests in Eagle. We cannot assure you that we will consummate the Eagle acquisition on favorable terms or at all. We intend to use a portion of the proceeds of this offering to purchase Eagle. For additional information, see "Business—Proposed Acquisition."

### **Company Information**

H&E Equipment Services, Inc. is a Delaware corporation formed in connection with the Reorganization Transactions in September 2005. Our executive offices are located at 11100 Mead Road, Suite 200, Baton Rouge, Louisiana 70816. Our telephone number is (225) 298-5200. Our website address is <http://www.he-equipment.com>. The information on our website is not a part of this prospectus.

## The Offering

Shares of common stock offered by us	shares
Common stock to be outstanding after this offering	shares
Use of proceeds	<p>We estimate that we will receive net proceeds from the sale of shares of our common stock in this offering of \$            million, or \$            million if the underwriters exercise their over-allotment option in full, after deducting underwriting discounts and commissions and estimated fees and expenses payable by us, including the fee to be paid to affiliates of BRS in connection with the termination of the management services agreement described under "Related Party Transactions—Management Agreement and Transaction Fees." We intend to use the net proceeds of this offering to:</p> <ul style="list-style-type: none"><li>• pay approximately \$            million to fund the proposed Eagle acquisition;</li><li>• repay approximately \$            million of borrowings outstanding under our senior secured credit facility;</li><li>• purchase approximately \$            million of rental equipment currently under operating leases; and</li><li>• pay approximately \$            million in deferred compensation owed to one of our current executives and a former executive.</li></ul> <p>We expect to use the remaining net proceeds of approximately \$            for general corporate purposes, including working capital and potential acquisitions. See "Use of Proceeds."</p>
Proposed Nasdaq National Market symbol	HEES
Dividends	<p>We have never paid any dividends on our common stock and do not anticipate paying any dividends on our common stock in the foreseeable future. Any future determination relating to our dividend policy will be made at the discretion of our board of directors and will depend on then existing conditions, including our financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant. In addition, our ability to declare and pay dividends is restricted by covenants in our senior secured credit facility and the indentures governing our senior secured notes and senior subordinated notes.</p>
Risk factors	<p>Investment in our common stock involves substantial risks. You should read this prospectus carefully, including the section entitled "Risk Factors" and the consolidated financial statements and the related notes to those statements included elsewhere in this prospectus before investing in our common stock.</p>

The number of shares of our common stock to be outstanding after this offering is based on \_\_\_\_\_ shares outstanding as of \_\_\_\_\_, 2005, and excludes:

- Approximately 2% of the total number of shares of our common stock outstanding on a fully-diluted basis immediately following the consummation of this offering issuable upon exercise of options that we expect to grant under our proposed stock incentive plan. See "Management—Stock Incentive Plan."
- The shares of our common stock expected to be available for future grant under our proposed stock incentive plan after the consummation of this offering. See "Management—Stock Incentive Plan."

Unless we specifically state otherwise, all information in this prospectus:

- assumes that our common stock will be sold at \$ \_\_\_\_\_ per share, which is the mid-point of the range set forth on the cover of this prospectus;
- assumes the underwriters do not exercise their over-allotment option to purchase up to \_\_\_\_\_ shares of our common stock; and
- gives effect to the Reorganization Transactions described more fully in "Related Party Transactions—Reorganization Transactions."

## SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA

*The following tables set forth, for the periods and dates indicated, our summary historical and pro forma financial data. The summary historical consolidated financial data as of and for our fiscal years ended December 31, 2002, 2003 and 2004 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary historical financial data as of and for the nine months ended September 30, 2004 and 2005 have been derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. The unaudited condensed consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and, in the opinion of our management, reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for those periods. The results for any interim period are not necessarily indicative of the results that may be expected for a full year. The historical results included here and elsewhere in this prospectus are not necessarily indicative of future performance or results of operations.*

*The summarized unaudited pro forma as adjusted financial data as of and for the year ended December 31, 2004 and the nine months ended September 30, 2005 have been prepared to give pro forma as adjusted effect to (1) the proposed Eagle acquisition, (2) the Reorganization Transactions and (3) the sale of shares in this offering, and application of the net proceeds from this offering, in each case as if they had occurred on January 1, 2004 with respect to statement of operations data. This data is subject, and gives effect, to the assumptions and adjustments described in the notes accompanying the unaudited pro forma financial statements included elsewhere in this prospectus. The summary unaudited pro forma financial data is presented for informational purposes only and should not be considered indicative of actual results of operations that would have been achieved had the Eagle acquisition and this offering been consummated on the dates indicated, and do not purport to be indicative of balance sheet data or results of operations as of any future date or for any future period.*

*The summary consolidated financial data presented below represent portions of our financial statements and are not complete. You should read this information in conjunction with "Use of Proceeds," "Capitalization," "Selected Historical Consolidated Financial Data," "Unaudited Pro Forma Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included elsewhere in this prospectus.*

	For the Year Ended December 31,				For the Nine Months Ended September 30,		
	2002 <sup>(1)</sup>	2003	2004	2004 Pro Forma As Adjusted	2004	2005	2005 Pro Forma As Adjusted
(Dollars in thousands, except per share data)							
<b>Statement of Operations</b>							
<b>data<sup>(2)</sup>:</b>							
Revenues:							
Equipment rentals	\$ 136,624	\$ 153,851	\$ 160,342	\$ 186,499	\$ 116,722	\$ 136,576	\$ 157,356
New equipment sales	72,143	81,692	116,907	117,264	80,570	99,867	96,433
Used equipment sales	52,487	70,926	84,999	85,899	61,984	76,332	76,959
Parts sales	47,218	53,658	58,014	58,162	44,335	51,202	51,519
Service revenue	27,755	33,349	33,696	33,696	25,446	29,459	29,459
Other	14,778	20,510	24,214	25,186	17,564	21,300	22,100
<b>Total revenues</b>	<b>351,005</b>	<b>413,986</b>	<b>478,172</b>	<b>506,706</b>	<b>346,621</b>	<b>414,736</b>	<b>433,826</b>
Cost of revenues:							
Rental depreciation	46,627	55,244	49,590	66,366	36,713	39,394	51,924
Rental expense	37,706	49,696	50,666	41,219	38,795	35,024	28,814
New equipment sales	65,305	73,228	104,111	104,455	71,946	87,803	84,647
Used equipment sales	43,776	58,145	67,906	68,437	49,734	58,043	57,672
Parts sales	34,011	39,086	41,500	41,586	31,766	36,105	36,227
Service revenue	11,438	13,043	12,865	12,865	9,639	10,973	10,973
Other	19,774	26,433	28,246	31,188	20,924	21,700	23,979
<b>Total cost of revenues</b>	<b>258,637</b>	<b>314,875</b>	<b>354,884</b>	<b>366,116</b>	<b>259,517</b>	<b>289,042</b>	<b>294,236</b>
Gross profit:							
Equipment rentals	52,291	48,911	60,086	78,914	41,214	62,158	76,618
New equipment sales	6,838	8,464	12,796	12,809	8,624	12,064	11,786
Used equipment sales	8,711	12,781	17,093	17,462	12,250	18,289	19,287
Parts sales	13,207	14,572	16,514	16,576	12,569	15,097	15,292
Service revenue	16,317	20,306	20,831	20,831	15,807	18,486	18,486
Other	(4,996)	(5,923)	(4,032)	(6,002)	(3,360)	(400)	(1,879)
<b>Total gross profit</b>	<b>92,368</b>	<b>99,111</b>	<b>123,288</b>	<b>140,590</b>	<b>87,104</b>	<b>125,694</b>	<b>139,590</b>
Selling, general and administrative expenses							
	78,352	93,054	97,525	113,736	72,878	81,342	88,900
Loss from litigation	—	17,434	—	—	—	—	—
Related party expense	—	1,275	—	—	—	—	—
Gain on sale of property and equipment	59	80	207	207	156	15	15
<b>Income (loss) from operations</b>	<b>14,075</b>	<b>(12,572)</b>	<b>25,970</b>	<b>27,061</b>	<b>14,382</b>	<b>44,367</b>	<b>50,705</b>
Other income (expense):							
Interest expense <sup>(3)</sup>	(28,955)	(39,394)	(39,856)	(37,738)	(29,836)	(30,982)	(27,760)
Gain on debt restructuring	—	—	—	13,491	—	—	—
Loss on swap agreement termination	—	—	—	(2,809)	—	—	—
Other, net	372	221	149	(472)	95	255	255
<b>Total other expense, net</b>	<b>(28,583)</b>	<b>(39,173)</b>	<b>(39,707)</b>	<b>(27,528)</b>	<b>(29,741)</b>	<b>(30,727)</b>	<b>(27,505)</b>
Income (loss) before income taxes	(14,508)	(51,745)	(13,737)	(467)	(15,359)	13,640	23,200
Income tax provision (benefit)	(6,287)	(5,694)	—	106	—	171	21
<b>Net income (loss)</b>	<b>\$ (8,221)</b>	<b>\$ (46,051)</b>	<b>\$ (13,737)</b>	<b>\$ (573)</b>	<b>\$ (15,359)</b>	<b>\$ 13,469</b>	<b>\$ 23,179</b>
<b>Net income (loss) per common unit<sup>(9)</sup></b>	<b>(82)</b>	<b>(461)</b>	<b>(137)</b>	<b>NM</b>	<b>(154)</b>	<b>135</b>	<b>232</b>
Pro forma net income (loss) per common share <sup>(4)</sup> :							
Basic							
Diluted							
Common shares used to compute pro forma net income (loss) per							

common share<sup>(4)</sup>:

Basic

Diluted

**Other financial data:**

EBITDA <sup>(5)</sup>	\$	64,106	\$	46,808	\$	79,645	\$	108,528	\$	54,053	\$	87,850	\$	107,112
Adjusted EBITDA <sup>(5)</sup>		64,106		64,242		79,645		97,846		54,053		87,850		107,112
Depreciation and amortization <sup>(6)</sup>		49,659		59,159		53,526		71,257		39,576		43,228		56,152
Total capital expenditures (gross) <sup>(7)</sup>		71,974		41,923		86,790		88,758		60,724		142,968		184,344

As of September 30, 2005

H&E Equipment Services	Pro Forma As Adjusted
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(Dollars in thousands)

**Balance sheet data:**

Cash	\$	4,440	\$	4,472
Rental equipment, net		296,237		368,439
Goodwill, net		8,572		18,196
Total assets		494,956		589,915
Total debt <sup>(8)</sup>		324,501		271,303
Members' deficit/stockholders' equity		(19,830)		132,170

- (1) H&E LLC is the result of the merger on June 17, 2002 of ICM and Head & Engquist with and into Gulf Wide. Accordingly, the historical statement of operations data for H&E LLC for the year ended December 31, 2002 reflects the results of operations of Head & Engquist from January 1, 2002 until the date of the merger, and includes ICM's results of operations from the date of the merger through December 31, 2002.
- (2) See note 18 of the 2004 annual consolidated financial statements of H&E LLC included elsewhere in this prospectus discussing business segment information.
- (3) Interest expense is comprised of cash-pay interest (interest recorded on debt and other obligations requiring periodic cash payments) and non-cash pay interest.
- (4) In calculating shares of our common stock outstanding, we give retroactive effect to the completion of the Reorganization Transactions. See "Related Party Transactions—Reorganization Transactions."
- (5) We define EBITDA as net income (loss) from continuing operations before interest expense, income taxes, and depreciation and amortization. We define Adjusted EBITDA as EBITDA as adjusted for the loss from litigation that was recorded in 2003 and, for purposes of Pro Forma Adjusted EBITDA, as further adjusted for Eagle's gain on debt restructuring and interest rate swap agreement termination expense. We use EBITDA and Adjusted EBITDA in our business operations to, among other things, evaluate the performance of our business, develop budgets and measure our performance against those budgets. We also believe that analysts and investors use EBITDA and Adjusted EBITDA as supplemental measures to evaluate a company's overall operating performance. We find it a useful tool to assist us in evaluating performance because it eliminates items related to capital structure, taxes and other non-cash charges. However, EBITDA and Adjusted EBITDA are not measures of profitability because they do not include costs and expenses for depreciation and amortization, interest and related expenses and income taxes. Although we use EBITDA and Adjusted EBITDA to evaluate our performance, EBITDA and Adjusted EBITDA do not represent operating income or net cash provided by operating activities as those items are defined by GAAP and should not be considered by prospective purchasers of securities to be an alternative to operating income or cash flow from operations or indicative of whether cash flows will be sufficient to fund our future cash requirements. EBITDA and Adjusted EBITDA are not complete net cash flow measures or measures of liquidity because EBITDA and Adjusted EBITDA do not include reductions for cash payments for an entity's obligation to service its debt, fund its working capital, make capital expenditures and acquisitions and pay its income taxes. Rather, EBITDA and Adjusted EBITDA are two potential indicators of an entity's ability to fund these cash requirements. In light of the foregoing limitations, we do not rely solely on EBITDA and Adjusted EBITDA as performance measures and also consider our GAAP results. Because EBITDA and Adjusted EBITDA are not calculated in the same manner by all companies, they may not be comparable to other similarly titled measures used by other companies.

Set forth below is a reconciliation of net income (loss) to EBITDA and Adjusted EBITDA for the periods presented.

	Fiscal Year Ended December 31,				Nine Months Ended September 30,		
	2002	2003	2004	2004 Pro Forma As Adjusted	2004	2005	2005 Pro Forma As Adjusted
(Dollars in thousands)							
Net income (loss)	\$ (8,221)	\$ (46,051)	\$ (13,737)	\$ (573)	\$ (15,359)	\$ 13,469	\$ 23,179
Income tax provision (benefit)	(6,287)	(5,694)	—	106	—	171	21
Interest expense	28,955	39,394	39,856	37,738	29,836	30,982	27,760
Depreciation and amortization <sup>(6)</sup>	49,659	59,159	53,526	71,257	39,576	43,228	56,152
<b>EBITDA</b>	<b>\$ 64,106</b>	<b>\$ 46,808</b>	<b>\$ 79,645</b>	<b>\$ 108,528</b>	<b>\$ 54,053</b>	<b>\$ 87,850</b>	<b>\$ 107,112</b>
Loss from litigation	—	17,434	—	—	—	—	—
Gain on debt restructuring	—	—	—	(13,491)	—	—	—
Interest rate swap agreement termination expense	—	—	—	2,809	—	—	—
<b>Adjusted EBITDA</b>	<b>\$ 64,106</b>	<b>\$ 64,242</b>	<b>\$ 79,645</b>	<b>\$ 97,846</b>	<b>\$ 54,053</b>	<b>\$ 87,850</b>	<b>\$ 107,112</b>

(6) This excludes amortization of loan discounts and amortization of deferred financing costs included in interest expense.

(7) Total capital expenditures include rental equipment purchases, assets transferred from new and used inventory to rental fleet, rental fleet financed under capital leases and property and equipment purchases.

(8) Total debt represents the amounts outstanding under the senior secured credit facility, senior secured notes, senior subordinated notes, notes payable and capital leases.

(9) Net income (loss) per common unit is based upon 100 common units owned by H&E Holdings. The net income (loss) per common unit in 2002 only accounts for the period following the Gulf Wide transaction on June 17, 2002. The period prior to the Gulf Wide transaction is not meaningful because of the substantial changes to our capital structure resulting from such transaction. Due to the Reorganization Transactions, net income (loss) per common unit does not relate to the common shares being offered by us in this prospectus.

Certain monetary amounts, percentages and other figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or when aggregated, may not be the arithmetic aggregation of the percentages that precede them.



## RISK FACTORS

*Investing in our common stock involves a high degree of risk. You should consider carefully the following risk factors, which we believe are all of the risks to our business that are material, and the other information in this prospectus, including our consolidated financial statements and related notes, before you decide to purchase our common stock. If any of the following risks actually occur, our business, financial condition and operating results could be adversely affected. Additional risks and uncertainties not presently known to us or that are currently deemed immaterial may also impair our business, financial condition and operating results. As a result, the trading price of our common stock could decline and you could lose part or all of your investment.*

### **Risks Related to Our Company**

***We have substantial indebtedness and may be unable to service our debt. Our substantial indebtedness could adversely affect our financial position, limit our available cash and our access to additional capital and prevent us from growing our business.***

We have a substantial amount of indebtedness. As of September 30, 2005, our total indebtedness (consisting of the aggregate amounts outstanding under our senior secured credit facility, senior secured notes, senior subordinated notes and notes payable) was approximately \$324.5 million, \$81.2 million of which was first-priority secured debt and effectively senior to our senior secured notes and senior subordinated notes. As of September 30, 2005, we did not have any outstanding capital lease obligations. In addition, subject to restrictions in our senior secured credit facility and the indenture governing the senior secured notes, we may incur additional first-priority secured borrowings under the senior secured credit facility. There is no limit to the amount of such additional debt. Additionally, as of September 30, 2005, the senior secured notes and senior subordinated notes were effectively subordinated to our obligations under \$62.7 million of first-priority secured floor plan financing to the extent of the value of their collateral, \$0.5 million in notes payable and \$28.0 million in standby letters of credit.

The level of our indebtedness could have important consequences, including:

- a substantial portion of our cash flow from operations will be dedicated to debt service and may not be available for other purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- limiting our ability to obtain financing in the future for working capital, capital expenditures and general corporate purposes, including acquisitions, and may impede our ability to secure favorable lease terms;
- making us more vulnerable to economic downturns and may limit our ability to withstand competitive pressures; and
- placing us at a competitive disadvantage compared to our competitors with less indebtedness.

***To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control. An inability to service our indebtedness could lead to a default under our senior secured credit facility and our indentures, which may result in an acceleration of our indebtedness.***

To service our indebtedness, we will require a significant amount of cash. For the year ended December 31, 2005, we estimate that we will need approximately \$34.3 million to service our indebtedness (not including amounts payable under our leases for rental equipment). Our ability to pay interest and principal on our indebtedness (including the obligations under the senior secured credit facility, the senior secured notes and the senior subordinated notes) and to satisfy our other debt obligations will depend upon our future operating performance and the availability of refinancing indebtedness, which will be affected by prevailing economic conditions and financial, business and other

factors, some of which are beyond our control. Based on our current level of operations and anticipated cost savings and operating improvements, we believe our cash flow from operations, available cash and available borrowing under the senior secured credit facility, as amended, will be adequate to meet our future liquidity needs for at least the next twelve months.

Our future cash flow may not be sufficient to meet our obligations and commitments. If we are unable to generate sufficient cash flow from operations in the future to service our indebtedness and to meet our other commitments, we will be required to adopt one or more alternatives, such as refinancing or restructuring our indebtedness, selling material assets or operations or seeking to raise additional debt or equity capital. These actions may not be effected on a timely basis or on satisfactory terms or at all, and these actions may not enable us to continue to satisfy our capital requirements. In addition, our existing or future debt agreements, including the indentures governing the senior secured notes and senior subordinated notes and the senior secured credit facility may contain restrictive covenants prohibiting us from adopting any of these alternatives. Our failure to comply with these covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our indebtedness. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

***Our senior secured credit facility and the indentures governing our notes impose certain restrictions. A failure to comply with these restrictions could lead to an event of default, resulting in an acceleration of indebtedness, which may affect our ability to finance future operations or capital needs, or to engage in other business activities.***

The operating and financial restrictions and covenants in our debt agreements, including the senior secured credit facility, and the indentures governing our senior secured notes and our senior subordinated notes, may adversely affect our ability to finance future operations or capital needs or to engage in other business activities. Our senior secured credit facility requires us to maintain specified financial ratios and tests, including interest coverage and leverage ratios and maximum capital expenditures, which may require that we take action to reduce debt or to act in a manner contrary to our business objectives. In addition, the senior secured credit facility and the senior secured notes and senior subordinated notes restrict our ability to, among other things:

- incur additional indebtedness;
- dispose of assets;
- incur guarantee obligations;
- repay indebtedness or amend debt instruments;
- pay dividends;
- create liens on assets;
- make investments;
- make acquisitions;
- engage in mergers or consolidations; or
- engage in certain transactions with subsidiaries and affiliates and otherwise restrict corporate activities.

A failure to comply with the restrictions contained in the senior secured credit facility could lead to an event of default, which could result in an acceleration of our indebtedness. Such an acceleration would constitute an event of default under the indenture governing the senior secured notes. A failure to comply with the restrictions in the senior secured notes indenture or the senior subordinated notes indenture could result in an event of default under those indentures. Our future operating results may not be sufficient to enable compliance with the covenants in the senior secured credit facility, the indentures or other indebtedness or to remedy any such default. In addition, in the event of an

acceleration, we may not have or be able to obtain sufficient funds to refinance our indebtedness or make any accelerated payments, including those under the senior secured notes and the senior subordinated notes. In addition, we may not be able to obtain new financing. Even if we were able to obtain new financing, we cannot guarantee that the new financing will be on commercially reasonable terms or terms that are acceptable to us. If we default on our indebtedness, our business financial condition and results of operation could be materially and adversely affected.

***Concentration of ownership among our existing executives, directors and principal stockholders may prevent new investors from influencing significant corporate decisions.***

After giving effect to the completion of the Reorganization Transactions and this offering, BRS and its affiliates will beneficially own securities representing approximately % of the voting power of our outstanding common stock and our executives, directors and principal stockholders will beneficially own, in the aggregate, securities representing approximately % of the voting power of our outstanding common stock. Accordingly, these stockholders can exercise significant influence over our business policies and affairs, including the composition of our board of directors and any action requiring the approval of our stockholders, including the adoption of amendments to our certificate of incorporation and the approval of significant corporate transactions, including mergers or sales of substantially all of our assets. This concentration of ownership will limit your ability to influence corporate actions. The concentration of ownership may also delay, defer or even prevent a change in control of our company and may make some transactions more difficult or impossible without the support of these stockholders. We cannot assure you that the interests of these stockholders will not conflict with your interests. In addition, our interests may conflict with these stockholders in a number of areas relating to our past and ongoing relationships, including:

- the timing and manner of any sales or distributions by these stockholders of all or any portion of its ownership interest in us;
- business opportunities that may be presented to BRS and its affiliates and to our directors associated with BRS; and
- competition between BRS and its affiliates and us within the same lines of business.

For additional information regarding the share ownership of, and our relationships with, the stockholders, you should read the information under the headings "Principal Stockholders" and "Related Party Transactions."

**Risks Related to Our Business**

***Our business could be hurt by a decline in construction and industrial activities, which could decrease the demand for equipment or depress rental rates and sales prices, resulting in a decline in our revenues and profitability.***

Our equipment is principally used in connection with construction and industrial activities. Consequently, a downturn in construction or industrial activity may lead to a decrease in the demand for our equipment or depress rental rates and the sales prices for the equipment we sell. We have identified below certain of the factors which may cause such a downturn, either temporarily or long-term:

- a reduction in spending levels by customers;
- a slow-down of the economy over the long-term;
- adverse weather conditions which may affect a particular region;
- an increase in interest rates; or
- terrorism or hostilities involving the United States.

***Our revenue and operating results may fluctuate, which could result in a decline in our profitability and make it more difficult for us to grow our business.***

Our revenue and operating results have historically varied from quarter to quarter. Periods of decline could result in an overall decline in profitability and make it more difficult for us to make payments on our indebtedness and grow our business. We expect our quarterly results to continue to fluctuate in the future due to a number of factors, including:

- seasonal sales and rental patterns of our construction customers, with sales and rental activity tending to be lower in the winter;
- severe weather and seismic conditions temporarily affecting the regions where we operate;
- cyclical nature of our customers' business, particularly our construction customers;
- changes in corporate spending for plants and facilities or changes in government spending for infrastructure products;
- general economic conditions in the markets where we operate;
- the effectiveness of integrating acquired businesses and new locations;
- price changes in response to competitive factors; and
- timing of acquisitions and new location openings and related costs.

In addition, we incur various costs when integrating newly acquired businesses or opening locations, and the profitability of a new location is generally expected to be lower in the initial months of operation.

***We purchase a significant amount of our equipment from a limited number of manufacturers. Termination of one or more of our relationships with any of those manufacturers could have a material adverse effect on our business, as we may be unable to obtain adequate or timely rental and sales equipment.***

Currently, we purchase most of our rental and sales equipment from leading, nationally-known original equipment manufacturers ("OEMs"). For the year ended December 31, 2004, we purchased more than 83% of our rental and sales equipment from seven manufacturers. Although we believe that we have alternative sources of supply for the rental and sales equipment we purchase in each of our principal product categories, termination of one or more of our relationships with any of these major suppliers could have a material adverse effect on our business, financial condition or results of operation if we were unable to obtain adequate or timely rental and sales equipment.

***Our new equipment suppliers may appoint additional distributors, sell directly or unilaterally terminate our distribution agreements, which could have a material adverse effect on our business due to a reduction of, or inability to increase, our revenues.***

We are a distributor of new equipment and parts supplied by leading, nationally-known OEMs. Under our distribution agreements with these OEMs, manufacturers retain the right to appoint additional dealers and sell directly to national accounts and governmental agencies. In most instances, they may unilaterally terminate their distribution agreements with us at any time without cause. We have both written and oral distribution agreements with our new equipment suppliers. Under our oral agreements with the OEMs, we operate under our developed course of dealing with the supplier and are subject to the applicable state law regarding such relationship. Any such actions could have a material adverse effect on our business, financial condition and results of operations due to a reduction of, or an inability to increase, revenues. See "Business—Products and Services—New Equipment Sales."

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

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

- the market price for new equipment of a like kind;
- wear and tear on the equipment relative to its age;
- the time of year that it is sold (prices are generally higher during the construction season);
- worldwide and domestic demands for used equipment; and
- general economic conditions.

Although for the year ended December 31, 2004 we sold used equipment from our rental fleet at an average selling price of 130.3% of book value, we cannot assure you that used equipment selling prices will not decline. Any significant decline in the selling prices for used equipment could have a material adverse effect on our business, financial condition or results of operations.

***We incur maintenance and repair costs associated with our rental fleet equipment that could have a material adverse effect on our business in the event these costs are greater than anticipated.***

Determining the optimal age for our rental fleet equipment is subjective and requires considerable estimates by management. We have made estimates regarding the relationship between the age of our rental fleet equipment, and the maintenance and repair costs, and the market value of used equipment. Our future operating results could be adversely affected because our maintenance and repairs costs may be higher than estimated and market values of used equipment may fluctuate.

***We may be unsuccessful in integrating our prior acquisitions and our future acquisitions, which may decrease our profitability and make it more difficult for us to grow our business.***

We may not have sufficient management, financial and other resources to integrate and consolidate any future acquisitions, including the proposed Eagle acquisition, and we may be unable to operate profitably as a consolidated company. Some of the pro forma financial data contained in this prospectus relates to the proposed Eagle acquisition and may not be indicative of future financial or operating results. Any significant diversion of management's attention or any major difficulties encountered in the integration of the businesses could have a material adverse effect on our business, financial condition or results of operation, which could decrease our profitability and make it more difficult for us to grow our business.

***We may not be able to facilitate our growth strategy by identifying or completing transactions with attractive acquisition candidates, which could impede our revenues and profitability.***

An important element of our growth strategy is to continue to seek additional businesses to acquire in order to add new customers within our existing markets. We cannot assure you that we will be able to identify attractive acquisition candidates or complete the acquisition of any identified candidates at favorable prices and upon advantageous terms and conditions. Furthermore, competition for attractive acquisition candidates may limit the number of acquisition candidates or increase the overall costs of making acquisitions. The difficulties we may face in identifying or completing acquisitions could impede our revenues and profitability.

***We may experience integration and consolidation risks associated with our growth strategy. Future acquisitions may also result in significant transaction expenses and risks associated with entering new markets and we may be unable to profitably operate our consolidated company.***

We periodically engage in evaluations of potential acquisitions and start-up facilities. The success of our growth strategy depends, in part, on selecting strategic acquisition candidates at attractive prices and identifying strategic start-up locations. We expect to face competition for acquisition candidates,

which may limit the number of acquisition opportunities and lead to higher acquisition costs. We may not have the financial resources necessary to consummate any acquisitions or to successfully open any new facilities in the future or the ability to obtain the necessary funds on satisfactory terms. Any future acquisitions or the opening of new facilities may result in significant transaction expenses and risks associated with entering new markets in addition to the integration and consolidation risks described above. We may not have sufficient management, financial and other resources to integrate any such future acquisitions or to successfully operate new locations and we may be unable to profitably operate our consolidated company.

***We may not consummate the Eagle acquisition.***

We have entered into a letter of intent to purchase Eagle. Although this letter of intent expired by its terms on October 31, 2005, the parties are continuing to negotiate the terms of a definitive purchase agreement. The closing of this acquisition is subject to the execution and delivery of a definitive purchase agreement and other documentation, receipt of financing and the satisfaction of customary closing conditions. We cannot assure you that we will consummate the Eagle acquisition on favorable terms, or at all. If we do not complete the Eagle acquisition because we are unable to obtain the necessary financing (other than due to Eagle) or because there is a material adverse change in general economic, financial or market conditions, we will lose a \$2.0 million deposit that we will be required to make upon execution of a definitive purchase agreement. Also, if we do not complete the Eagle acquisition, our expected results of operations in the future may be adversely affected, and we will have a larger portion of the proceeds of this offering available to us for general corporate purposes.

***If we consummate the Eagle acquisition, we may not be able to successfully integrate the acquired business or achieve expected results.***

The Eagle acquisition, if completed, will expand our presence into California where we currently do not operate. We may experience difficulties in successfully operating in this new market and in integrating Eagle's business with our own, which could increase our costs or adversely impact our ability to operate our business. In addition, our due diligence with respect to Eagle has not yet been completed so we cannot assure you that the information underlying our expected results of operations or the pro forma information presented elsewhere in this prospectus (including the related assumptions and adjustments) is sufficient or accurate. You should not consider the pro forma financial data to be indicative of actual results had the Eagle acquisition been consummated on the dates indicated, or indicative of our future operating results or financial position.

***We are dependent on key personnel. A loss of key personnel could have a material adverse effect on our business, which could result in a decline in our revenues and profitability.***

We are dependent on the experience and continued services of our senior management team, including Mr. Engquist, with whom we have an employment agreement which terminates in 2006. Mr. Engquist has approximately 31 years of industry experience and has served as an officer of Head and Engquist since 1990, a director of Gulf Wide since 1995 and an officer and director of H&E LLC since its formation in June 2002. If we lose the services of any member of our senior management team, particularly Mr. Engquist, and are unable to find a suitable replacement, we may not have the depth of senior management resources required to efficiently manage our business and execute our strategy.

***Our business could be hurt if we are unable to obtain additional capital as required, resulting in a decrease in our revenues and profitability.***

The cash that we generate from our business, together with cash that we may borrow under our senior secured credit facility, may not be sufficient to fund our capital requirements. As a result, we may require additional financing to obtain capital for, among other purposes, purchasing equipment,

completing acquisitions, establishing new locations and refinancing existing indebtedness. Any additional indebtedness that we incur will make us more vulnerable to economic downturns and limit our ability to withstand competitive pressures. Moreover, we may not be able to obtain additional capital on acceptable terms, if at all. If we are unable to obtain sufficient additional financing in the future, our business could be adversely affected by reducing our ability to increase revenues and profitability.

***We are subject to competition, which may have a material adverse effect on our business by reducing our ability to increase or maintain revenues or profitability.***

The equipment rental and retail distribution industries are highly competitive and the equipment rental industry is highly fragmented. Many of the markets in which we operate are served by numerous competitors, ranging from national and multi-regional equipment rental companies to small, independent businesses with a limited number of locations. We generally compete on the basis of, among other things: (1) quality and breadth of service; (2) expertise; (3) reliability; and (4) price. Some of our competitors have significantly greater financial, marketing and other resources than we do, and may be able to reduce rental rates or sale prices. If competitive pressures were to cause us to reduce our rates, our operating margins may be adversely impacted. If we were to maintain rates in the face of reductions by our competitors, our market share could decline. We may encounter increased competition from existing competitors or new market entrants in the future, which could have a material adverse effect on our business, financial condition and results of operations.

***Disruptions in our information technology systems, including our customer relationship management system, could adversely affect our operating results by limiting our capacity to effectively monitor and control our operations.***

Our information technology systems facilitate our ability to monitor and control our operations and adjust to changing market conditions. Any disruption in any of these systems, including our customer relationship management system, or the failure of any of these systems to operate as expected could, depending on the magnitude of the problem, adversely affect our operating results by limiting our capacity to effectively monitor and control our operations and adjust to changing market conditions.

***The nature of our business exposes us to various liability claims, which may exceed the level of our insurance and thereby not fully protect us.***

Our business exposes us to claims for personal injury, death or property damage resulting from the use of the equipment we rent or sell and from injuries caused in motor vehicle accidents in which our delivery and service personnel are involved. We carry comprehensive insurance, subject to deductibles, at levels we believe are sufficient to cover existing and future claims. However, we may be exposed to multiple claims that do not exceed our deductibles, and, as a result, we could incur significant out-of-pocket costs that could adversely affect our financial condition and results of operations. In addition, the cost of such insurance policies may increase significantly as a result of general rate increases for the type of insurance we carry as well as our historical experience and experience in our industry. Although we have not experienced any material losses that were not covered by insurance, our existing or future claims may exceed the level of our insurance, and such insurance may not continue to be available on economically reasonable terms, or at all. If we are required to pay significantly higher premiums for insurance, are not able to maintain insurance coverage at affordable rates or if we must pay amounts in excess of claims covered by our insurance, we could experience higher costs that could adversely affect our financial condition and results of operations.

***We could be adversely affected by environmental and safety requirements, which could force us to increase significant capital and other operational costs and may subject us to unanticipated liabilities.***

Our operations, like those of other companies engaged in similar businesses, require the handling, use, storage and disposal of certain regulated materials. As a result, we are subject to the requirements of federal, state and local environmental and occupational health and safety laws and regulations. We may not be at all times in complete compliance with all such requirements. We are subject to potentially significant civil or criminal fines or penalties if we fail to comply with any of these requirements. We have made and will continue to make capital and other expenditures in order to comply with these laws and regulations. However, the requirements of these laws and regulations are complex, change frequently, and could become more stringent in the future. It is possible that these requirements will change or that liabilities will arise in the future in a manner that could have a material adverse effect on our business, financial condition and results of operations.

Environmental laws also impose obligations and liability for the cleanup of properties affected by hazardous substance spills or releases. These liabilities can be imposed on the parties generating or disposing of such substances or operator of affected property, often without regard to whether the owner or operator knew of, or was responsible for, the presence of hazardous substances. Accordingly, we may become liable, either contractually or by operation of law, for remediation costs even if a contaminated property is not presently owned or operated by us, or if the contamination was caused by third parties during or prior to our ownership or operation of the property. Given the nature of our operations (which involve the use of petroleum products, solvents and other hazardous substances for fueling and maintaining our equipment and vehicles), there can be no assurance that prior site assessments or investigations have identified all potential instances of soil or groundwater contamination. Future events, such as changes in existing laws or polices or their enforcement, or the discovery of currently unknown contamination, may give rise to additional remediation liabilities which may be material.

***Hurricanes or other adverse weather events could negatively affect our local economies or disrupt our operations, which could have an adverse effect on our business or results of operations.***

Our market areas in the southeastern United States are susceptible to hurricanes. Such weather events can disrupt our operations, result in damage to our properties and negatively affect the local economies in which we operate. In late summer 2005, Hurricane Katrina and Hurricane Rita struck the Gulf Coast region of the United States and caused extensive and catastrophic physical damage to those areas. While Hurricane Katrina and Hurricane Rita did not have a material adverse effect on our business or results of operations, future hurricanes could affect our operations or the economies in those market areas and result in damage to certain of our facilities and the equipment located at such facilities, or equipment on rent with customers in those areas. Our business or results of operations may be adversely affected by these and other negative effects of future hurricanes.

#### **Risks Related To The Offering**

***You will experience immediate and substantial dilution.***

The price you pay for shares of our common stock sold in this offering is substantially higher than the per share value of our net assets, after giving effect to this offering. Assuming an initial public offering price for our common shares of \$ \_\_\_\_\_ per share (the midpoint of the initial public offering price range indicated on the cover of this prospectus), you will incur immediate dilution in net tangible book value per share of \$ \_\_\_\_\_. Additionally, new investors in this offering will have contributed \_\_\_\_\_ % of our total equity as of \_\_\_\_\_, 2005, but will own only \_\_\_\_\_ % of our outstanding shares upon completion of this offering.



**Management may invest or spend the proceeds of this offering in ways with which you may not agree and in ways that may not yield a return.**

After the application of the net proceeds from this offering as described in "Use of Proceeds," \$ \_\_\_\_\_ million of the net proceeds will be available for our operations or to further our business or growth strategies. If we do not complete the Eagle acquisition, then the portion of the net proceeds anticipated to be used in the acquisition will instead be available for these general corporate purposes. Management will retain broad discretion over the use of these proceeds. There are a number of factors that will influence our use of the net proceeds from this offering, and these uses may vary substantially from our current plans. Stockholders may not deem the uses desirable, and our use of the proceeds may not yield a significant return or any return at all.

**Our common stock price may fluctuate after this offering. As a result, you may not be able to resell your shares at or above the price you paid for them.**

Prior to this offering, there has been no public market for our common stock. An active market may not develop following completion of this offering or, if developed, may not be maintained. We will negotiate the initial public offering price with the underwriters. The initial public offering price may not be indicative of the price at which our common stock will trade following completion of this offering. The market price of our common stock may be subject to sharp declines and volatility in market price. The market price of our common stock may also be influenced by many factors, some of which are beyond our control, including:

- our actual financial results differing from guidance provided by management or from results expected by securities analysts;
- changes in earnings estimates or recommendations by securities analysts;
- future announcements concerning us or our competitors, including the announcement of acquisitions;
- changes in government regulations or in the status of our regulatory approvals or licensure;
- public perceptions of risks associated with our services or operations; and
- general market conditions and other factors that may be unrelated to our operating performance or the operating performance of our competitors.

As a result, you may not be able to resell your shares at or above the price you paid for them.

**There is no existing market for our common stock and we do not know if one will develop to provide you with adequate liquidity.**

There has not been a public market for our common stock. We cannot predict the extent to which investor interest in our company will lead to the development of an active trading market on The Nasdaq National Market or otherwise or how liquid that market might become. If an active trading market does not develop, you may have difficulty selling any of our common stock that you buy. The initial public offering price for the shares will be determined by negotiations among us and the underwriters and may not be indicative of prices that will prevail in the open market following this offering. Consequently, you may not be able to sell shares of our common stock at prices equal to or greater than the price paid by you in this offering.

**Future sales of our common stock may depress our share price.**

After the completion of the Reorganization Transactions and this offering, we will have \_\_\_\_\_ shares of common stock outstanding. Sales of a substantial number of shares of our common stock in

the public market following this offering, or the perception that such sales could occur, could substantially decrease the market price of our common stock. All the shares sold in this offering will be freely tradable. Substantially all of the remaining shares of common stock are available for resale in the public market, subject to the restrictions on sale or transfer during the 180-day lockup period after the date of this prospectus that is described in "Shares Eligible for Future Sale." Certain of our existing stockholders are parties to agreements that provide for registration rights. Registration of the sale of these shares of our common stock would permit their sale into the market immediately. As restrictions on resale end or upon registration of any of these shares for resale, the market price of our common stock could drop significantly if the holders of these shares sell them or are perceived by the market as intending to sell them.

***We will incur increased costs as a result of having publicly traded common stock.***

Although we currently file reports under the Securities Exchange Act of 1934, as amended ("Exchange Act"), we will incur significant legal, accounting, reporting and other expenses as a result of having publicly traded common stock that we do not currently incur. We also anticipate that we will incur costs associated with recently adopted corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002, as amended, as well as rules implemented by the SEC and The Nasdaq National Market. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. We also expect these rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, we may experience more difficulty attracting and retaining qualified individuals to serve on our board of directors or as executive officers. We cannot predict or estimate the amount of additional costs we may incur as a result of these requirements or the timing of such costs.

***The Company's disclosure controls and procedures were not effective as of December 31, 2004 to properly record and report the correct accounting treatment of deferred taxes from the Gulf Wide transaction.***

Our Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2004, as required by Section 404 of the Sarbanes-Oxley Act of 2002, as amended. As part of their evaluation, they reviewed the circumstances surrounding the delay in filing our annual report on Form 10-K for the year ended December 31, 2004 and the restatement of our previously issued financial statements for the years ended December 31, 2002 and 2003. We delayed filing our Form 10-K for the year ended December 31, 2004 and our Forms 10-Q for the quarters ended March 31, 2005 and June 30, 2005 pending completion by our accountants, BDO Seidman LLP, of the re-audits of our 2002 and 2003 financial statements that were audited by our prior accountants.

During these re-audits, we discovered that we incorrectly recognized the deferred tax components related to the tax basis of carryover goodwill acquired in our combination with ICM Equipment Company in 2002. After internal review and consultation with our Audit Committee, we determined to restate our 2002 and 2003 financial statements to reflect the proper accounting treatment of deferred income taxes. Our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of December 31, 2004 to properly record and report the correct accounting treatment of deferred taxes from our 2002 transaction. However, after discovery of this issue, we revisited and reassessed, in consultation with our accountants and our tax manager (who joined us in 2003), the tax treatment, including deferred tax components, for the 2002 transaction to ensure that there were no additional corrections necessary in this regard. To the extent we engage in acquisition transactions in the future, our disclosure controls and procedures now include the involvement of our tax manager in the appropriate tax analysis and related financial disclosure. Our

Chief Executive Officer and our Chief Financial Officer have concluded that our current disclosure controls and procedures are effective to provide reasonable assurance that material information required to be included in our periodic SEC reports is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms.

***Our internal controls over financial reporting may not be effective and our independent registered public accounting firm may not be able to certify as to their effectiveness, which could have a significant and adverse effect on our business and reputation.***

We are evaluating our internal controls over financial reporting in order to allow management to report on, and our independent registered public accounting firm to attest to, our internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002, as amended, and rules and regulations of the SEC thereunder, which we refer to as "Section 404." We are in the process of documenting and testing our internal control procedures in order to satisfy the requirements of Section 404, which requires annual management assessments of the effectiveness of our internal controls over financial reporting and a report by our independent registered public accountants addressing these assessments. During the course of our testing, we may identify deficiencies which we may not be able to remediate in time to meet the deadline imposed by the Sarbanes-Oxley Act for compliance with the requirements of Section 404. We expect that we will be required to comply with the requirements of Section 404 for our fiscal year ending December 31, 2006. In addition, if we fail to achieve and maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404. We cannot be certain as to the timing of completion of our evaluation, testing and any remediation actions or the impact of the same on our operations. If we are not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, our independent registered public accounting firm may not be able to certify as to the effectiveness of our internal control over financial reporting and we may be subject to sanctions or investigation by regulatory authorities, such as the SEC. As a result, there could be a negative reaction in the financial markets due to a loss of confidence in the reliability of our financial statements. In addition, we may be required to incur costs in improving our internal control system and the hiring of additional personnel. Any such action could negatively affect our results of operations.

***Certain provisions in our certificate of incorporation may prevent efforts by our stockholders to change the direction or management of our company.***

Provisions contained in our certificate of incorporation could make it more difficult for a third party to acquire us, even if doing so might be beneficial to our stockholders. For example, our certificate of incorporation authorizes our board of directors to determine the rights, preferences, privileges and restrictions of unissued series of preferred stock, without any vote or action by our stockholders. We could issue a series of preferred stock that could impede the completion of a merger, tender offer or other takeover attempt. These provisions may discourage potential acquisition proposals and may delay, deter or prevent a change of control of our company, including through transactions, and, in particular, unsolicited transactions, that some or all of our stockholders might consider to be desirable. As a result, efforts by our stockholders to change the direction or management of our company may be unsuccessful.

***We may not pay dividends on our common stock at any time in the foreseeable future.***

Our ability to declare and pay dividends is restricted by covenants in our senior secured credit facility and the indentures governing our senior secured notes and our senior subordinated notes, and may be further limited by instruments governing future outstanding indebtedness we or our subsidiaries may incur. Any decision to declare and pay dividends in the future will be made at the discretion of our board of directors and will depend on, among other things, our results of operations, financial conditions, cash requirement, contractual restrictions and other factors that our board of directors may deem relevant. We currently have no intention to pay dividends on our common stock at any time in the foreseeable future.

## FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the federal securities laws. Statements that are not historical facts, including statements about our beliefs and expectations, are forward looking statements. Forward-looking statements include statements preceded by, followed by or that include the words "may," "could," "would," "should," "believe," "expect," "anticipate," "plan," "estimate," "target," "project," "intend" and similar expressions. These statements include, among others, statements regarding our expected business outlook, anticipated financial and operating results, our business strategy and means to implement the strategy, our objectives, the amount and timing of capital expenditures, the likelihood of our success in expanding our business, financing plans, budgets, working capital needs and sources of liquidity.

Forward-looking statements are only predictions and are not guarantees of performance. These statements are based on our management's beliefs and assumptions, which in turn are based on currently available information. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding demand for our products, the expansion of product offerings geographically or through new applications, the timing and cost of planned capital expenditures, competitive conditions and general economic conditions. These assumptions could prove inaccurate. Forward-looking statements also involve known and unknown risks and uncertainties, which could cause actual results that differ materially from those contained in any forward-looking statement. Many of these factors are beyond our ability to control or predict. Such factors include, but are not limited to, the following:

- general economic conditions and construction activity in the markets where we operate in North America;
- relationships with new equipment suppliers;
- increased maintenance and repair costs;
- our substantial leverage;
- the risks associated with the expansion of our business;
- our possible inability to integrate any businesses we acquire;
- competitive pressures;
- compliance with laws and regulations, including those relating to environmental matters; and
- other factors discussed under "Risk Factors" or elsewhere in this prospectus.

Except as required by applicable law, including the securities laws of the United States and the rules and regulations of the SEC, we are under no obligation to publicly update or revise any forward-looking statements after we distribute this prospectus, whether as a result of any new information, future events or otherwise. Potential investors should not place undue reliance on our forward-looking statements. Before you invest in our common stock, you should be aware that the occurrence of the events described in the "Risk Factors" section and elsewhere in this prospectus could harm our business, prospects, operating results, and financial condition. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results or performance.

## Industry and Market Data

Industry and market data used throughout this prospectus were obtained through our research, surveys and studies conducted by third parties and industry and general publications. We have not independently verified market and industry data from third-party sources. While we believe internal company surveys are reliable and market definitions are appropriate, neither these surveys nor these definitions have been verified by any independent sources. In particular, we made our determinations of non-residential construction spending and consumption of construction machinery from Manfredi & Associates.

## Non-GAAP Financial Measures

The body of accounting principles generally accepted in the United States is commonly referred to as "GAAP." For this purpose, a non-GAAP financial measure is generally defined by the Securities and Exchange Commission ("SEC") as one that purports to measure historical or future financial performance, financial position or cash flows, but excludes or includes amounts that would not be so adjusted in the most comparable GAAP measures. In this prospectus, we disclose so-called non-GAAP financial measures, primarily EBITDA and Adjusted EBITDA. The non-GAAP financial measures described in this prospectus are not substitutes for the GAAP measures of earnings and cash flow.

We define EBITDA as net income (loss) from continuing operations before interest expense, income taxes, and depreciation and amortization. We define Adjusted EBITDA as EBITDA as adjusted for the loss from litigation that was recorded in 2003 and, for purposes of Pro Forma Adjusted EBITDA, as further adjusted for Eagle High Reach Equipment, Inc.'s gain on debt restructuring and interest rate swap agreement termination expense. We use EBITDA and Adjusted EBITDA in our business operations to, among other things, evaluate the performance of our business, develop budgets and measure our performance against those budgets. We also believe that analysts and investors use EBITDA and Adjusted EBITDA as supplemental measures to evaluate a company's overall operating performance. We find it a useful tool to assist us in evaluating performance because it eliminates items related to capital structure, taxes and other non-cash charges. However, EBITDA and Adjusted EBITDA are not measures of profitability because they do not include costs and expenses for depreciation and amortization, interest and related expenses and income taxes. Although we use EBITDA and Adjusted EBITDA to evaluate our performance, EBITDA and Adjusted EBITDA do not represent operating income or net cash provided by operating activities as those items are defined by GAAP and should not be considered by prospective purchasers of securities to be an alternative to operating income or cash flow from operations or indicative of whether cash flows will be sufficient to fund our future cash requirements. EBITDA and Adjusted EBITDA are not complete net cash flow measures or measures of liquidity because EBITDA and Adjusted EBITDA do not include reductions for cash payments for an entity's obligation to service its debt, fund its working capital, make capital expenditures and acquisitions and pay its income taxes. Rather, EBITDA and Adjusted EBITDA are two potential indicators of an entity's ability to fund these cash requirements. In light of the foregoing limitations, we do not rely solely on EBITDA and Adjusted EBITDA as performance measures and also consider our GAAP results. Because EBITDA and Adjusted EBITDA are not calculated in the same manner by all companies, they may not be comparable to other similarly titled measures used by other companies.

## Trademarks

We have proprietary rights to the trademark H&E®.

## USE OF PROCEEDS

We estimate that our net proceeds from the sale of common stock will be approximately \$            million, or \$            million if the underwriters exercise their over-allotment option in full, based on an assumed initial public offering price of \$            per share, which is the midpoint of the range set forth on the cover page of this prospectus and after deducting underwriting discounts and commissions and our estimated fees and expenses, including the fee to be paid to affiliates of BRS in connection with the termination of the management services agreement described under "Related Party Transactions—Management Agreement and Transaction Fees." We intend to use the net proceeds from this offering as follows:

	Amount
	(millions)
• Fund the purchase price and related costs and expenses of the Eagle acquisition	\$
• Repay a portion of the borrowings under our senior secured credit facility	\$
• Purchase rental equipment currently under operating leases	\$
• Pay deferred compensation owed to one of our current executives and a former executive	\$
• General corporate purposes, including working capital and potential acquisitions	\$

If we do not consummate the Eagle acquisition, we intend instead to use such portion of the net proceeds for general corporate purposes. Pending application of the net proceeds for the uses described above, we may repay additional borrowings under our senior secured credit facility.

*Senior Secured Credit Facility.* As of September 30, 2005, the total balance outstanding on our senior secured credit facility was \$81.2 million, with \$40.8 million available in additional borrowings, net of \$28.0 million in standby letters of credit. The senior secured credit facility bears interest at either (1) the Index Rate (the higher of the prime rate, as determined pursuant to the amended credit agreement, and the federal funds rate plus 50 basis points) plus the applicable revolver Index margin per annum based on the daily excess availability (7.00% at September 30, 2005) or (2) the applicable London Interbank Offered Rate, or LIBOR rate, plus the applicable revolver LIBOR margin per each calendar month based on the daily excess availability (6.16% at September 30, 2005). The senior secured credit facility matures on February 10, 2009.

*Eagle Acquisition.* On September 22, 2005, we entered into a letter of intent to purchase Eagle, an equipment rental company located in California, for a formula-based purchase price to be determined (which, based on Eagle's June 30, 2005 financial results, is currently estimated to be approximately \$53.0 million, including assumed indebtedness). Although this letter of intent expired by its terms on October 31, 2005, the parties are continuing to negotiate the terms of a definitive purchase agreement. Our proposed acquisition of Eagle is subject to the execution and delivery of a definitive purchase agreement and other documentation, receipt of financing and the satisfaction of customary closing conditions. Upon execution of a definitive purchase agreement, we will be required to make a \$2.0 million deposit that is refundable only in certain circumstances. Since February 2004, Gary W. Bagley, our Chairman, has served as the interim Chief Executive Officer of Eagle. In addition, Mr. Bagley and Kenneth R. Sharp, Jr., one of our executives, hold ownership interests in Eagle and would receive in the aggregate approximately \$            million from the proceeds of this offering in connection with the potential acquisition. For additional information on the proposed Eagle acquisition, see "Business—Proposed Acquisition."

## **DIVIDEND POLICY**

We have never paid or declared any dividends on our common stock and do not anticipate paying any dividends on our common stock in the foreseeable future. Any future determination relating to our dividend policy will be made at the discretion of our board of directors and will depend on then existing conditions, including our financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant. In addition, our ability to declare and pay dividends is restricted by covenants in our senior secured credit facility and the indentures governing our senior secured notes and our senior subordinated notes. As a result, you will need to sell your shares of common stock to realize your return on your investment and you may not be able to sell your shares at or above the price you paid for them.

## CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2005:

- on an actual basis;
- on a pro forma basis to give effect to (1) the completion of the Reorganization Transactions described in "Related Party Transaction—Reorganization Transactions," (2) the sale of shares of common stock in this offering at an assumed initial public offering price of \$ \_\_\_\_\_ per share, the mid-point of the range set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated fees and expenses payable by us, including the fee to be paid to affiliates of BRS in connection with the termination of the management services agreement described under "Related Party Transactions—Management Agreement and Transactions Fees," and (3) the application of the net proceeds of this offering as described under "Use of Proceeds" (other than with respect to the Eagle acquisition), as if the events had occurred on September 30, 2005; and
- on a pro forma as adjusted basis to give effect to the proposed Eagle acquisition and to the events described in items (1) through (3) above, as if they all had occurred on September 30, 2005.

You should read this information in conjunction with "Selected Historical Consolidated Financial Data," "Unaudited Pro Forma Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes appearing elsewhere in this prospectus.

	As of September 30, 2005		
	Actual <sup>(1)</sup>	Pro Forma	Pro Forma As Adjusted
	(Dollars in thousands)		
Cash	\$ 4,440	\$ 57,940	\$ 4,472
Debt:			
Senior secured credit facility	81,205	25,959	25,959
Senior secured notes	198,844	198,844	198,844
Senior subordinated notes	43,906	43,906	43,906
Other debt <sup>(2)</sup>	546	546	2,594
<b>Total debt</b>	<b>324,501</b>	<b>269,255</b>	<b>271,303</b>
Members' deficit/Stockholders' equity	(19,830)	132,170	132,170
Common stock, \$0.01 par value; 100 shares authorized, 100 shares issued and outstanding, actual <sup>(3)</sup> ; _____ shares authorized and _____ shares issued and outstanding, pro forma and pro forma as adjusted			
<b>Total capitalization</b>	<b>\$ 304,671</b>	<b>\$ 401,425</b>	<b>\$ 403,473</b>

(1) The amounts in this column represent amounts for H&E LLC, except for share information.

(2) At September 30, 2005, other debt included approximately \$0.5 million of notes payable to banks.

(3) We were newly formed as a Delaware corporation in September 2005 in connection with the anticipated Reorganization Transactions.



## DILUTION

Purchasers of shares of common stock in this offering will experience immediate and substantial dilution in the net tangible book value of the common stock from the initial public offering price. Net tangible book value per share represents the amount of our total tangible assets less our total liabilities, divided by the number of shares of our common stock outstanding. Dilution in net tangible book value per share represents the difference between the amount per share that you pay in this offering and the net tangible book value per share immediately after this offering. Our net tangible book value at September 30, 2005 was approximately \$ \_\_\_\_\_ million, or \$ \_\_\_\_\_ per share.

After giving effect to the sale of \_\_\_\_\_ shares of our common stock in this offering at an assumed public offering price of \$ \_\_\_\_\_ per share, at the midpoint of the range set forth on the front cover of the prospectus and after the deduction of estimated underwriting discounts and commissions and estimated offering expenses, our pro forma net tangible book value at September 30, 2005 would have been \$ \_\_\_\_\_ million, or \$ \_\_\_\_\_ per share. After giving effect to the foregoing and also to the Eagle acquisition, our pro forma as adjusted net tangible book value at September 30, 2005 would have been approximately \$ \_\_\_\_\_ million, or \$ \_\_\_\_\_ per share. This represents an immediate decrease in net tangible book value of \$ \_\_\_\_\_ per share to existing stockholders and an immediate and substantial dilution of \$ \_\_\_\_\_ per share to you. The following table illustrates this per share dilution:

	Per Share
Assumed initial public offering price per share	\$ _____
Actual net tangible book value (deficit) per share as of September 30, 2005	\$ _____
Increase per share attributable to new investors	\$ _____
Decrease per share attributable to Eagle acquisition	\$ _____
Adjusted pro forma net tangible book value per share after this offering	\$ _____
Dilution per share to new investors	\$ _____

The following table summarizes on the adjusted pro forma basis described above as of September 30, 2005, the total number of shares of common stock purchased from us and the total consideration and the average price per share paid by existing holders and by investors participating in this offering:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing holders	_____	____%	\$ _____	____%	\$ _____
New investors	_____	____%	\$ _____	____%	\$ _____
<b>Total</b>	_____	100%	\$ _____	100%	\$ _____

The number of shares of our common stock outstanding after the offering as shown above is based on the number of shares outstanding as of September 30, 2005, and excludes:

- Approximately 2% of the total number of shares of our common stock outstanding on a fully-diluted basis immediately following the consummation of this offering issuable upon exercise of options that we expect to grant under our proposed stock incentive plan. See "Management—Stock Incentive Plan."
- The shares of our common stock expected to be available for future grant under our proposed stock incentive plan after the consummation of this offering. See "Management—Stock Incentive Plan."

If the underwriters exercise their over-allotment option in full, the percentage of shares held by existing holders will decrease to approximately \_\_\_\_\_ % of the total number of shares of common stock outstanding after this offering, and the percentage of common stock held by new investors will increase to approximately \_\_\_\_\_ %.

## UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA

The following unaudited pro forma financial information for the year ended December 31, 2004 and for the nine months ended September 30, 2005 is derived from (1) our historical consolidated financial statements included elsewhere in this prospectus and (2) the historical consolidated financial statements of Eagle for the periods ended as of September 30, 2004 and 2005. Historically, Eagle has reported its financial results using June 30 as its fiscal year end. To conform to our calendar year end, Eagle's historical results have been recasted to reflect unaudited results for the nine month period ended September 30, 2005 and for the year ended December 31, 2004. Accordingly, the historical amounts disclosed for Eagle in these unaudited pro forma condensed combined statements of operations will not agree with Eagle's audited financial statements appearing elsewhere in this prospectus. The unaudited pro forma financial statements should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this prospectus, the consolidated financial statements of Eagle and related notes included elsewhere in this prospectus, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the other financial information appearing elsewhere in this prospectus. Since February 2004, Gary W. Bagley, our Chairman, has served as the interim Chief Executive Officer of Eagle. In addition, Mr. Bagley and Kenneth R. Sharp, Jr., one of our executives, hold ownership interests in Eagle.

The unaudited pro forma statement of operations data for the year ended December 31, 2004 and for the nine months ended September 30, 2005 and balance sheet data as of September 30, 2005 have been prepared to give pro forma effect to (1) the Reorganization Transactions and (2) the sale of shares in this offering, and application of the net proceeds from this offering, in the case of the statement of operations data, as if they had occurred on January 1, 2004 and, in the case of the balance sheet data, as if they had occurred on September 30, 2005. The unaudited pro forma as adjusted statement of operations data for the year ended December 31, 2004 and for the nine months ended September 30, 2005 and balance sheet data as of September 30, 2005 have been prepared to give pro forma as adjusted effect to the Eagle acquisition, as well as to the events described in (1) and (2) above, in the case of the statement of operations data, as if they occurred on January 1, 2004 and, in the case of the balance sheet data, as if they had occurred on September 30, 2005. We accounted for the acquisition of Eagle under the purchase method of accounting, subject to the assumptions and adjustments described in the accompanying notes. We note that the unaudited pro forma statement of operations data for the year ended December 31, 2004 reflects the material impact of the non-recurring gain on debt restructuring and loss on interest rate swap termination expense related to Eagle in the net amount of approximately \$10.7 million. Future results will not reflect these material, non-recurring items. The unaudited pro forma financial statements presented below are based upon preliminary estimates of purchase price allocations and do not reflect any anticipated operating efficiencies or cost savings from the integration of Eagle into our business.

The unaudited pro forma consolidated financial statements reflect pro forma adjustments that are described in the accompanying notes and are based on available information and certain assumptions we believe are reasonable, but are subject to change. We have made, in our opinion, all adjustments that are necessary to present fairly the pro forma financial data. The unaudited pro forma financial data is presented for informational purposes only and should not be considered indicative of actual results of operations that would have been achieved had the Eagle acquisition and this offering been consummated on the dates indicated, and do not purport to be indicative of balance sheet data or results of operations as of any future date or for any future period.

	H&E Historical	Reorganization and Offering Adjustments	Pro Forma	Eagle Historical	Acquisition Adjustments	Pro Forma As Adjusted
(Dollars in thousands, except per share data)						
<b>Balance Sheet Data</b>						
<b>Assets</b>						
Cash and cash equivalents		\$ 152,000 <sup>(1)</sup> (8,254) <sup>(3)</sup> (35,000) <sup>(4)</sup> (55,246) <sup>(5)</sup>	\$ 57,940	\$ 32	\$ (53,500) <sup>(2)</sup>	\$ 4,472
Receivables, net	\$ 4,440	—	83,075	6,783	—	\$ 89,858
Inventories, net	83,075	—	73,584	1,596	—	\$ 75,180
Prepaid and other assets	73,584	—	3,102	1,290	—	\$ 4,392
Rental equipment, net	3,102	—	—	—	9,725 <sup>(2(a))</sup> (298) <sup>(2(d))</sup>	\$ 368,439
Property and equipment, net	296,237	35,000 <sup>(4)</sup>	331,237	27,775	—	\$ 20,744
Deferred financing costs	17,312	—	17,312	3,432	—	\$ 8,634
Goodwill, net	8,634	—	8,634	—	9,624 <sup>(2(b))</sup>	\$ 18,196
	8,572	—	8,572	—	—	—
<b>Total assets</b>	<b>\$ 494,956</b>	<b>\$ 88,500</b>	<b>\$ 583,456</b>	<b>\$ 40,908</b>	<b>\$ (34,449)</b>	<b>\$ 589,915</b>
<b>Liabilities</b>						
Lines of credit	\$ 81,205	\$ (55,246) <sup>(5)</sup>	\$ 25,959	\$ 21,625	\$ (21,625) <sup>(2(c))</sup>	\$ 25,959
Accounts payable	123,236	—	123,236	1,779	—	125,015
Accrued expenses and other liabilities	38,181	—	38,181	2,632	—	40,813
Accrued loss from litigation	17,434	—	17,434	—	—	17,434
Senior secured notes, net	198,844	—	198,844	—	—	198,844
Senior subordinated notes, net	43,906	—	43,906	—	—	43,906
Notes payable and capital leases	546	—	546	2,346	(298) <sup>(2(d))</sup>	2,594
Deferred compensation payable	11,434	(8,254) <sup>(3)</sup>	3,180	—	—	3,180
<b>Total liabilities</b>	<b>514,786</b>	<b>(63,500)</b>	<b>451,286</b>	<b>28,382</b>	<b>(21,923)</b>	<b>457,745</b>
Minority interest	—	—	—	5,191	(5,191) <sup>(2)</sup>	—
<b>Total members'/stockholders' equity (deficit)</b>	<b>(19,830)</b>	<b>152,000</b>	<b>132,170</b>	<b>7,335</b>	<b>(7,335)</b>	<b>132,170</b>
<b>Total liabilities and members' deficit/stockholders' equity</b>	<b>\$ 494,956</b>	<b>\$ 88,500</b>	<b>\$ 583,456</b>	<b>\$ 40,908</b>	<b>\$ (34,449)</b>	<b>\$ 589,915</b>

See accompanying notes to unaudited pro forma consolidated financial data.

## Notes to the Unaudited Pro Forma Condensed Combined Balance Sheet

- (1) The pro forma adjustment is made to reflect net proceeds from the sale of approximately \_\_\_\_\_ shares of our common stock offered in this prospectus at an assumed per share offering price of \$ \_\_\_\_\_, after deducting underwriting discounts and commissions and estimated fees and expenses payable by us, including the fee to be paid to affiliates of BRS in connection with the termination of the management services agreement.
- (2) The pro forma adjustment is made to reflect the acquisition of Eagle. We have entered into a letter of intent to acquire Eagle for a formula-based purchase price to be determined (which, based on Eagle's June 30, 2005 financial results, is currently estimated to be approximately \$53.0 million, including assumed indebtedness). Although this letter of intent expired by its terms on October 31, 2005, the parties are continuing to negotiate the terms of a definitive purchase agreement. We anticipate transaction costs of approximately \$0.5 million. Our acquisition of Eagle will be accounted for using the purchase method of accounting, pursuant to which we will allocate the total cost of acquiring Eagle of \$53.5 million to the individual assets acquired and liabilities assumed based on their fair value.

The initial purchase price and allocation is calculated as follows (in thousands):

	<u>Fair Value</u>
Tangible assets acquired <sup>(a)</sup>	\$ 50,633
Goodwill <sup>(b)</sup>	9,624
Liabilities assumed	<u>(6,757)</u>
Total purchase price	<u>\$ 53,500</u>

- (a) For purposes of this pro forma financial statement, we have assumed that the historical book value of Eagle's assets approximate their fair value, except for Eagle's rental equipment which has an estimated fair value of approximately \$37.5 million.
  - (b) Goodwill represents the excess of the purchase price over the fair value of the net assets acquired and liabilities assumed and will periodically be reviewed for impairment. Although the pro forma balance sheet reflects our preliminary estimate of purchase price allocation, we believe a significant amount of goodwill will arise as a result of this transaction. The primary factor giving rise to the goodwill is the premium we are willing to pay to expand our operations into the geographical territories currently served by Eagle from which we hope to further expand.
  - (c) Elimination of liabilities not assumed.
  - (d) Elimination of assets under capital leases acquired from us having a net book value of \_\_\_\_\_ approximately \$0.3 million.
- (3) The pro forma adjustment is made to reflect the use of proceeds of \$8.3 million from the sale of our common stock to settle amounts owed to certain officers under deferred compensation arrangements.
  - (4) The pro forma adjustment is made to reflect the use of proceeds of \$35.0 million from the sale of our common stock to acquire rental equipment currently under operating leases. The estimated purchase price of the rental equipment is based upon the lease terms.
  - (5) The pro forma adjustment is made to reflect the use of proceeds to pay down approximately \$55.2 million on the amount outstanding under our senior secured credit facility.

	H&E Historical	Reorganization and Offering Adjustments	Pro Forma	Eagle Historical <sup>(1)</sup>	Acquisition Adjustments	Pro Forma As Adjusted
(Dollars in thousands, except per share data)						
<b>Statement of operations data:<sup>(2)</sup></b>						
Revenues:						
Equipment rentals	\$ 160,342	\$ —	\$ 160,342	\$ 26,157	\$ —	\$ 186,499
New equipment sales	116,907	—	116,907	559	(202) <sup>(3)</sup>	117,264
Used equipment sales	84,999	—	84,999	900	—	85,899
Parts sales	58,014	—	58,014	159	(11) <sup>(3)</sup>	58,162
Service revenues	33,696	—	33,696	—	—	33,696
Other	24,214	—	24,214	972	—	25,186
<b>Total revenues</b>	<b>478,172</b>	<b>—</b>	<b>478,172</b>	<b>28,747</b>	<b>(213)</b>	<b>506,706</b>
Cost of revenues:						
Rental depreciation	49,590	7,400 <sup>(4)</sup>	56,990	8,051	1,325 <sup>(5)</sup>	66,366
Rental expense	50,666	(14,400) <sup>(4)</sup>	36,266	4,953	—	41,219
New equipment sales	104,111	—	104,111	515	(171) <sup>(3)</sup>	104,455
Used equipment sales	67,906	—	67,906	531	—	68,437
Parts sales	41,500	—	41,500	93	(7) <sup>(3)</sup>	41,586
Service revenues	12,865	—	12,865	—	—	12,865
Other	28,246	—	28,246	2,942	—	31,188
<b>Total cost of revenues</b>	<b>354,884</b>	<b>(7,000)</b>	<b>347,884</b>	<b>17,085</b>	<b>1,147</b>	<b>366,116</b>
Gross profit:						
Equipment rentals	60,086	7,000	67,086	13,153	(1,325)	78,914
New equipment sales	12,796	—	12,796	44	(31)	12,809
Used equipment sales	17,093	—	17,093	369	—	17,462
Parts sales	16,514	—	16,514	66	(4)	16,576
Service revenues	20,831	—	20,831	—	—	20,831
Other	(4,032)	—	(4,032)	(1,970)	—	(6,002)
<b>Total gross profit</b>	<b>123,288</b>	<b>7,000</b>	<b>130,288</b>	<b>11,662</b>	<b>(1,360)</b>	<b>140,590</b>
Selling, general and administrative expenses	97,525	(1,800) <sup>(6)</sup>	95,725	18,011	—	113,736
Gain on sale of property and equipment	207	—	207	—	—	207
<b>Income (loss) from operations before other income (expense) and nonrecurring items<sup>(7)</sup></b>	<b>25,970</b>	<b>8,800</b>	<b>34,770</b>	<b>(6,349)</b>	<b>(1,360)</b>	<b>27,061</b>
Other income (expense):						
Interest expense <sup>(8)</sup>	(39,856)	2,448 <sup>(9)</sup> 1,075 <sup>(11)</sup>	(36,333)	(2,705)	1,300 <sup>(10)</sup>	(37,738)
Gain on debt restructuring	—	—	—	13,491	—	13,491
Interest rate swap agreement termination expense	—	—	—	(2,809)	—	(2,809)
Other, net	149	—	149	(630)	9 <sup>(3)</sup>	(472)
<b>Total other income (expense), net</b>	<b>(39,707)</b>	<b>3,523</b>	<b>(36,184)</b>	<b>7,347</b>	<b>1,309</b>	<b>(27,528)</b>
<b>Income (loss) before income taxes</b>	<b>(13,737)</b>	<b>12,323</b>	<b>(1,414)</b>	<b>998</b>	<b>(51)</b>	<b>(467)</b>
<b>Income tax provision<sup>(12)</sup></b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>106</b>	<b>—</b>	<b>106</b>
<b>Net income (loss) before nonrecurring items directly attributable to the transaction</b>	<b>\$ (13,737)</b>	<b>\$ 12,323</b>	<b>\$ (1,414)</b>	<b>\$ 892</b>	<b>\$ (51)</b>	<b>\$ (573)</b>
<b>Net loss per common unit<sup>(13)</sup></b>	<b>(137)</b>	<b>123</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>
Pro forma net income (loss) per common share <sup>(14)</sup> :						
Basic						
Diluted						
Common shares used to compute pro forma net income (loss) per common share <sup>(14)</sup> :						
Basic						
Diluted						

See accompanying notes to unaudited pro forma consolidated financial data.

	H&E Historical	Reorganization and Offering Adjustments	Pro Forma	Eagle Historical <sup>(1)</sup>	Acquisition Adjustments	Pro Forma As Adjusted
(Dollars in thousands, except per share data)						
<b>Statement of operations data:<sup>(2)</sup></b>						
Revenues:						
Equipment rentals	\$ 136,576	\$ —	\$ 136,576	\$ 20,828	\$ (48) <sup>(3)</sup>	\$ 157,356
New equipment sales	99,867	—	99,867	677	(4,111) <sup>(3)</sup>	96,433
Used equipment sales	76,332	—	76,332	1,578	(951) <sup>(3)</sup>	76,959
Parts sales	51,202	—	51,202	350	(33) <sup>(3)</sup>	51,519
Service revenues	29,459	—	29,459	—	—	29,459
Other	21,300	—	21,300	800	—	22,100
<b>Total revenues</b>	<b>414,736</b>	<b>—</b>	<b>414,736</b>	<b>24,233</b>	<b>(5,143)</b>	<b>433,826</b>
Cost of revenues:						
Rental depreciation	39,394	5,500 <sup>(4)</sup>	44,894	5,949	1,081 <sup>(5)</sup>	51,924
Rental expense	35,024	(9,925) <sup>(4)</sup>	25,099	3,715	—	28,814
New equipment sales	87,803	—	87,803	629	(3,785) <sup>(3)</sup>	84,647
Used equipment sales	58,043	—	58,043	491	(862) <sup>(3)</sup>	57,672
Parts sales	36,105	—	36,105	143	(21) <sup>(3)</sup>	36,227
Service revenues	10,973	—	10,973	—	—	10,973
Other	21,700	—	21,700	2,279	—	23,979
<b>Total cost of revenues</b>	<b>289,042</b>	<b>(4,425)</b>	<b>284,617</b>	<b>13,206</b>	<b>(3,587)</b>	<b>294,236</b>
Gross profit:						
Equipment rentals	62,158	4,425	66,583	11,164	(1,129)	76,618
New equipment sales	12,064	—	12,064	48	(326)	11,786
Used equipment sales	18,289	—	18,289	1,087	(89)	19,287
Parts sales	15,097	—	15,097	207	(12)	15,292
Service revenues	18,486	—	18,486	—	—	18,486
Other	(400)	—	(400)	(1,479)	—	(1,879)
<b>Total gross profit</b>	<b>125,694</b>	<b>4,425</b>	<b>130,119</b>	<b>11,027</b>	<b>(1,556)</b>	<b>139,590</b>
Selling, general and administrative expenses	81,342	(1,600) <sup>(6)</sup>	79,742	9,158	—	88,900
Gain on sale of property and equipment	15	—	15	—	—	15
<b>Income from operations before other income (expense) and nonrecurring items<sup>(7)</sup></b>	<b>44,367</b>	<b>6,025</b>	<b>50,392</b>	<b>1,869</b>	<b>(1,556)</b>	<b>50,705</b>
Other income (expense):						
Interest expense <sup>(8)</sup>	(30,982)	2,584 <sup>(9)</sup>	(27,593)	(1,140)	973 <sup>(10)</sup>	(27,760)
Other, net	255	805 <sup>(11)</sup>	255	—	—	255
<b>Total other income expense, net</b>	<b>(30,727)</b>	<b>3,389</b>	<b>(27,338)</b>	<b>(1,140)</b>	<b>973</b>	<b>(27,505)</b>
Income (loss) before minority interest	13,640	9,414	23,054	729	(583)	23,200
Minority interest in net income of subsidiary	—	—	—	(204)	204 <sup>(15)</sup>	—
<b>Income (loss) before income taxes</b>	<b>13,640</b>	<b>9,414</b>	<b>23,054</b>	<b>525</b>	<b>(379)</b>	<b>23,200</b>
Income tax provision (benefit) <sup>(12)</sup>	171	—	171	(150)	—	21
<b>Net income (loss) before nonrecurring items directly attributable to the transaction</b>	<b>\$ 13,469</b>	<b>\$ 9,414</b>	<b>\$ 22,883</b>	<b>\$ 675</b>	<b>\$ (379)</b>	<b>\$ 23,179</b>
<b>Net income per common unit<sup>(13)</sup></b>	<b>135</b>	<b>94</b>	<b>229</b>	<b>NM</b>	<b>NM</b>	<b>232</b>
Pro forma net income (loss) per common share <sup>(14)</sup> :						
Basic						
Diluted						
Common shares used to compute pro forma net income (loss) per common share <sup>(14)</sup> :						
Basic						
Diluted						

See accompanying notes to unaudited pro forma consolidated financial data.

**Notes to the Unaudited Pro Forma Condensed Combined Statements of Operations**

(1) Historically, Eagle has reported its financial results using June 30 as its fiscal year end. To conform to our calendar year end, Eagle's historical results have been recasted to reflect the unaudited results for the nine month period ended September 30, 2005 and for the year ended December 31, 2004. Accordingly, the amounts disclosed for Eagle in the unaudited pro forma condensed combined statements of operations will not agree with Eagle's unaudited financial results appearing elsewhere in this document. Historical data for Eagle includes certain reclassifications to conform to our presentation.

(2) For the year ended December 31, 2004 and nine months ended September 30, 2005, other financial data was as follows:

	H&E Historical	Reorganization and Offering Adjustments	Pro Forma	Eagle Historical	Acquisition Adjustments	Pro Forma As Adjusted
<b>For the year ended December 31, 2004:</b>						
EBITDA	\$ 79,645	\$ 16,200	\$ 95,845	\$ 12,709	\$ (26)	\$ 108,528
Adjusted EBITDA	79,645	16,200	95,845	2,027	(26)	97,846
Depreciation and amortization <sup>(a)</sup>	53,526	7,400	60,926	9,006	1,325	71,257
Total capital expenditures (gross) <sup>(b)</sup>	86,790	—	86,790	1,968	—	88,758
Total capital expenditures (net) <sup>(c)</sup>						
<b>For the nine months ended September 30, 2005:</b>						
EBITDA	\$ 87,850	\$ 11,525	\$ 99,375	\$ 8,008	\$ (271)	\$ 107,112
Adjusted EBITDA	87,850	11,525	99,375	8,008	(271)	107,112
Depreciation and amortization <sup>(a)</sup>	43,228	5,500	48,728	6,343	1,081	56,152
Total capital expenditures (gross) <sup>(b)</sup>	142,968	35,000	177,968	6,674	(298) <sup>(d)</sup>	184,344
Total capital expenditures (net) <sup>(c)</sup>						

We define EBITDA as net income (loss) from continuing operations before interest expense, income taxes, and depreciation and amortization. We define Adjusted EBITDA as EBITDA as adjusted for the loss from litigation that was recorded in 2003. Pro Forma Adjusted EBITDA represents Pro Forma EBITDA as adjusted for the gain on debt restructuring and loss on interest rate swap termination expense which occurred in 2004. We use EBITDA and Adjusted EBITDA in our business operations to, among other things, evaluate the performance of our business, develop budgets and measure our performance against those budgets. We also believe that analysts and investors use EBITDA and Adjusted EBITDA as supplemental measures to evaluate a company's overall operating performance. We find it a useful tool to assist us in evaluating performance because it eliminates items related to capital structure, taxes and other non-cash charges. However, EBITDA and Adjusted EBITDA are not measures of profitability because they do not include costs and expenses for depreciation and amortization, interest and related expenses and income taxes. Although we use EBITDA and Adjusted EBITDA to evaluate our performance, EBITDA and Adjusted EBITDA do not represent operating income or net cash provided by operating activities as those items are defined by GAAP and should not be considered by prospective purchasers of securities to be an alternative to operating income or cash flow from operations or indicative of whether cash flows will be sufficient to fund our future cash requirements. EBITDA

and Adjusted EBITDA are not complete net cash flow measures or measures of liquidity because EBITDA and Adjusted EBITDA do not include reductions for cash payments for an entity's obligation to service its debt, fund its working capital, make capital expenditures and acquisitions and pay its income taxes. Rather, EBITDA and Adjusted EBITDA are two potential indicators of an entity's ability to fund these cash requirements. In light of the foregoing limitations, we do not rely solely on EBITDA and Adjusted EBITDA as performance measures and also consider our GAAP results. Because EBITDA and Adjusted EBITDA are not calculated in the same manner by all companies, they may not be comparable to other similarly titled measures used by other companies.

Set forth below is a reconciliation of pro forma net income (loss) to Pro Forma EBITDA and Pro Forma Adjusted EBITDA for the periods presented. Pro forma Adjusted EBITDA represents Pro Forma EBITDA as adjusted for the gain on debt restructuring and loss on interest rate swap termination expense which occurred in 2004.

	Year Ended December 31, 2004	Nine Month Period Ended September 30, 2005
Net income (loss) before nonrecurring items directly attributable to the transaction	\$ (573)	\$ 23,179
Income tax provision (benefit)	106	21
Interest expense	37,738	27,760
Depreciation and amortization <sup>(a)</sup>	71,257	56,152
<b>Pro Forma EBITDA</b>	<b>\$ 108,528</b>	<b>\$ 107,112</b>
Gain on debt restructuring	(13,491)	—
Interest rate swap agreement termination expense	2,809	—
<b>Pro Forma Adjusted EBITDA</b>	<b>\$ 97,846</b>	<b>\$ 107,112</b>

(a) This excludes amortization of loan discounts and amortization of deferred financing costs included in interest expense.

(b) Total gross capital expenditures include rental equipment purchases, assets transferred from new and used inventory to rental fleet and property and equipment purchases.

(c) Total net capital expenditures include rental equipment purchases, assets transferred from new and used inventory to rental fleet and property and equipment purchases less proceeds from the sale of these assets.

(d) Elimination of assets under capital leases acquired from us having a net book value of approximately \$0.3 million.

(3) The pro forma adjustment is made to reflect the elimination of transactions, primarily related to the acquisition of equipment, between us and Eagle. During the nine month period ended September 30, 2005 and year ended December 31, 2004, we recorded revenue of approximately \$5.1 million and \$0.2 million, respectively, related to transactions with Eagle, for which our costs were approximately \$4.7 million and \$0.2 million, respectively.

(4) Rental fleet under operating leases purchased with proceeds from this offering will be depreciated over five years. A pro forma adjustment to reflect additional depreciation expense of \$5.5 million and \$7.4 million for the nine month period ended September 30, 2005 and the year ended December 31, 2004 has been made. Additionally, a pro forma adjustment of \$9.9 million and \$14.4 million for the nine month period ended September 30, 2005 and the year ended December 31, 2004 has been made to eliminate historical lease expense on this equipment.

(5) For pro forma purposes, we have estimated a fair value of the acquired rental fleet of \$37.5 million and a useful life for the fleet of four years. On a pro forma basis, depreciation expense would be approximately \$7.0 million and \$9.4 million for the nine month period ended September 30, 2005 and the year ended December 31, 2004, respectively. A pro forma adjustment has been made to reflect the incremental increase of approximately \$1.1 million and approximately



\$1.3 million over the historical depreciation expense reported by Eagle for the nine month period ended September 30, 2005 and the year ended December 31, 2004, respectively.

- (6) In connection with this offering, we will terminate a management services agreement. A pro forma adjustment has been made to eliminate the historical expense related to this agreement of \$1.6 million and \$1.8 million for the nine month period ended September 30, 2005 and the year ended December 31, 2004, respectively. No adjustment has been made in these pro forma statements of operations to reflect the one-time payment of approximately \$8.0 million to the affiliates of BRS which will occur upon termination of the agreement.
- (7) The pro forma condensed statements of operations have not been adjusted for the nonrecurring payment of \$8.0 million to the affiliates of BRS. This one-time payment is directly attributable to the transaction and will occur upon termination of the management services agreement.
- (8) Interest expense is comprised of cash-pay interest (interest recorded on debt and other obligations requiring periodic payments) and non-cash pay interest.
- (9) Represents avoided interest expense of approximately \$2.6 million and \$2.4 million for the nine month period ended September 30, 2005 and the year ended December 31, 2004, respectively, as a result of the use of proceeds to pay down amounts outstanding under our line of credit.
- (10) The pro forma adjustment is made to reflect the elimination of interest expense of approximately \$1.0 million and \$1.3 million for the nine-month period ended September 30, 2005 and the year ended December 31, 2004, respectively, on Eagle's line of credit of \$21.6 million at September 30, 2005, which we will not assume.
- (11) The deferred compensation liability of approximately \$8.3 million owed to one current executive and a former executive settled in connection with this offering bears interest at 13%. A pro forma adjustment of approximately \$0.8 million and approximately \$1.1 million for the nine month period ended September 30, 2005 and the year ended December 31, 2004 has been made to reflect the elimination of historical interest expense on deferred compensation liabilities.
- (12) Historically, we have recorded limited income tax expense due to our reported loss position for income tax purposes, as well as a valuation allowance established to offset our deferred tax asset. Eagle has historically elected to be taxed as an "S" corporation. Upon consummation of the proposed Eagle transaction, Eagle will cease to be taxed as an "S" corporation. Income tax expense reported by both us and Eagle has resulted from state income taxes. We are in the process of evaluating any potential pro forma income tax effect resulting from any of the proposed transactions.
- (13) Net income (loss) per common unit is based upon 100 common units of H&E LLC owned by H&E Holdings. Due to the Reorganization Transactions, net income (loss) per common unit does not relate to the shares of common stock being offered by us in this prospectus.
- (14) In calculating shares of our common stock outstanding, we give retroactive effect to the completion of the Reorganization Transactions. See "Related Party Transactions—Reorganization Transactions."
- (15) Elimination of minority interest. Eagle High Reach Equipment, Inc. ("Eagle Inc.") holds a 50% ownership interest in its subsidiary, Eagle High Reach Equipment, LLC ("Eagle LLC"). In the proposed acquisition, we will acquire 100% of the capital stock of Eagle Inc., and 100% of the equity interests of Eagle LLC. As a result, we would have a controlling financial interest in Eagle LLC, and both Eagle Inc. and Eagle LLC will be consolidated into our financial statements.

## SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table sets forth our selected historical consolidated financial data as of the dates and for the dates periods indicated. The selected historical consolidated financial data as of and for the years ended December 31, 2002, 2003 and 2004 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The selected historical consolidated financial data as of and for the years ended December 31, 2000 and 2001 have been derived from our consolidated financial information not included elsewhere in this prospectus. Our historical results are not necessarily indicative of future performance or results of operations. The selected historical consolidated financial data as of for the nine months ended September 30, 2004 and September 30, 2005 have been derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. The unaudited condensed consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements, and in the opinion of our management, reflects all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for those periods. The results for any interim period are not necessarily indicative of the results that may be expected for a full year. You should read the information presented below together with "Unaudited Pro Forma Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included elsewhere in this prospectus.

For the Year Ended December 31,

For the Nine  
Months Ended  
September 30,

2000	2001	2002 <sup>(1)</sup>	2003	2004	2004	2005
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(Unaudited)

(Dollars in thousands, except per share data)

**Statement of operations data<sup>(2)</sup>:**

## Revenues:

Equipment rentals	\$ 70,625	\$ 98,696	\$ 136,624	\$ 153,851	\$ 160,342	\$ 116,722	\$ 136,576
New equipment sales	53,345	84,138	72,143	81,692	116,907	80,570	99,867
Used equipment sales	51,402	59,441	52,487	70,926	84,999	61,984	76,332
Parts sales	34,435	36,524	47,218	53,658	58,014	44,335	51,202
Service revenue	16,553	19,793	27,755	33,349	33,696	25,446	29,459
Other	8,236	10,925	14,778	20,510	24,214	17,564	21,300
<b>Total revenues</b>	<b>234,596</b>	<b>309,517</b>	<b>351,005</b>	<b>413,986</b>	<b>478,172</b>	<b>346,621</b>	<b>414,736</b>

## Cost of revenues:

Rental depreciation	28,629	30,004	46,627	55,244	49,590	36,713	39,394
Rental expense	10,916	23,154	37,706	49,696	50,666	38,795	35,024
New equipment sales	47,910	77,442	65,305	73,228	104,111	71,946	87,803
Used equipment sales	44,401	51,378	43,776	58,145	67,906	49,734	58,043
Parts sales	25,846	27,076	34,011	39,086	41,500	31,766	36,105
Service revenue	7,139	8,106	11,438	13,043	12,865	9,639	10,973
Other	11,488	14,439	19,774	26,433	28,246	20,924	21,700
<b>Total cost of revenues</b>	<b>176,329</b>	<b>231,599</b>	<b>258,637</b>	<b>314,875</b>	<b>354,884</b>	<b>259,517</b>	<b>289,042</b>

## Gross profit:

Equipment rentals	31,080	45,538	52,291	48,911	60,086	41,214	62,158
New equipment sales	5,435	6,696	6,838	8,464	12,796	8,624	12,064
Used equipment sales	7,001	8,063	8,711	12,781	17,093	12,250	18,289
Parts sales	8,589	9,448	13,207	14,572	16,514	12,569	15,097
Service revenue	9,414	11,687	16,317	20,306	20,831	15,807	18,486
Other (loss)	(3,252)	(3,514)	(4,996)	(5,923)	(4,032)	(3,360)	(400)
<b>Total gross profit</b>	<b>58,267</b>	<b>77,918</b>	<b>92,368</b>	<b>99,111</b>	<b>123,288</b>	<b>87,104</b>	<b>125,694</b>
Selling, general and administrative expenses	46,001	55,382	78,352	93,054	97,525	72,878	81,342
Loss from litigation	—	—	—	17,434	—	—	—
Related party expense	—	—	—	1,275	—	—	—
Gain on sale of property and equipment	—	46	59	80	207	156	15
<b>Income (loss) from operations</b>	<b>12,266</b>	<b>22,582</b>	<b>14,075</b>	<b>(12,572)</b>	<b>25,970</b>	<b>14,382</b>	<b>44,367</b>

## Other income (expense):

Interest expense <sup>(3)</sup>	(22,909)	(17,995)	(28,955)	(39,394)	(39,856)	(29,836)	(30,982)
Other	187	156	372	221	149	95	255
<b>Total other expense, net</b>	<b>(22,722)</b>	<b>(17,839)</b>	<b>(28,583)</b>	<b>(39,173)</b>	<b>(39,707)</b>	<b>(29,741)</b>	<b>(30,727)</b>
<b>Income (loss) before income taxes</b>	<b>(10,456)</b>	<b>4,743</b>	<b>(14,508)</b>	<b>(51,745)</b>	<b>(13,737)</b>	<b>(15,359)</b>	<b>13,640</b>
Income tax provision (benefit)	(3,123)	1,443	(6,287)	(5,694)	—	—	171
<b>Net income (loss)</b>	<b>\$ (7,333)</b>	<b>\$ 3,300</b>	<b>\$ (8,221)</b>	<b>\$ (46,051)</b>	<b>\$ (13,737)</b>	<b>\$ (15,359)</b>	<b>\$ 13,469</b>

Net income (loss) per common unit<sup>(9)</sup> NM NM (82) (461) (137) (154) 135Pro forma net income (loss) per common share<sup>(4)</sup>:

Basic

Diluted

Common shares used to compute pro forma

net income (loss) per common share<sup>(4)</sup>:

Basic

Diluted

**Other financial data:**

EBITDA <sup>(5)</sup>	\$ 42,994	\$ 54,901	\$ 64,106	\$ 46,808	\$ 79,645	\$ 54,053	\$ 87,850
Adjusted EBITDA <sup>(5)</sup>	42,994	54,901	64,106	64,242	79,645	54,053	87,850
Depreciation and amortization <sup>(6)</sup>	30,541	32,163	49,659	59,159	53,526	39,576	43,228
Total capital expenditures (gross) <sup>(7)</sup>	48,679	111,661	71,974	41,923	86,790	60,724	142,968



	2000	2001	2002	2003	2004	2005
						(Unaudited)
(Dollars in thousands)						
<b>Balance sheet data:</b>						
Cash and cash equivalents	\$ 1,627	\$ 4,322	\$ 3,398	\$ 3,891	\$ 3,358	\$ 4,440
Rental equipment, net	147,228	195,701	317,076	261,154	243,630	296,237
Goodwill, net	3,454	3,204	8,572	8,572	8,572	8,572
Deferred financing costs	—	—	12,612	11,235	10,251	8,634
Total assets	245,961	287,129	476,119	409,393	408,669	494,956
Total debt <sup>(8)</sup>	206,597	196,332	330,139	292,042	299,392	324,501
Total members' equity (deficit)	(15,902)	29,899	26,488	(19,563)	(33,300)	(19,830)

- (1) H&E LLC is the result of the merger on June 17, 2002 of ICM and Head & Engquist with and into Gulf Wide. Accordingly, the historical statement of operations data for H&E LLC for the year ended December 31, 2002 reflects the results of operations of Head & Engquist from January 1, 2002 until the date of the merger and includes ICM's results of operations from the date of the merger through December 31, 2002.
- (2) See note 18 of the 2004 annual consolidated financial statements of H&E LLC included elsewhere in this prospectus discussing business segment information.
- (3) Interest expense is comprised of cash-pay interest (interest recorded on debt and other obligations requiring periodic cash payments) and non-cash pay interest.
- (4) In calculating shares of our common stock outstanding, we give retroactive effect to the completion of the Reorganization Transactions. See "Related Party Transactions—Reorganization Transactions."
- (5) We define EBITDA as net income (loss) from continuing operations before interest expense, income taxes, and depreciation and amortization. We define Adjusted EBITDA as EBITDA as adjusted for the loss from litigation that was recorded in 2003. We use EBITDA and Adjusted EBITDA in our business operations to, among other things, evaluate the performance of our business, develop budgets and measure our performance against those budgets. We also believe that analysts and investors use EBITDA and Adjusted EBITDA as supplemental measures to evaluate a company's overall operating performance. We find it a useful tool to assist us in evaluating performance because it eliminates items related to capital structure, taxes and other non-cash charges. However, EBITDA and Adjusted EBITDA are not measures of profitability because they do not include costs and expenses for depreciation and amortization, interest and related expenses and income taxes. Although we use EBITDA and Adjusted EBITDA to evaluate our performance, EBITDA and Adjusted EBITDA do not represent operating income or net cash provided by operating activities as those items are defined by GAAP and should not be considered by prospective purchasers of securities to be an alternative to operating income or cash flow from operations or indicative of whether cash flows will be sufficient to fund our future cash requirements. EBITDA and Adjusted EBITDA are not complete net cash flow measures or measures of liquidity because EBITDA and Adjusted EBITDA do not include reductions for cash payments for an entity's obligation to service its debt, fund its working capital, make capital expenditures and acquisitions and pay its income taxes. Rather, EBITDA and Adjusted EBITDA are two potential indicators of an entity's ability to fund these cash requirements. In light of the foregoing limitations, we do not rely solely on EBITDA and Adjusted EBITDA as performance measures and also consider our GAAP results. Because EBITDA and Adjusted EBITDA are not calculated in the same manner by all companies, they may not be comparable to other similarly titled measures used by other companies.

Set forth below is a reconciliation of net income (loss) to EBITDA and Adjusted EBITDA for the periods presented.

	Fiscal Year Ended December 31,			Nine Months Ended September 30,
	2002	2003	2004	2005
(Dollars in thousands)				
Net income (loss)	\$ (8,221)	\$ (46,051)	\$ (13,737)	\$ 13,469
Income tax (benefit) provision	(6,287)	(5,694)	—	171
Interest expense	28,955	39,394	39,856	30,982
Depreciation and amortization <sup>(6)</sup>	49,659	59,159	53,526	43,228
<b>EBITDA</b>	<b>\$ 64,106</b>	<b>\$ 46,808</b>	<b>\$ 79,645</b>	<b>\$ 87,850</b>
Loss from litigation	—	17,434	—	—
<b>Adjusted EBITDA</b>	<b>\$ 64,106</b>	<b>\$ 64,242</b>	<b>\$ 79,645</b>	<b>\$ 87,850</b>

- (6) This excludes amortization of loan discounts and amortization of deferred financing costs included in interest expense.
- (7) Total capital expenditures include rental equipment purchases, assets transferred from new and used inventory to rental fleet and property and equipment purchases.
- (8) Total debt represents the amounts outstanding under the senior secured credit facility, senior secured notes, senior subordinated notes, notes payable and capital leases.
- (9) Net income (loss) per common unit is based on 100 units of H&E LLC owned by H&E Holdings since June 17, 2002. The net income (loss) per common unit in 2002 only accounts for the period following the Gulf Wide transaction on June 17, 2002. The periods prior to the Gulf Wide transaction is not meaningful because of the substantial changes to our capital structure resulting from such transaction. Due to the Reorganization Transactions, net income (loss) per common unit does not relate to the shares of common stock being offered by us in this prospectus.

"NM," as used in the table above, means not meaningful because of the substantial changes to our capital structure resulting from the Gulf Wide transaction.

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

The following discussion should be read in conjunction with the "Selected Historical Consolidated Financial Data," and our consolidated financial statements and the related notes included elsewhere in this prospectus. The following discussion contains, in addition to historical information, forward-looking statements that include risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under the heading "Risk Factors" and elsewhere in this prospectus.

### Overview

As more fully described in the notes to our consolidated financial statements, we have restated our previously issued consolidated financial statements to primarily correct our accounting treatment of deferred taxes in connection with our combination with ICM Equipment Company on June 17, 2002. All financial information contained herein reflects the restatements and reclassifications.

### *Background*

As one of the largest integrated equipment services companies in the United States focused on heavy construction and industrial equipment, we rent, sell and provide parts and service support for four core categories of specialized equipment: (1) hi-lift or aerial platform equipment; (2) cranes; (3) earthmoving equipment; and (4) industrial lift trucks. By providing equipment rental, sales, and on-site parts, repair and maintenance functions under one roof, we are a one-stop provider for our customers' varied equipment needs. This full service approach provides us with multiple points of customer contact, enables us to maintain an extremely high quality rental fleet, as well as an effective distribution channel for fleet disposal and provides cross-selling opportunities among our new and used equipment sales, rental, parts sales and service operations.

We operate 41 full-service facilities throughout the Intermountain, Southwest, Gulf Coast and Southeast regions of the United States. Our work force includes distinct, focused sales forces for our new and used equipment sales and rental operations, highly-skilled service technicians, product specialists and regional managers. We focus our sales and rental activities on, and organize our personnel principally by, our four equipment categories. We believe this allows us to provide specialized equipment knowledge, improve the effectiveness of our rental and sales force and strengthen our customer relationships. In addition, we have branch managers at each location who are responsible for managing their assets and financial results. We believe this fosters accountability in our business, and strengthens our local and regional relationships.

Through our predecessor companies, we have been in the equipment services business for approximately 44 years. H&E LLC was formed in June 2002 through the Gulf Wide transaction. Head & Engquist, founded in 1961, and ICM, founded in 1971, were two leading regional, integrated rental, sales and equipment service companies operating in contiguous geographic markets. Head & Engquist and ICM were merged into Head & Engquist's parent company, Gulf Wide, which was renamed H&E Equipment Services L.L.C. Prior to the combination, Head & Engquist operated 25 facilities in the Gulf Coast region, and ICM operated 16 facilities in the Intermountain region of the United States.

### *Business Segments*

We have five reportable segments because we derive our revenues from five principal business activities: (1) equipment rentals; (2) new equipment sales; (3) used equipment sales; (4) parts sales and (5) services. These segments are based upon how we allocate resources and assess performance. In addition, we also have non-segmented revenues and costs that relate to equipment support activities.

- *Equipment Rentals.* Our rental operations primarily rent our four core types of construction and industrial equipment. We have an extremely well-maintained rental fleet and our own dedicated sales force, focused by equipment type. We actively manage the size, quality, age and composition of our rental fleet based on our analysis of key measures such as utilization, rental rate trends and targets, and equipment demand, which we closely monitor. We maintain fleet quality through regional quality control managers and our parts and services operations.
- *New Equipment Sales.* Our new equipment sales operation sells new equipment in all four product categories. We have a retail sales force focused by equipment type that is separate from our rental sales force. Manufacturer purchase terms and pricing are managed by our product specialists.
- *Used Equipment Sales.* Our used equipment sales are generated primarily from sales of used equipment from our rental fleet, as well as from sales of inventoried equipment that we acquire through trade-ins from our equipment customers and through selective purchases of high quality used equipment. Used equipment is sold by our dedicated retail sales force. Our used equipment sales are an effective way for us to manage the size and composition of our rental fleet and provide a profitable distribution channel for disposal of rental equipment.
- *Parts Sales.* Our parts business sells new and used parts for the equipment we sell, and also provides parts to our own rental fleet. To a lesser degree, we also sell parts for equipment produced by manufacturers whose products we neither rent nor sell. In order to provide timely parts and service support to our customers as well as our own rental fleet, we maintain an extensive parts inventory.
- *Services.* Our services operation provides maintenance and repair services for our customers' equipment and to our own rental fleet at our facilities as well as at our customers' locations. As the authorized distributor for numerous equipment manufacturers, we are able to provide service to that equipment that will be covered under the manufacturer's warranty. We have approximately 544 highly skilled service technicians.

Our non-segmented revenues and costs relate to equipment support activities that we provide, such as transportation, hauling, parts freight, and damage waivers, and are not generally allocated to reportable segments.

You can read more about our business segments under "Business" and in note 18 of the consolidated financial statements included elsewhere in this prospectus.

### **Revenue Sources**

*Total Revenues.* We generate all of our total revenues from our five business segments and our non-segmented equipment support activities. Equipment rentals and new equipment sales account for more than half of our total revenues. For the year ended December 31, 2004, approximately 33.5% of our total revenues were attributable to equipment rentals, 24.4% of our total revenues were attributable to new equipment sales, 17.8% were attributable to used equipment sales, 12.1% were attributable to parts sales, 7.0% were attributable to our service revenues and 5.2% were attributable to non-segmented other revenues.

The equipment that we sell, rent and service is principally used in the construction industry, as well as by companies for commercial and industrial uses such as plant maintenance and turnarounds. As a result, our total revenues are affected by several factors including, but not limited to, the demand for and availability of rental equipment, rental rates, the demand for new and used equipment, the level of construction and industrial activities, spending levels by our customers, adverse weather conditions and general economic conditions. For a discussion of the impact of seasonality on our revenues, see "Seasonality" below.

**Equipment Rentals.** Revenues from equipment rental depend on rental rates. Because rental rates are impacted by competition in specific regions and markets, we continuously monitor and adjust rental rates. We have a rental rate initiative driven by management to increase rental rates. Equipment rental revenue is also impacted by the availability of equipment and by time utilization (equipment usage based on customer demand). We generate reports on, among other things, time utilization, demand pricing (rental rate pricing based on physical utilization), and rental rate trends on a piece-by-piece basis for our rental fleet. We recognize revenues from equipment rentals in the period earned, over the contract term, regardless of the timing of billing to customers.

**New Equipment Sales.** We optimize revenues from new equipment sales by selling equipment through a professional in-house retail sales force focused by product type. While sales of new equipment are impacted by the availability of equipment from the manufacturer, we believe our status as a leading distributor for some of our key suppliers improves our ability to obtain equipment. New equipment sales are an important component of our integrated model due to customer interaction and service contact; new equipment sales also lead to future parts and service revenues. We recognize revenue from the sale of new equipment at the time of delivery to, or pick-up by, the customer and when all obligations under the sales contract have been fulfilled and collectibility is reasonably assured.

**Used Equipment Sales.** We generate the majority of our used equipment sales revenues by selling equipment from our rental fleet. The remainder of used equipment sales revenues comes from the sale of inventoried equipment that we acquire through trade-ins from our equipment customers and selective purchases of high-quality used equipment. Our policy is not to offer specified-price trade-in arrangements on equipment for sale. Sales of our rental fleet equipment allow us to manage the size, quality, composition and age of our rental fleet, and provide a profitable distribution channel for disposal of rental equipment. We recognize revenue for the sale of used equipment in the same manner that we recognize revenue from new equipment sales.

**Parts Sales.** We generate revenues from the sale of new and used parts for equipment that we rent or sell, as well as for other makes of equipment. Our product support sales representatives are instrumental in generating our parts revenues. They are product specialists and receive performance incentives for achieving certain sales levels. Most of our parts sales come from our extensive in-house parts inventory. Our parts sales provide us with a relatively stable revenue stream that is less sensitive to the economic cycles that affect our rental and equipment sales operations. We recognize revenues from parts sales at the time of delivery, or pick-up by, the customer and when all obligations under the sales contract have been fulfilled and collectibility is reasonably assured.

**Services.** We derive our services revenues from maintenance and repair services to customers for their owned equipment. In addition to repair and maintenance on an as-needed or scheduled basis, we also provide ongoing preventative maintenance services to industrial customers. These preventative maintenance services accounted for approximately 12% of our services revenues for the year ended December 31, 2004. Our after-market service provides a high-margin, relatively stable source of revenue through changing economic cycles. We recognize services revenues at the time services are rendered.

**Non-segmented Revenues.** Our non-segmented other revenue consists of billings to customers for equipment support and activities including: transportation, hauling, parts freight and loss damage waiver charges. We recognize revenue for support services at the time we generate an invoice for such services and after the services have been provided.

#### ***Principal Costs and Expenses***

Our largest expenses are the costs to purchase the new equipment we sell, the costs associated with the used equipment we sell, rental expense, rental depreciation and costs associated with parts



sales and services, all of which are included in costs of revenues. For the fiscal year ended December 31, 2004, our total cost of revenues was approximately \$354.9 million. Our operating expenses consist principally of selling, general and administrative expense, and, in the case of fiscal year 2003, loss from litigation. For the fiscal year ended December 31, 2004, our operating expenses were approximately \$97.5 million. In addition, we have interest expense related to our debt instruments. Operating expenses and all other income and expense items below gross profit are not generally allocated to our reportable segments.

#### Cost of Revenues:

*Rental Depreciation.* Depreciation of rental equipment represents the depreciation costs attributable to rental equipment. Generally, the Company depreciates cranes and aerial work platforms over a ten-year useful life, earthmoving over a five-year useful life with a 25% salvage value, and industrial lift trucks over a seven-year useful life. Attachments and other smaller-type equipment are fully depreciated over a three-year useful life. Estimated useful lives vary based on the category of equipment.

*Rental Expense.* Rental expense represents the costs associated with rental equipment, including, among other things, the cost of servicing and maintaining our rental equipment, property taxes on our fleet, equipment operating lease expense and other miscellaneous costs of rental equipment.

*New Equipment Sales.* Cost of new equipment sold consists of the equipment cost of the new equipment that is sold.

*Used Equipment Sales.* Cost of used equipment sold consists of the net book value of rental equipment for used equipment sold from our rental fleet, amount of credit given to the customer towards the new equipment for trade-ins and the equipment cost for used equipment purchased for sale.

*Parts Sales.* Cost of parts sales represents costs attributable to the sale of parts directly to customers.

*Services.* Cost of service revenue represents costs attributable to service provided for the maintenance and repair of customer-owned equipment and equipment then on-rent by customers.

*Non-segmented Other.* Costs associated with providing transportation, hauling, parts freight, and damage waiver including, among other items, drivers wages fuel costs, shipping costs, and our costs related to damage waiver policies.

#### Selling, General and Administrative Expenses:

Our selling, general and administrative expenses include sales and marketing expenses, payroll and related costs, insurance expense, professional fees, property and other taxes, administrative overhead, and depreciation associated with property and equipment (other than rental equipment). These expenses are not generally allocated to our reportable segments.

#### Loss from Litigation:

In July 2000, one of our competitors, Sunbelt Rentals, Inc., brought claims against us in a state court in North Carolina. In May, 2003, the Court ruled in favor of the plaintiff in the amount of \$17.4 million which we recorded as a loss in 2003. For a more detailed description of this loss, see "Results of Operations."

#### Interest Expense:

Interest expense represents the interest on our outstanding debt instruments, including indebtedness outstanding under our senior secured credit facility, senior secured notes due 2012

and senior subordinated notes due 2013 and statutory interest on the judgment from the Court in the Sunbelt Rentals, Inc. litigation.

### **Principal Cash Flows**

We generate cash primarily from our operating activities and historically we have used cash flows from operating activities, and our revolving credit facility as the primary sources of funds to purchase our inventory, and fund working capital and capital expenditures.

### **Rental Fleet**

A significant portion of our overall value is in our rental fleet equipment. Our rental fleet (including rental equipment financed with operating leases) as of September 30, 2005, consisted of 14,160 units having an original acquisition cost (which is the cost originally paid to manufacturers or the original amount financed under operating leases) of approximately \$510.6 million. As of September 30, 2005, our rental fleet composition was as follows (dollars in millions):

	Units	% of Total Units	Original Acquisition Cost	% of Original Acquisition Cost	Average Age in Months
Aerial Work Platforms	10,583	75%	\$ 320.3	63%	45.4
Cranes	365	2%	78.4	15%	52.8
Earthmoving	829	6%	66.1	13%	16.7
Lift Trucks	1,122	8%	29.2	6%	32.6
Other	1,261	9%	16.6	3%	28.1
<b>Total</b>	<b>14,160</b>	<b>100%</b>	<b>\$ 510.6</b>	<b>100%</b>	<b>41.4</b>

Determining the optimal age and mix for our rental fleet equipment is subjective and requires considerable estimates by management. We constantly evaluate the mix, age and quality of the equipment in our rental fleet in response to current economic conditions, competition and customer demand. On average, we aged our rental fleet approximately 2.9 months during 2004. We reduced our overall gross rental fleet, through the normal course of business activities, by approximately \$24.5 million during 2004. While we reduced the size of our rental fleet, we have been able to increase our utilization, average rental rate and rental revenue. The mix among our four core product lines remained consistent with that of prior years. As a result of our in-house service capabilities and extensive maintenance program, our fleet is extremely well-maintained.

The mix and age of our rental fleet, as well as our cash flows, are impacted by the normal sales of equipment from the rental fleet and the capital expenditures to acquire new rental fleet equipment. In making acquisition decisions, we evaluate current market conditions, competition, manufacturers' availability, pricing and return on investment over the estimated life of the specific equipment, among other things.

### **Principal External Factors that Affect our Businesses**

We are subject to a number of external factors that may adversely affect our businesses. These factors, which are discussed below and under the heading "Forward-Looking Statements," and elsewhere, include:

- *Spending levels by customers.* Rental and sales of equipment to the construction industry and to industrial companies constitute a significant portion of our revenues. As a result, we depend upon customers in these businesses and their ability and willingness to make capital expenditures to rent or buy specialized equipment. Accordingly, our business is impacted by fluctuations in customers' spending levels on capital expenditures.

- *Economic downturns.* The demand for our products is dependent on the general economy, the industries in which our customers operate or serve, and other factors. Downturns in the general economy or in the construction and manufacturing industries can cause demand for our products to materially decrease. Until recently, our business and profit margins were adversely affected by unfavorable economic conditions which resulted, among other things, in a decline in construction activity and overcapacity of available equipment.
- *Adverse weather.* Adverse weather in a geographic region in which we operate may depress demand for equipment in that region. Our equipment is primarily used outdoors and, as a result, prolonged adverse weather conditions may prohibit our customers from continuing their work projects. The adverse weather also has a seasonal impact in parts of our Intermountain region.

We believe that our integrated business tempers the effects to us of downturns in a particular segment. For a discussion of seasonality, see "Seasonality."

### **Critical Accounting Policies; Use of Estimates**

We prepare our financial statements in accordance with accounting principles generally accepted in the United States. In applying many accounting principles, we need to make assumptions, estimates and/or judgments that affect the reported amounts of assets, liabilities, revenues and expenses in our consolidated financial statements. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable under the circumstances. These assumptions, estimates and/or judgments, however, are often subjective and they and our actual results may change based on changing circumstances or changes in our analyses. If actual amounts are ultimately different from our estimates, the revisions are included in our results of operations for the period in which the actual amounts become known. We believe the following critical accounting policies could potentially produce materially different results if we were to change underlying assumptions, estimates and/or judgments. See the notes to our consolidated financial statements for a summary of our significant accounting policies.

*Revenue Recognition.* Our revenue recognition varies by segment. Our policy is to recognize revenue from equipment rentals in the period earned, over the contract term, regardless of the timing of the billing to customers. A rental contract term can be daily, weekly or monthly. Because the term of the contracts can extend across financial reporting periods, we record unbilled rental revenue and deferred rental revenue at the end of reporting periods so rental revenue is appropriately reported in the periods presented. We recognize revenue from new equipment sales, used equipment sales and parts sales at the time of delivery to, or pick-up by, the customer and when all obligations under the sales contract have been fulfilled and collectibility is reasonably assured. We recognize services revenues at the time services are rendered. We recognize other revenues for support services at the time we generate an invoice including the charge for such services.

*Allowance for Doubtful Accounts.* We maintain an allowance for doubtful accounts that reflects our estimate of the amount of our receivables that we will be unable to collect. Our largest exposure to doubtful accounts is in our rental operations. We perform credit evaluations of customers and establish credit limits based on reviews of current credit information and payment histories. Our credit risk is mitigated by our geographically diverse customer base and our credit evaluation procedures. The rate of future credit losses, however, may not be similar to past experience. Our estimate of doubtful accounts could change based on changing circumstances, including changes in the economy or in the particular circumstances of individual customers. Accordingly, we may be required to increase or decrease our allowance.

*Useful Lives of Rental Equipment and Property and Equipment.* We depreciate rental equipment and property and equipment over their estimated useful lives (generally three to ten years), after giving effect to an estimated salvage value of 0% to 25% of cost. The useful life of rental equipment is determined based on our estimate of the period the asset will generate revenues, and the salvage value is determined based on our estimate of the minimum value we could realize from the asset after such period. We routinely review the assumptions utilized in computing rates of depreciation. We may be required to change these estimates based on changes in our industry or other changing circumstances. If these estimates change in the future, we may be required to recognize increased or decreased depreciation expense for these assets.

The amount of depreciation expense we record is highly dependent upon on the estimated useful life assigned to each category of rental equipment and the salvage values assigned. Generally, we assign lives to our rental fleet ranging from a three-year life, five-year life with a 25% salvage value, seven-year life and a ten-year life. Depreciation expense on the rental fleet for the year ended December 31, 2004 was \$49.6 million. For the year ended December 31, 2004, the estimated impact of a change in estimated useful lives for each category of equipment by two years was as follows:

	Aerial Work Platforms	Cranes	Earth- moving	Lift Trucks	Other	Total
	(in millions)					
<i>Impact of 2-year change in useful life on results of operations for the year ended December 31, 2004:</i>						
Depreciation expense for the year ended December 31, 2004	\$ 23.5	\$ 9.0	\$ 9.7	\$ 4.4	\$ 3.0	\$ 49.6
Increase of 2 years in useful life	18.9	7.7	5.5	3.1	2.4	37.6
Decrease of 2 years in useful life	28.4	11.5	12.9	5.6	3.0	61.4

For purposes of the sensitivity analysis above, we have elected not to decrease the lives of other equipment which are primarily three year assets; rather we have held the depreciation expense constant at our actual amount. We believe that decreasing the life of the other equipment by two years is an unreasonable estimate and would potentially lead to the decision to expense, rather than capitalize, a significant portion of the subject asset class. As noted in this sensitivity table, in general terms, a one-year change in the estimated life across all classes of our rental equipment fleet will give rise to an approximate change in our annual depreciation expense of \$5 million.

As previously mentioned, another significant assumption used in our calculation of depreciation expense is the estimated salvage value assigned to our earthmoving equipment. Based on our recent experience, we have used a 25% factor of the equipment's original cost to estimate its salvage value. This factor is highly subjective and subject to change upon future actual results at the time we dispose of the equipment. A change of 5%, either increase or decrease, in the estimated salvage value would result in a change in our annual depreciation expense of approximately \$500,000.

*Impairment of Long-Lived Assets.* Long-lived assets are recorded at the lower of amortized cost or fair value. We review long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset over the remaining useful life. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

*Inventories.* We state our new and used equipment inventories at the lower of cost or market by specific identification. Parts and supplies are stated on the lower of the weighted average cost or market. We maintain allowances for damaged, slow-moving and unmarketable inventory to reflect the difference between the cost of the inventory and the estimated market value. Changes in product

demand may affect the value of inventory on hand and may require higher inventory allowances. Uncertainties with respect to inventory valuation are inherent in the preparation of financial statements.

## Results of Operations

The tables included in the period comparisons below provide summaries of revenues and gross profits for our business segments. The period-to-period comparisons of financial results are not necessarily indicative of future results.

Because the Gulf Wide transaction occurred in June 2002, period comparisons that include the fiscal year ended December 31, 2002 do not reflect the effect of the ICM acquisition on results of operations for the full fiscal year and are not indicative of future results. The results of operations for the fiscal year 2002 only include results from the ICM acquisition from June 17, 2002 through December 31, 2002.

### Nine Months Ended September 30, 2005 Compared to the Nine Months Ended September 30, 2004

#### Revenues

	For the Nine Months Ended September 30,		Total Dollar Change	Total Percentage Change
	2005	2004		
(in millions, except percentages)				
<i>Segment Revenues:</i>				
Equipment rentals	\$ 136.6	\$ 116.7	\$ 19.9	17.1%
New equipment sales	99.9	80.6	19.3	23.9%
Used equipment sales	76.3	62.0	14.3	23.1%
Parts sales	51.2	44.3	6.9	15.6%
Services revenues	29.4	25.4	4.0	15.7%
Non-segmented revenues	21.3	17.6	3.7	21.0%
Total revenues	\$ 414.7	\$ 346.6	\$ 68.1	19.6%

*Total Revenues.* Our total revenues for the first nine months of 2005 were \$414.7 million compared to \$346.6 million for the first nine months of 2004, a \$68.1 million, or 19.6% increase. Revenues increased for all reportable segments as a result of increased customer demand for our products and services.

*Equipment Rental Revenues.* Our revenues from equipment rentals increased \$19.9 million, or 17.1%, to \$136.6 million for the first nine months of 2005 from \$116.7 million for the first nine months of 2004. The increase is primarily a result of improved rental rates and higher time utilization. Rental revenues increased for all four core product lines with the primary increase attributable to aerial work platforms, cranes, and lift trucks. Revenues from aerial work platforms increased \$13.9 million, cranes increased \$2.6 million, earthmoving increased \$1.1 million, lift trucks increased \$1.3 million and other equipment rentals increased \$1.0 million. The remaining increase in rental revenues related to earthmoving and miscellaneous product lines. Rental equipment dollar utilization (quarterly rental revenues annualized, divided by the average quarterly original rental fleet equipment cost of \$481.3 million and \$475.1 million for 2005 and 2004, respectively) was approximately 37.8% for the first nine months of 2005 compared to 32.4% for the first nine months of 2004.

*New Equipment Sales Revenues.* Our new equipment sales increased \$19.3 million, or 23.9%, to \$99.9 million for the first nine months of 2005 from \$80.6 million for the first nine months of 2004. During the first nine months of 2005, sales of new aerial work platforms increased \$5.8 million, new earthmoving sales increased \$4.5 million, new crane sales increased \$5.0 million and new lift trucks sales increased \$2.1 million. Other new equipment sales also increased by \$1.9 million.

*Used Equipment Sales Revenues.* Our used equipment sales increased \$14.3 million, or 23.1%, to \$76.3 million for the first nine months of 2005 from \$62.0 million for the first nine months of 2004. In the first nine months of 2005, our used equipment sales from the fleet were approximately 135.8% of net book value compared to 126.4% of net book value in the first nine months of 2004. With extended manufacturer lead times for new equipment, the demand for well-maintained, used equipment has increased.

*Parts Sales Revenues.* Our parts sales increased \$6.9 million, or 15.6%, to \$51.2 million for the first nine months of 2005 from \$44.3 million for the first nine months of 2004. The increase was primarily attributable to increased customer demand for parts.

*Service Revenues.* Our service revenues increased \$4.0 million, or 15.7%, to \$29.4 million in the first nine months of 2005 from \$25.4 million in the first nine months of 2004, primarily because of increased demand for service support.

*Non-segmented Revenues.* Our non-segmented other revenues consisted primarily of equipment support activities including transportation, hauling, parts freight and damage waiver charges. Our other revenues increased \$3.7 million, or 21.0%, during the first nine months of 2005. These support activities increased due to the increases in charge-out rates and in our primary business activities.

### Gross profit

	For the Nine Months Ended September 30,		Total Dollar Change	Total Percentage Change
	2005	2004		
(in millions, except percentages)				
<i>Segment Gross Profit:</i>				
Equipment rentals	\$ 62.2	\$ 41.2	\$ 21.0	51.0 %
New equipment sales	12.1	8.6	3.5	40.7 %
Used equipment sales	18.3	12.3	6.0	48.8 %
Parts sales	15.1	12.6	2.5	19.8 %
Services revenues	18.4	15.8	2.6	16.5 %
Non-segmented gross profit	(0.4)	(3.4)	3.0	(88.2)%
Total gross profit	\$ 125.7	\$ 87.1	\$ 38.6	44.3 %

*Total Gross Profit.* Our first nine months of 2005 total gross profit was \$125.7 million compared to \$87.1 million in the first nine months of 2004, a \$38.6 million, or 44.3% increase. Gross profit increased primarily as a result of the increase in rental revenues combined with reduced rental expense. In addition, due to the increase in customer demand for new and well-maintained used equipment, we were able to sell our equipment at a higher gross margin. Total gross profit margin for the first nine months of 2005 was 30.3%, up from 25.1% for the first nine months of 2004. Our gross profit was attributable to:

*Equipment Rentals Gross Profit.* Our gross profit from equipment rentals increased \$21.0 million, or 51.0%, to \$62.2 million for the first nine months of 2005 from \$41.2 million for the first nine months of 2004. The increase is primarily a result of a \$19.9 million increase in rental revenue and a decrease of \$3.8 million in rental expense. These improvements in gross profit were offset by an increase in depreciation expense of \$2.7 million.

*New Equipment Sales Gross Profit.* Our new equipment sales gross profit increased \$3.5 million, or 40.7%, to \$12.1 million for the first nine months of 2005 from \$8.6 million for the first nine months of 2004. The increase in new equipment sales gross profit is attributable primarily to higher new equipment sales revenues, improved margins and the mix of equipment sold.

**Used Equipment Sales Gross Profit.** Our used equipment sales gross profit increased \$6.0 million, or 48.8%, to \$18.3 million for the first nine months of 2005 from \$12.3 million for the first nine months of 2004. The increase in used equipment sales gross profit was primarily the result of higher used equipment sales, improved margins and the mix of equipment sold.

**Parts Sales Gross Profit.** Our parts sales gross profit increased \$2.5 million, or 19.8%, to \$15.1 million for the first nine months of 2005 from \$12.6 million for the first nine months of 2004. The increase was attributable primarily to increased customer demand for parts sales.

**Service Revenues Gross Profit.** Our service revenues gross profit increased \$2.6 million, or 16.5%, to \$18.4 million from \$15.8 million in 2004. The increase was primarily attributable to increased customer demand for service support.

**Selling, General and Administrative Expenses.** Selling, general and administrative ("SG&A") expenses increased \$8.4 million, or 11.5%, to \$81.3 million for the first nine months of 2005 from \$72.9 million for the first nine months of 2004. The increase was primarily related to higher sales commissions, performance incentives, benefits and professional services. As a percent of sales, SG&A expenses were 19.6% for the first nine months of 2005 down from 21.0% for the first nine months of 2004.

**Income Taxes.** H&E LLC is a limited liability company that has elected to be treated as a C Corporation for income tax purposes. At the end of the third quarter of 2005 and 2004, we have recorded a tax valuation allowance for the entire amount of our net deferred income tax assets. The valuation allowance was recorded given the cumulative losses we have incurred and our belief that it is more likely than not that we will be unable to recover the net deferred income tax assets.

#### Year Ended December 31, 2004 Compared to the Year Ended December 31, 2003

##### Revenues

	For the Year Ended December 31,		Total Dollar Change	Total Percentage Change
	2004	2003		
	(in millions, except percentages)			
<b>Segment Revenues:</b>				
Equipment rentals	\$ 160.3	\$ 153.9	\$ 6.4	4.2%
New equipment sales	116.9	81.7	35.2	43.1%
Used equipment sales	85.0	70.9	14.1	19.9%
Parts sales	58.0	53.7	4.3	8.0%
Services	33.7	33.3	0.4	1.2%
Non-segmented revenues	24.3	20.5	3.8	18.5%
<b>Total revenues</b>	<b>\$ 478.2</b>	<b>\$ 414.0</b>	<b>\$ 64.2</b>	<b>15.5%</b>

**Total Revenues.** Our total revenues were \$478.2 million in 2004 compared to \$414.0 million in 2003, an increase of \$64.2 million, or 15.5%. Revenues increased for all reportable segments as a result of increased customer demand for our products and services combined with rental and support activity rate increases.

**Equipment Rental Revenues.** Our revenues from equipment rentals increased \$6.4 million, or 4.2%, to \$160.3 million in 2004 from \$153.9 million in 2003. The increase is primarily due to increased rental rates and higher time utilization, despite a reduction in the overall total gross rental fleet by \$24.5 million through the normal course of business activities over the last year. The most significant component of the increase in rental revenues occurred in hi-lift or aerial platform equipment. This

increase was offset primarily by a decrease in cranes which is a result of lower time utilization. Rental equipment dollar utilization (annual rental revenues divided by the average quarterly original rental fleet equipment costs of \$472.3 million and \$518.2 million for 2004 and 2003, respectively) was approximately 33.9% in 2004 compared to 29.7% in 2003.

*New Equipment Sales Revenues.* Our new equipment sales increased \$35.2 million, or 43.1%, to \$116.9 million in 2004 from \$81.7 million in 2003. In 2004, sales of new cranes, aerial work platforms, earthmoving and other new equipment improved, offset by a decline in new lift truck sales. The decline in lift truck sales was primarily due to the timing and availability of equipment.

*Used Equipment Sales Revenues.* Our used equipment sales increased \$14.1 million, or 19.9%, to \$85.0 million in 2004 from \$70.9 million in 2003. Used equipment sales increased in all product lines except for other used equipment sales. In 2004, we sold our used equipment at approximately 125.2% of book value compared to 122.0% of net book value in 2003. With extended manufacturer lead times for new equipment, the demand for well-maintained, used equipment has increased.

*Parts Sales Revenues.* Our parts sales revenues increased \$4.3 million, or 8.0%, to \$58.0 million in 2004 from \$53.7 million in 2003. The increase was primarily attributable to increased customer demand for parts.

*Service Revenues.* Our service revenues increased \$0.4 million, or 1.2%, to \$33.7 million in 2004 from \$33.3 million in 2003. The increase was primarily attributable to increased customer demand for service support.

*Non-segmented Revenues.* Our non-segmented other revenues consisted primarily of billings to customers for equipment support activities including transportation, hauling, parts freight and damage waiver charges. Our other revenue increased \$3.8 million, or 18.5%, during 2004. The increase in other revenues is partly attributable to an increase in certain charge-out rates for support activities. In addition, most of these support activities increased due to the increases in our other business activities.

### Gross Profit

	For the Year Ended December 31		Total Dollar Change	Total Percentage Change
	2004	2003		
	(in millions, except percentages)			
Segment Gross Profit:				
Equipment rentals	\$ 60.0	\$ 48.9	\$ 11.1	22.7 %
New equipment sales	12.8	8.5	4.3	50.6 %
Used equipment sales	17.1	12.8	4.3	33.6 %
Parts sales	16.5	14.5	2.0	13.8 %
Services	20.8	20.3	0.5	2.5 %
Non-segmented gross profit	(3.9)	(5.9)	2.0	(33.9)%
Total gross profit	\$ 123.3	\$ 99.1	\$ 24.2	24.3 %

*Total Gross Profit.* Our total gross profit was \$123.3 million in 2004 compared to \$99.1 million in 2003, an increase of \$24.2 million, or 24.3%. Gross profit increased primarily as a result of the reduction of the overall rental fleet combined with an increase in rental revenues. In addition, due to the increase in customer demand for new and well-maintained used equipment, we were able to sell our equipment at a higher gross margin. Total gross profit margin for 2004 was 25.8%, compared to



23.9% in 2003. Gross profit margins also increased primarily due to the decreased costs associated with the reduced fleet and the improved margins in equipment sales. Our gross profit was attributable to:

**Equipment Rentals Gross Profit.** Our equipment rentals gross profit increased \$11.1 million, or 22.7%, to \$60.0 million in 2004 from \$48.9 million in 2003. The increase was primarily a result of a \$6.4 million increase in rental revenue and a decrease of \$5.6 million in total rental fleet depreciation. These improvements in gross profit were offset by an increase of \$0.9 million in depreciation expense.

**New Equipment Sales Gross Profit.** Our new equipments sales gross profit increased \$4.3 million, or 50.6%, to \$12.8 million in 2004 from \$8.5 million in 2003. In 2004, gross profit on sales of new cranes, aerial work platforms, earthmoving and other new equipment improved with gross profit on sales of new lift trucks being comparable to last year.

**Used Equipment Sales Gross Profit.** Our gross profit on used equipment sales increased \$4.3 million, or 33.6%, to \$17.1 million in 2004 from \$12.8 million in 2003. Used equipment sales gross profit increased across all product lines except for other used equipment. The increase in used equipment sales gross profit was attributable to increased revenues and the mix of used equipment sold.

**Parts Sales Gross Profit.** Our parts sales revenue gross profit increased \$2.0 million, or 13.8%, to \$16.5 million in 2004 from \$14.5 million in 2003. The increase was primarily attributable to increased customer demand for parts.

**Service Revenues Gross Profit.** Our service revenues gross profit increased \$0.5 million, or 2.5%, to \$20.8 million in 2004 from \$20.3 million in 2003. The increase was primarily attributable to increased customer demand for service support.

**Selling, General and Administrative Expenses.** SG&A expenses increased \$4.4 million, or 4.7%, to \$97.5 million in 2004 from \$93.1 million in 2003. Approximately \$3.5 million of the increase related to higher sales commissions, performance incentives, benefits and other costs associated with increased revenues. Rising insurance, facility, depreciation and transportation and hauling costs accounted for the remaining \$1.0 million of the total increase. As a percent of total revenues, SG&A expenses were 20.4% in 2004 compared to 22.5% in the prior year.

**Loss from Litigation.** In July 2000, one of our competitors, Sunbelt Rentals, Inc., brought claims against us in the General Court of Justice, Superior Court Division, State of North Carolina, County of Mecklenburg alleging, among other things, that in connection with our hiring of former employees of the plaintiff there occurred a misappropriation of trade secrets, unfair trade practices and interference with prospective advantages. In May 2003, the Court ruled in favor of the plaintiff in the amount of \$17.4 million. Consequently, we recorded a \$17.4 million loss in 2003. We subsequently appealed the judgment. In conjunction with the appeal and in accordance with the Court's ruling, we posted and filed an irrevocable standby letter of credit for \$20.1 million, representing the amount of the judgment plus \$2.7 million in anticipated statutory interest (8%) for the twenty-four months during which the judgment was to be appealed. As of September 30, 2005, our fee was 250 basis points on the amount available for issuance.

On October 18, 2005, the Court of Appeals of North Carolina denied our appeal. This ruling does not cause a default or an event of acceleration under our senior secured credit facility, senior secured notes or senior subordinated notes. The payment of damages will not adversely impact our liquidity, because the payment will be funded through our senior secured credit facility and availability under the senior secured credit facility was already reduced by the amount of the letter of credit. The amount of the judgment will be reclassified from accrued liabilities to debt under our senior secured credit facility at the time the payment is actually made or the letter of credit is drawn. This does not result in a net change to total liabilities on our balance sheet. In addition, this will not adversely impact our balance

sheet or statement of operations, because the judgment, including statutory interest through September 30, 2005, had already been reflected on our financial statements. We will continue to expense interest through the date of payment.

**Related Party Expense.** On June 29, 1999, we entered into a \$3.0 million consulting and non-competition agreement with Mr. Thomas Engquist, a related party. The agreement provided for total payments over a ten-year term, payable in increments of \$25,000 per month. Mr. Engquist was obligated to provide us consulting services and was to comply with the non-competition provision set forth in a Recapitalization Agreement between us and others dated June 19, 1999. The parties specifically acknowledged and agreed that in the event of the death of Mr. Engquist during the term of the agreement, the payments that otherwise would have been payable to Mr. Engquist under the agreement shall be paid to his heirs.

Due to Mr. Engquist's passing away during 2003, we will not be provided with any further consulting services. Therefore, we have recorded a \$1.3 million expense for the present value of the remaining future payments.

**Other Income (Expense).** Our 2004 other expense increased by \$0.5 million to \$39.7 million in 2004 from \$39.2 million in 2003. Our interest expense for 2004 increased \$0.4 million in 2004 compared to 2003. The annual interest rates on our senior secured credit facility averaged 7.1% in 2004 compared to 5.4% in 2003.

**Income Taxes.** H&E LLC is a limited liability company that has elected to be treated as a C Corporation for income tax purposes. For 2004, income taxes increased by \$5.7 million to a provision of approximately \$0.0 million from a benefit of \$5.7 million. The increase is the result of our loss in 2003 and the establishment of a valuation allowance against our net deferred tax assets. At the end of 2004 and 2003, we have recorded a tax valuation allowance for the entire amount of our net deferred income tax assets. The valuation allowance was recorded given the cumulative losses we have incurred and our belief that it is more likely than not that we will be unable to recover the net deferred income tax assets.

### Year Ended December 31, 2003 Compared to the Year Ended December 31, 2002

#### Revenues

The following table indicates the impact on operations attributable to the ICM locations acquired in 2002:

	For the Year Ended December 31,		Total Dollar Change	Total Percent Change	Dollar Change Attributable to ICM Acquisition	Dollar Change Excluding the ICM Acquisition
	2003	2002				
(in millions, except percentages)						
<b>Segment Revenues:</b>						
Equipment rentals	\$ 153.9	\$ 136.6	\$ 17.3	12.7%	\$ 26.1	\$ (8.8)
New equipment sales	81.7	72.1	9.6	13.3%	6.9	2.7
Used equipment sales	70.9	52.5	18.4	35.0%	11.2	7.2
Parts sales	53.7	47.2	6.5	13.8%	7.8	(1.3)
Services	33.3	27.8	5.5	19.8%	6.4	(0.9)
Non-segmented revenues	20.5	14.8	5.7	38.5%	4.9	0.8
Total revenues	\$ 414.0	\$ 351.0	\$ 63.0	17.9%	\$ 63.3	\$ (0.3)

**Total Revenues.** Our 2003 total revenues were \$414.0 million, compared to \$351.0 million in 2002, an increase of \$63.0 million, or 17.9%. Total revenues attributable to the locations associated with the

ICM acquisition were \$63.3 million. Our ability to increase revenues was hampered by lower customer demand due to a weak economy.

*Equipment Rental Revenues.* Our revenues from equipment rentals increased \$17.3 million to \$153.9 million for 2003 from \$136.6 million for 2002. Included in the increase is \$26.1 million of equipment rentals revenue generated by locations associated with the acquisition of ICM. Same-store rental revenue declined \$8.8 million for the year, primarily due to lower time utilization in the crane segment and both lower time utilization and rental rates for the aerial work platform segment. Other rental revenue declined due to our de-emphasizing smaller rental equipment. Earthmoving equipment rental revenue improved due to improved time utilization.

*New Equipment Sales Revenues.* Our new equipment sales increased \$9.6 million to \$81.7 million for 2003 from \$72.1 million for 2002. Included in the increase is \$6.9 million of new equipment sales related to the locations associated with the acquisition of ICM. During 2003, our sales of new cranes, earthmoving, and lift truck equipment improved but were offset by lower sales of aerial work platform and other new equipment. Sales of new equipment fluctuate based upon customer demand for their projects.

*Used Equipment Sales Revenues.* Our used equipment sales increased \$18.4 million to \$70.9 million for 2003 from \$52.5 million for 2002. Included in the increase is \$11.2 million of used equipment sales generated by locations associated with the acquisition of ICM. During 2003, lower sales of both used cranes and used aerial work platform equipment were offset by improvements in sales of used earthmoving, used lift truck and other used equipment. For 2003, we sold our used equipment at approximately 122.0% of net book value.

*Parts Sales Revenues.* In 2003, our parts sales revenues increased \$6.5 million to \$53.7 million from \$47.2 million for 2002. Parts sales revenue associated with the acquisition of ICM were \$7.8 million. The remaining \$1.3 million decrease was attributable to lower customer demand.

*Service Revenues.* In 2003, our service revenues increased \$5.5 million to \$33.3 million from \$27.8 million for 2002. Service revenues associated with the acquisition of ICM were \$6.4 million. The remaining \$0.9 million decrease was attributable to lower customer demand.

*Non-segmented Other Revenues.* Our other revenues consisted primarily of billings to our customers for equipment support activities including transportation, hauling, parts freight and damage waiver charges. Our other revenues increased \$5.7 million during 2003; \$4.9 million of the increase was related to the ICM equipment acquisition.

## Gross Profit

Included in the following table is the impact on operations attributable to the ICM locations acquired in 2002:

	For the Year Ended December 31,		Total Dollar Change	Total Percent Change	Dollar Change Attributable to ICM Acquisition	Dollar Change Excluding the ICM Acquisition
	2003	2002				
(in millions, except percentages)						
<b>Segment Gross Profit:</b>						
Equipment rentals	\$ 48.9	\$ 52.3	\$ (3.4)	(6.5)%	\$ 6.3	\$ (9.7)
New equipment sales	8.5	6.8	1.7	25.0%	1.3	0.4
Used equipment sales	12.8	8.7	4.1	47.1%	2.6	1.5
Parts sales	14.5	13.2	1.3	9.8%	2.2	(0.9)
Services	20.3	16.4	3.9	23.8%	4.0	(0.1)
Non-segmented gross profit	(5.9)	(5.0)	(0.9)	18.0%	0.5	(1.4)
<b>Total gross profit</b>	<b>\$ 99.1</b>	<b>\$ 92.4</b>	<b>\$ 6.7</b>	<b>7.3%</b>	<b>\$ 16.9</b>	<b>\$ (10.2)</b>

*Total Gross Profit.* Our 2003 total gross profit was \$99.1 million compared to \$92.4 million in 2002, an increase of \$6.7 million or 7.3%. Total gross profit attributable to the locations associated with the ICM acquisition was \$16.9 million.

*Equipment Rentals Gross Profit.* Our equipment rentals gross profit decreased \$3.4 million, or 6.5%, for this year compared to last year. Total equipment rentals gross profit generated by locations associated with the acquisition of ICM was \$6.3 million. Same-store equipment gross profit declined \$9.7 million for the year, primarily due to lower equipment rental revenues, as previously discussed.

Depreciation expense on our rental equipment is recorded in equipment rentals cost of revenues. Excluding the \$11.6 million related to the ICM acquisition, same-store depreciation expense decreased approximately \$3.1 million as a result of a decrease in our rental fleet. For 2003, our maintenance and repair expense increased approximately \$3.9 million (excluding the \$6.0 million maintenance and repair expense associated with the ICM acquisition), primarily due to our aging the rental fleet.

*New Equipment Sales Gross Profit.* Our new equipment sales gross profit increased \$1.7 million to \$8.5 million for 2003 compared to \$6.8 million for 2002. Included in the increase is \$1.3 million of new equipment sales gross profit related to the locations associated with the acquisition of ICM. The fluctuation in new equipment sales gross profit is attributable primarily to the mix of new equipment sold.

**Used Equipment Sales Gross Profit.** Our used equipment sales gross profit increased \$4.1 million to \$12.8 million for 2003 from \$8.7 million for 2002. Included in the increase is \$2.6 million of used equipment sales gross profit related to the locations associated with the acquisition of ICM. The fluctuation in used equipment sales gross profit is attributable primarily to the mix of used equipment sold.

**Parts Sales Gross Profit.** In 2003, our parts sales gross profit increased \$1.3 million to \$14.5 million from \$13.2 million for 2002. Parts sales gross profit associated with the acquisition of ICM was \$2.2 million. The remaining \$0.9 million decrease was attributable to lower customer demand. Despite lower parts sales, the gross profit margin remained consistent as a result of our increased pricing and cost controlling initiatives.

**Service Revenue Gross Profit.** In 2003, our service revenue gross profit increased \$3.9 million to \$20.3 million from \$16.4 million for 2002. Service revenue associated with the acquisition of ICM was \$4.0 million. Service revenue gross profit was flat due to level customer demand.

**Selling, General and Administrative Expenses.** Our 2003 SG&A expenses were \$93.1 million compared to \$78.4 million for 2002. Included in the total \$14.7 million increase in SG&A expense was \$26.1 million related to the ICM locations. The remaining \$11.4 million decrease was primarily the result of our work force reductions, additional cost controlling initiatives implemented by management and continued integration of the merged companies. Depreciation and amortization expense on property and equipment is recorded in SG&A expenses and was \$3.9 million for 2003 compared to \$3.0 million for 2002 (the ICM acquisition accounted for \$0.5 million of the increase.)

**Loss from Litigation.** In July 2000, one of our competitors, Sunbelt Rentals, Inc., brought claims against us in the General Court of Justice, Superior Court Division, State of North Carolina, County of Mecklenburg alleging, among other things, that in connection with our hiring of former employees of the plaintiff there occurred a misappropriation of trade secrets, unfair trade practices and interference with prospective advantages. In May 2003, the Court ruled in favor of the plaintiff in the amount of \$17.4 million. Consequently, we recorded a \$17.4 million loss in 2003. We subsequently appealed the judgment. In conjunction with the appeal and in accordance with the Court's ruling, we have posted and filed an irrevocable standby letter of credit for \$20.1 million, representing the amount of the judgment plus \$2.7 million in anticipated statutory interest (8%) for the twenty-four months during which the judgment was to be appealed. As of September 30, 2005, our fee was 250 basis points on the amount available for issuance.

On October 18, 2005, the Court of Appeals of North Carolina denied our appeal. This ruling does not cause a default or an event of acceleration under our senior secured credit facility, senior secured notes or senior subordinated notes. The payment of damages will not adversely impact our liquidity, because the payment will be funded through our senior secured credit facility and availability under the senior secured credit facility was already reduced by the amount of the letter of credit. The amount of the judgment will be reclassified from accrued liabilities to debt under our senior secured credit facility at the time the payment is actually made or the letter of credit is drawn. This does not result in a net change to total liabilities on our balance sheet. In addition, this will not adversely impact our balance sheet or statement of operations, because the judgment, including statutory interest through September 30, 2005, had already been reflected on our financial statements. We will continue to expense interest through the date of payment.

**Related Party Expense.** On June 29, 1999, we entered into a \$3.0 million consulting and non-competition agreement with Mr. Thomas Engquist, a related party. The agreement provided for total payments over a ten-year term, payable in increments of \$25,000 per month. Mr. Engquist was obligated to provide us consulting services and was to comply with the non-competition provision set forth in a Recapitalization Agreement between us and others dated June 19, 1999. The parties specifically acknowledged and agreed that in the event of the death of Mr. Engquist during the term of

the agreement, the payments that otherwise would have been payable to Mr. Engquist under the agreement shall be paid to his heirs.

Due to Mr. Engquist's passing away during 2003, we will not be provided any further consulting services. Therefore, we have recorded a \$1.3 million expense for the present value of the remaining future payments.

**Other Income (Expense).** Our 2003 other expense increased by \$10.6 million to \$39.2 million from \$28.6 million for 2002. Our interest expense for 2003 increased \$10.4 million this year compared to last year as a result of refinancing our total debt and acquiring ICM during 2002. The annual interest rates on our senior secured credit facility averaged 5.4% in 2003 compared to 5.8% in 2002.

**Provision (Benefit) from Income Taxes.** H&E LLC is a limited liability company that has elected to be treated as a C Corporation for income tax purposes. For 2003, income taxes decreased by \$0.6 million to a benefit of approximately \$5.7 million from a benefit of approximately \$6.3 million for the year ended December 31, 2002. The decrease is a result of our losses in 2003 and 2002 and the establishment of a valuation allowance against our net deferred tax assets. At the end of 2003, we have recorded a tax valuation allowance for the entire amount of our net deferred income tax assets. The valuation allowance was recorded given the cumulative losses we have incurred and our belief that it is more likely than not that we will be unable to recover the net deferred income tax assets.

## Liquidity and Capital Resources

**Cash flow from operating activities.** For the nine months ended September 30, 2005, our cash flows provided by operating activities was \$37.9 million. Our cash flows from operations were primarily attributed to our reported net income of \$13.5 million which, when adjusted for non-cash expense items, such as depreciation and amortization and gains on sale of long-lived assets, provided cash flow of \$43.7 million. This amount was principally offset by increases in our receivables of \$15.3 million, an increase in inventories of \$36.4 million and an increase in prepaid and other assets of \$2.1 million. Positively impacting our cash flows from operations was an increase in accounts payable of \$30.6 million, primarily related to equipment purchases. In addition, an increase in accrued expenses and other liabilities of \$16.4 million provided cash from operations, primarily due to timing of payments of accrued wages, benefits, interest and property taxes. For 2004, our cash provided by operating activities was \$5.6 million. Our cash flows from operations were primarily attributable to our reported net loss of \$13.7 million which, when adjusted for non-cash expense items, such as depreciation, taxes and amortization, and gains on the sale of long-lived assets, provided positive cash flows of \$28.4 million. This amount was principally offset by increases in our receivables of \$7.7 million and an increase in our inventories of \$22.3 million. Our receivables increased during 2004 due to higher sales volume. The increase in our inventories reflects our strategy of taking advantage of available inventory during a time when original equipment manufacturers were experiencing significantly increased lead times. Our cash flows from operations were positively impacted by an increase in insurance reserves, accrued commissions, accrued property taxes and accrued sales tax payables.

For 2003, our cash provided by operating activities was \$19.3 million. Our cash flows from operations were primarily attributable to our reported net loss of \$46.1 million which, when adjusted for non-cash expense items, such as depreciation, taxes and amortization, and gains on the sale of long-lived assets used cash flows of \$0.2 million. Other uses of operating cash flow were an increase in inventories of \$4.4 million. This amount was offset by a \$1.3 million decrease in accounts receivable, an increase in accounts payable and accrued expenses payable of \$5.1 million, and the \$17.4 million estimated loss from litigation.

**Cash flow from investing activities.** For the nine months ended September 30, 2005, cash used in our investing activities was \$61.2 million. This is a result of proceeds from sale of rental and non-rental

equipment of \$62.2 million, offset by purchasing \$123.4 million in rental and non-rental equipment. For 2004, cash used in our investing activities was \$11.8 million. This is a result of proceeds from the sale of rental and non-rental equipment of \$65.7 million offset by purchasing \$77.5 million in rental and non-rental equipment. For 2003, cash provided by our investing activities was \$20.9 million. This is a result of proceeds from the sale of rental and non-rental equipment of \$54.0 million, offset by purchasing \$33.1 million in rental and non-rental equipment.

*Cash flow from financing activities.* For the nine months ended September 30, 2005, cash provided by our financing activities was \$24.4 million. Our total borrowings under the amended senior secured credit facility were \$424.9 million, and total payments under the amended senior secured credit facility were \$399.0 million. Payments on capital leases and other notes were \$1.3 million. For 2004, cash provided by our financing activities was \$5.6 million. For the year, our total borrowings under the amended senior secured credit facility were \$479.8 million and total payments under the amended senior secured credit facility were \$468.4 million. Financing costs paid in cash for the refinancing totaled \$0.9 million and payment of related party obligation was \$0.3 million. Payments on capital leases and other notes were \$4.5 million.

For 2003, cash used in our financing activities was \$39.8 million. For the year, our total borrowings under the amended senior secured credit facility were \$385.5 million and total payments under the amended senior secured credit facility were \$418.3 million. Financing costs paid in cash for the refinancing totaled \$1.1 million. Payments on capital leases and other notes were \$5.8 million.

#### **Senior Secured Credit Facility Amendments**

During the first quarter of 2004, we amended the senior secured credit agreement dated June 17, 2002, governing our senior secured credit facility. Principally, this amendment:

- extended the maturity date of the amended senior secured credit facility to February 2009;
- eliminated the maximum leverage ratio covenant;
- increased the adjusted maximum leverage ratio covenant from 5.2x to 5.8x for each quarter in the first year; 5.7x for each quarter in the second year; 5.4x for each quarter in the third year; 5.3x for each quarter in the fourth year; and 5.2x for each quarter in the fifth year. The minimum adjusted interest coverage ratio is set at 1.25x for each quarter through 2005; 1.35x for each quarter in 2006 and 2007; and 1.40x for each quarter in 2008 and through the remaining term of the agreement;
- increased the block on availability of assets from \$20.0 million to \$30.0 million based on the total borrowing base assets; and
- reduced the advance rate on rental fleet assets to 75% from 80% of the orderly liquidation value as defined in the senior secured credit agreement.

We paid an amendment fee of \$0.8 million that is being amortized over the remaining term of the loan.

On October 26, 2004, we amended the senior secured credit agreement to eliminate the requirement to provide separate collateral reports for our wholly-owned subsidiary, Great Northern Equipment, Inc.

We also further amended the senior secured credit agreement on January 13, 2005 to increase capital expenditures from \$5.0 million to \$8.5 during any fiscal year. No amendment fees were paid relating to this amendment or the October 26, 2004 amendment.

On March 11, 2005, we amended the senior secured credit agreement. Principally, the amendment:

- lowers interest rates according to a pricing grid based upon daily average excess availability for the immediately preceding fiscal month. We elect interest at either (1) the Index Rate (the higher of the prime rate, as determined pursuant to the amended credit agreement, and the federal funds rate plus 50 basis points) plus the applicable revolver Index margin per annum or the applicable London Interbank Offered Rate, or (2) LIBOR rate, plus the applicable revolver LIBOR margin per each calendar month. With daily average excess availability equal to or more than \$40.0 million, the LIBOR margin will be 2.25% and the Index margin will be 0.75%. If availability falls below \$40.0 million and equal to or more than \$25.0 million, the senior secured credit facility bears interest at a LIBOR margin of 2.50% and the Index margin will be 1.00%. If availability is less than \$25.0 million, the LIBOR margin will be 2.75% and the Index margin will be 1.25%. The commitment fee equal to 0.5% per annum in respect to un-drawn commitments remains unchanged;
- decreases the block on availability of assets from \$30 million to \$15 million based on the total borrowing base assets; and
- increases the advance rate on rental fleet assets to 80% of orderly liquidation value.

We did not pay an amendment fee relating to this amendment.

On March 29, 2005, we further amended the senior secured credit agreement to extend the delivery of audited consolidated financial statements until September 30, 2005. The Company did not pay a fee associated with this amendment.

As of August 26, 2005, we were granted a waiver under our senior secured credit agreement, pursuant to which our lenders waived our non-compliance with, and the effects of our non-compliance under, various representations and non-financial covenants contained in the senior secured credit agreement affected by the accounting adjustments in connection with the restatement of our previously audited consolidated financial statements described in footnote 20 to the consolidated financial statements included elsewhere in this prospectus. As a result of the restatement, among other things, we would no longer be able to make the representations under the senior secured credit agreement concerning the conformity with GAAP of our previously delivered financial statements, or confirm our prior compliance with certain obligations concerning the maintenance of our books and records in accordance with GAAP. Because the restatement is not expected to result in our having breached any of the financial covenants in the senior secured credit agreement, the waiver does not waive or modify any such financial covenants. We continue to have full access to our senior secured credit facility under the senior secured credit agreement.

On October 13, 2005, we further amended the senior secured credit agreement. Principally, the amendment:

- increases the aggregate revolving loan commitment from \$150.0 million to \$165.0 million;
- increases the block on availability of assets from \$15.0 million to \$16.5 million, based on the total borrowing base assets; and
- increases the lien basket for purchase money indebtedness and conditional sale or other title retention agreements with respect to equipment, from \$90.0 million to \$125.0 million.

In connection with this amendment, we paid an amendment fee of approximately \$0.1 million.

On November 16, 2005, we further amended the senior secured credit agreement to remove the \$8.5 million limitation on property and equipment capital expenditures. We did not pay an amendment fee relating to this amendment.



Our availability under the amended senior secured credit facility as of September 30, 2005 was approximately \$40.8 million. As of September 30, 2005 and December 31, 2004, we were in compliance with the financial covenants in place at those respective times. For a more detailed description of our amended senior secured credit facility, see "Description of Indebtedness."

### ***Cash Requirements Related to Operations***

Our principal sources of liquidity have been from cash provided by operations and the sales of new, used and rental fleet equipment, proceeds from the issuance of debt, and borrowings available under our amended senior secured credit facility. As of September 30, 2005, the total balance outstanding on the amended senior secured credit facility was \$81.2 million with \$40.8 million available in additional borrowings, net of \$28.0 million in standby letters of credit. Also on September 30, 2005, our total balance owed on notes payable was \$0.5 million. There were no amounts owed under capital leases on September 30, 2005. As of December 31, 2004, the total balance outstanding on the amended senior secured credit facility was \$55.3 million, with \$67.6 million available in additional borrowings, net of \$27.1 million in standby letters of credit. Also on December 31, 2004, our total balance payable on capital lease obligations and notes payable were \$1.1 million and \$0.7 million, respectively.

Our principal uses of cash have been to fund operating activities and working capital, finance the purchase of rental fleet equipment, fund payments due under operating leases and manufacturer flooring plans payable, and to meet debt service requirements. In the future, we may also pursue strategic acquisitions. We anticipate that these uses will be the principal demands on our cash in the future.

The amount of our future capital expenditures will depend on a number of factors including general economic conditions and growth prospects. We anticipate our 2005 gross rental fleet capital expenditures to be approximately \$182.4 million, primarily to replace the rental fleet equipment we anticipate selling during 2005. We anticipate that we will fund these rental fleet capital expenditures with the proceeds from the sales of new, used and rental fleet equipment, cash from operations and, if required, from borrowings under our amended senior secured credit facility. In response to changing economic conditions, we believe we have the flexibility to modify our capital expenditures by adjusting them (either up or down) to match our actual performance. We anticipate our 2005 gross property and equipment capital expenditures to be approximately \$8.5 million. If we pursue any strategic acquisitions, we may need to incur additional debt.

To service our debt, we will require a significant amount of cash. Our ability to pay interest and principal on our indebtedness (including the senior subordinated and senior secured notes and obligations under the amended senior secured credit facility) and to satisfy our other debt obligations will depend upon our future operating performance and the availability of refinancing indebtedness, which will be affected by prevailing economic conditions and financial, business and other factors, some of which are beyond our control. Based on our current level of operations, we believe our cash flow from operations, available cash and available borrowings under the amended senior secured credit facility will be adequate to meet our future liquidity needs for at least the next twelve months.

In conjunction with a legal proceeding, we have issued an irrevocable standby letter of credit for \$20.1 million representing the amount of the judgment and anticipated statutory interest while the judgment was to be appealed. On October 18, 2005, the Court of Appeals of North Carolina denied our appeal. We are currently evaluating whether to pursue any further appeals. In the event we do not further appeal the judgment, we anticipate that an order would be entered by the trial court within approximately 30 days and payment would be due shortly thereafter. Our liquidity would not be impacted, as our availability under our senior secured credit facility has already been reduced by the amount of the letter of credit.

We cannot assure that our future cash flow will be sufficient to meet our long-term obligations and commitments. If we are unable to generate sufficient cash flow from operations in the future to service

our indebtedness and to meet our other commitments, we will be required to adopt one or more alternatives, such as refinancing or restructuring our indebtedness, selling material assets or operations or seeking to raise additional debt or equity capital. We cannot assure that any of these actions could be affected on a timely basis or on satisfactory terms or at all, or that these actions would enable us to continue to satisfy our capital requirements. In addition, our existing or future debt agreements, including the indentures and the amended senior secured credit facility, may contain restrictive covenants prohibiting us from adopting any of these alternatives. Our failure to comply with these covenants could result in an event of default which, if not cured or waived, could result in the accelerations of all of our debt.

### Certain Information Concerning Off-Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We are, therefore, not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

In the normal course of our business activities, we lease real estate, rental equipment and non-rental fleet equipment under operating leases. See "Contractual and Commercial Commitments Summary" below.

### Contractual and Commercial Commitments Summary

Our contractual obligations and commercial commitments principally include obligations associated with our outstanding indebtedness and interest payments as of December 31, 2004.

	Payments Due by Year				
	Total	2005	2006-2007	2008-2009	Thereafter
	(Dollars in thousands)				
Long-term debt (including senior secured and subordinated notes payable)	\$ 253,896	\$ 309	\$ 455	\$ 132	\$ 253,000
Interest payments on senior secured notes <sup>(1)</sup>	166,875	22,250	44,500	44,500	55,625
Interest payments on senior subordinated notes <sup>(1)</sup>	56,313	6,625	13,250	13,250	23,188
Senior secured credit facility	55,293	—	—	55,293	—
Interest payments on senior secured credit facility <sup>(1)</sup>	16,338	3,926	7,852	4,560	—
Capital lease obligations (including interest)	1,401	1,401	—	—	—
Related party obligation (including interest) <sup>(2)</sup>	1,350	300	600	450	—
Operating leases <sup>(3)</sup>	59,011	21,492	24,579	4,729	8,211
Other long-term obligations <sup>(4)</sup>	64,702	14,679	23,821	19,501	6,701
<b>Total contractual cash obligations</b>	<b>\$ 675,179</b>	<b>\$ 70,982</b>	<b>\$ 115,057</b>	<b>\$ 142,415</b>	<b>\$ 346,725</b>

(1) Future interest payments are calculated based on the assumption that all debt is outstanding until maturity. For debt instruments with variable interest rates, interest has been calculated for all future periods using rates in effect on December 31, 2004.

(2) Payments under the consulting and non-competition agreement with Mr. Thomas Engquist.

(3) This includes total operating lease rental payments (including interest) having initial or remaining non-cancelable lease terms longer than one year.

(4) This includes: (i) Bruckmann, Rosser, Sherrill & Co., Inc.'s annual management fees through 2012 (based upon the lesser of 1.75% of estimated earnings before interest, taxes, depreciation and amortization, excluding operating lease expense or \$2.0 million per year) for \$12.8 million, and (ii) payments for secured floor plan financing for \$51.2 million.

Additionally, as of September 30, 2005, we have standby letters of credit totaling \$28.0 million that expire in December 2005 and September 2006.

### **Seasonality**

Although our business is not significantly impacted by seasonality, the demand for our rental equipment tends to be lower in the winter months. The level of equipment rental activities are directly related to commercial and industrial construction and maintenance activities. Therefore, equipment rental performance will be correlated to the levels of current construction activities. The severity of weather conditions can have a temporary impact on the level of construction activities.

Equipment sales cycles are also subject to some seasonality with the peak selling period during the spring season and extending through the summer. Parts and service activities are less affected by changes in demand caused by seasonality.

### **Inflation**

Although we cannot accurately anticipate the effect of inflation on our operations, we believe that inflation has not had for the three most recent fiscal years, and is not likely in the foreseeable future to have, a material impact on our results of operations.

### **Acquisitions**

We periodically engage in evaluations of potential acquisitions and start-up facilities. Currently, there are no definitive agreements with respect to any material acquisition. The success of our growth strategy depends, in part, on selecting strategic acquisition candidates at attractive prices and identifying strategic start-up locations. We expect to face competition for acquisition candidates, which may limit the number of acquisition opportunities and lead to higher acquisition costs. We may not have the financial resources necessary to consummate any acquisitions or to successfully open any new facilities in the future or the ability to obtain the necessary funds on satisfactory terms.

On September 22, 2005, we entered into a letter of intent to acquire the ownership interests of Eagle for a formula-based purchase price to be determined (which, based on Eagle's June 30, 2005 financial results, is currently estimated to be approximately \$53.0 million, including assumed indebtedness). Although this letter of intent expired by its terms on October 31, 2005, the parties are continuing to negotiate the terms of a definitive purchase agreement. Eagle is a construction and industrial equipment rental company serving the southern California construction and industrial markets out of four locations. Eagle's principal business activity is renting aerial work platforms, which represents approximately 75% of that company's revenues. The Eagle acquisition provides us with entry into the high growth southern California market and a platform for further expansion on the West Coast. For its most recent fiscal year ended June 30, 2005, Eagle had revenues of \$30.6 million. Our proposed acquisition of Eagle is subject to the execution and delivery of a definitive purchase agreement and other documentation, receipt of financing and the satisfaction of customary closing conditions. Upon execution of a definitive purchase agreement, we will be required to make a \$2.0 million deposit that is refundable only in certain circumstances. Since February 2004, Gary W. Bagley, our Chairman, has served as the interim Chief Executive Officer of Eagle. In addition, Mr. Bagley and Kenneth R. Sharp, Jr., one of our executives, hold ownership interests in Eagle. We cannot assure you that we will consummate the Eagle acquisition on favorable terms or at all.

### **Recent Accounting Pronouncements**

In December 2004, the FASB issued Statement No. 123 (revised 2004), "*Share-Based Payment*" (FAS No. 123R), which replaces FAS No. 123 and supersedes APB Opinion No. 25, "*Accounting for Stock Issued to Employees*." FAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values

beginning with the first interim period after June 15, 2005, with early adoption encouraged. In April 2005, the SEC announced that the effective date of Statement No. 123(R) will be deferred until January 1, 2006 for calendar companies. Historically, we have not used stock-based awards for compensating our employees; therefore, the adoption of SFAS No. 123(R) currently would not apply to us. However, prior to the consummation of this offering, we expect to establish a stock incentive plan and will then be required to adopt FAS No. 123(R). Under FAS No. 123(R), we must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at the date of adoption. The effect of adoption of FAS No. 123(R) on our financial position and results of operations will depend in part, on the types and quantities of stock-based awards that we issue to our employees under the new stock incentive plan. We have not yet determined the method of adoption or the effect that the adoption will have on our financial position or results of operations.

In May 2005, the FASB issued Statement No. 154, "Accounting Changes and Error Corrections" ("SFAS 154"). SFAS 154 replaces APB Opinion No. 20, "Accounting Changes," and FASB Statement No. 3, "Reporting Accounting Changes in Interim Financial Statements." SFAS 154 requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented on the new accounting principle, unless it is impracticable to do so. SFAS 154 also provides that a correction of errors in previously issued financial statements should be termed a "restatement." The new standard is effective for accounting changes and correction of errors beginning July 1, 2005. We have incorporated the provisions of SFAS 154 in the presentation of our December 31, 2004 financial statements.

#### **Quantitative and Qualitative Disclosures about Market Risk**

Our earnings are affected by changes in interest rates due to the fact that interest on the amended senior secured credit facility is calculated based upon LIBOR plus 250 basis points. We are also required to pay the lenders a commitment fee equal to 0.5% per annum in respect of undrawn commitments under the amended senior secured credit facility. At December 31, 2004, we had variable rate debt representing 18.5% of total debt. A portion of our indebtedness bears interest at variable rates that are linked to changing market interest rates. Based upon the balances outstanding at December 31, 2004, a one percent increase in market rates would increase our annual interest expense approximately \$1.1 million. We do not have significant exposure to the changing interest rates on our fixed-rate senior secured notes, senior subordinated notes or the capital lease obligations, which represented 81.5% of our total debt. The annual interest rates on our senior secured credit facility average 7.1% in 2004 compared to 5.4% in 2003.

#### **Change in Accountants**

On October 27, 2004, upon recommendation of the Company's Audit Committee and approval of the Board of Directors, the Company dismissed KPMG LLP as its independent registered public accounting firm. Effective as of that date, the Company has appointed BDO Seidman L.L.P. to serve as the Company's independent registered public accounting firm. During each of the Company's two most recent fiscal years, there were: (i) no disagreements with KPMG on any matter of accounting principles or practices, financial statement disclosure, or auditing scope and procedure which, if not resolved to the satisfaction of KPMG, would have caused KPMG to make reference to the matter in their report; and (ii) no reportable events as defined in Item 304(a) (1) (v) of Regulation S-K.

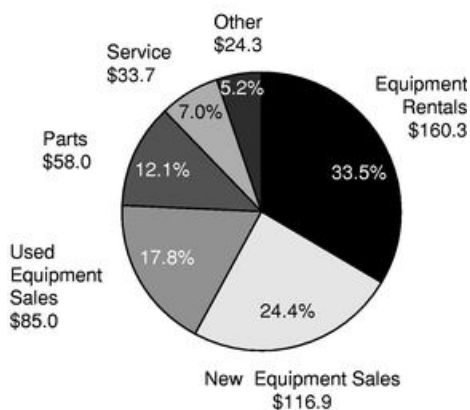
**The Company**

We are one of the largest integrated equipment services companies in the United States focused on heavy construction and industrial equipment. We rent, sell and provide parts and service support for four core categories of specialized equipment: (1) hi-lift or aerial platform equipment; (2) cranes; (3) earthmoving equipment; and (4) industrial lift trucks. We engage in five principal business activities in these equipment categories:

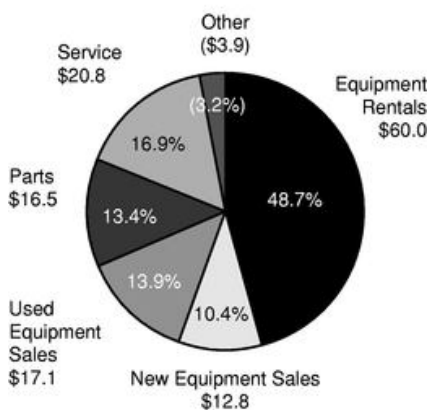
- equipment rental;
- new equipment sales;
- used equipment sales;
- parts sales; and
- repair and maintenance services

By providing rental, sales, parts, repair and maintenance functions under one roof, we offer our customers a one-stop solution for their equipment needs. This full service approach provides us with (1) multiple points of customer contact; (2) cross-selling opportunities among our rental, used and new equipment sales, parts sales and services operations; (3) an effective method to manage our rental fleet through efficient maintenance and profitable distribution of used equipment; and (4) a mix of business activities that enables us to operate effectively throughout economic cycles. We believe that the operating experience and extensive infrastructure we have developed throughout our history as an integrated services company provide us with a competitive advantage over rental-focused companies and equipment distributors. In addition, our focus on four core categories of heavy construction and industrial equipment enables us to offer specialized knowledge and support to our customers. For the year ended December 31, 2004, we generated total revenues of approximately \$478.2 million. For the nine months ended September 30, 2005, our total revenues were approximately \$414.7 million. The pie charts below illustrate a breakdown of our revenues and gross profit for the year ended December 31, 2004, respectively, by business segment (as reported):

**Revenue by Segment  
(\$ in millions)**



**Gross Profit by Segment  
(\$ in millions)**



Our rental equipment operation has an extremely well-maintained, optimally aged rental fleet and its own dedicated sales force focused by equipment type. In new equipment sales, we are a leading distributor for nationally-recognized suppliers of equipment and sell through a specialized retail sales force that is distinct from our rental sales force. Our used equipment sales are generated primarily

from sales of used equipment from our rental fleet and are an effective and profitable way for us to manage and dispose of equipment in our rental fleet. We also sell used equipment that we acquire through trade-ins from our equipment customers and through selective purchases of high quality used equipment. Our parts business primarily sells new and used parts for the equipment we sell, maintains an extensive in-house inventory in order to provide timely parts and service support to our customers and is an on-site source of parts for our own rental fleet. Our services operation provides on-site maintenance and repair services for our customers' equipment and for our own fleet, and has approximately 544 service technicians. These complementary rental, sales and service offerings collectively leverage our specialized knowledge and infrastructure to provide an integrated platform of heavy construction and industrial equipment products and services.

We have operated, through our predecessor companies, as an integrated equipment services company for approximately 44 years and have built an extensive infrastructure that includes 41 full service facilities located throughout the high growth Intermountain, Southwest, Gulf Coast and Southeast regions of the United States. Our management, from the corporate level down to the branch level, has extensive industry experience. We focus our rental and equipment sales activities on, and organize our personnel principally, by our four equipment categories. We believe this allows us to provide specialized equipment knowledge, improve the effectiveness of our rental and sales forces and strengthen our customer relationships. In addition, we operate our day-to-day business on a branch basis which we believe allows us to more closely service our customers, fosters management accountability at local levels, and strengthens our local and regional relationships.

### **Proposed Acquisition**

On September 22, 2005, we entered into a letter of intent to acquire the ownership interests of Eagle for a formula-based purchase price to be determined (which, based on Eagle's June 30, 2005 financial results, is currently estimated to be approximately \$53.0 million, including assumed indebtedness). Although this letter of intent expired by its terms on October 31, 2005, the parties are continuing to negotiate the terms of a definitive purchase agreement. Eagle is a construction and industrial equipment rental company serving the southern California construction and industrial markets out of four locations. Eagle's principal business activity is renting aerial work platforms, which represents approximately 75% of that company's revenues. The Eagle acquisition provides us with entry into the high growth southern California market and a platform for further expansion on the West Coast. For its most recent fiscal year ended June 30, 2005, Eagle had revenues of \$30.6 million. Our proposed acquisition of Eagle is subject to the execution and delivery of a definitive purchase agreement and other documentation, receipt of financing and the satisfaction of customary closing conditions. Upon execution of a definitive purchase agreement, we will be required to make a \$2.0 million deposit that is refundable only in certain circumstances. Since February 2004, Gary W. Bagley, our Chairman, has served as the interim Chief Executive Officer of Eagle. In addition, Mr. Bagley and Kenneth R. Sharp, Jr., one of our executives, hold ownership interests in Eagle and would receive in the aggregate approximately \$ million from the proceeds of this offering in connection with the potential acquisition. We cannot assure you that we will consummate the Eagle acquisition on favorable terms or at all. We intend to use a portion of the proceeds of this offering to purchase Eagle.

### **Products and Services**

*Equipment Rentals.* We rent our heavy construction and industrial equipment to our customers on a daily, weekly and monthly basis. We have an extremely well-maintained rental fleet that, at September 30, 2005, consisted of approximately 14,160 pieces of equipment having an original acquisition cost of approximately \$510.6 million and an average age of approximately 41 months. As a percentage of original acquisition cost, approximately 63% of our fleet consisted of hi-lift or aerial

equipment, 15% consisted of cranes, 13% consisted of earthmoving equipment, 6% consisted of industrial lift trucks, and the remainder consisted of miscellaneous equipment. We actively manage the size, quality, age and composition of our rental fleet, employing a "cradle through grave" approach. During the life of our rental equipment, we:

- aggressively negotiate on purchase price;
- use our customized information technology systems to closely monitor and analyze, among other things, time utilization (equipment usage based on customer demand), rental rate trends and targets and equipment demand;
- maintain fleet quality through regional quality control managers and our on-site parts and services support; and
- dispose of rental equipment through our retail sales force.

During the first nine months of 2005, we increased our overall gross rental fleet, through normal course business activities by approximately \$40.8 million as measured by original acquisition cost. Approximately 70% of our fleet was "on-rent," reflecting the percentage of our rental fleet that was actually rented on average during the first nine months of 2005. We rent our equipment through a dedicated rental sales force focused by product type that is separate from our retail sales force. We continuously monitor and adjust rental rates, and we have a rental rate initiative driven by management to increase rental rates. Our regional focus and active management also allows us to share equipment, where appropriate, among branches within our regions to optimize utilization and rental rates. Our rental business creates cross-selling opportunities for us in sales and services.

*New Equipment Sales.* We sell new heavy construction and industrial equipment in all four equipment categories, and are a leading distributor for nationally-recognized suppliers including JLG Industries, Gehl, Genie Industries (Terex), Komatsu, Bobcat and Yale Material Handling. In addition, we are the world's largest distributor of Grove and Manitowoc crane equipment. We believe that this strong distribution network provides us with a higher level of partnering with key suppliers and improves our purchasing power. Under our distribution agreements, suppliers retain the right to appoint additional dealers and sell directly to national accounts and governmental agencies. In most instances, they may unilaterally terminate their distribution agreements with us at any time without cause. We have both written and oral distribution agreements with our new equipment suppliers. Under our oral agreements, we operate under our developed course of dealing with the supplier and are subject to applicable state law regarding such relationship. We sell new equipment through our professional in-house retail sales force focused by product type. By organizing our sales and purchase activities based on specialized equipment knowledge, we believe we are able to improve the effectiveness of our sales force, better serve our customers, and more efficiently manage purchase terms. Our new equipment sales operation is a source of new customers for our parts sales and service support activities, as well as for used equipment sales.

*Used Equipment Sales.* We sell used equipment primarily from our rental fleet, as well as inventoried equipment that we acquire through trade-ins from our equipment customers and selective purchases of high-quality used equipment. For the year ended December 31, 2004, approximately 77% of our used equipment sales revenues were derived from sales of rental fleet equipment. Selling used equipment is an effective way for us to manage the size and composition of our rental fleet and provides a profitable distribution channel for disposal of rental equipment. We sell used equipment through our retail sales force and we do not rely on auction houses or other wholesale channels for disposition like many of our competitors. We believe this allows us to generally realize higher prices on average for our used rental equipment, which enhances the lifetime profitability of our rental fleet and, consequently, our return on capital. For the year ended December 31, 2004, we sold approximately

\$65.4 million of used equipment from our rental fleet at an average selling price of 130.3% of book value. Used equipment sales, like new equipment sales, generates parts and service business for us.

*Parts Sales.* We sell new and used parts to customers and also provide parts to our own rental fleet. We sell a range of maintenance and replacement parts from original equipment manufacturers on equipment we sell, as well as for makes of equipment that we do not sell or rent. We maintain an extensive in-house parts inventory in order to provide timely parts and service support to our customers as well as to our own rental fleet. We generally are able to acquire non-stock or out-of-stock parts directly from manufacturers within one to two business days. Our product support sales representatives are specialists by equipment type. Our parts sales provide us with a relatively stable revenue stream that is less sensitive to economic cycles than our rental and equipment sales operations. In addition, our parts operation enable us to maintain a high quality rental fleet and provide additional support to our end users.

*Service Support.* We provide maintenance and repair services for our customers' owned equipment and to our own rental fleet. In addition to repair and maintenance on an as-needed or scheduled basis, we provide ongoing preventative maintenance services and warranty repairs for our customers. We have approximately 544 technicians and over 600 field service and delivery trucks. As part of our commitment to a well-maintained rental fleet and to provide customers with high-quality service and repair options, we devote significant resources to training these technical service employees and over time have built a full-scale services infrastructure that would be difficult for companies without the requisite resources and lead time to replicate. Our after-market service provides a high-margin, relatively stable source of revenue through changing economic cycles.

In addition to our principal business activities mentioned above, we provide ancillary equipment support activities including transportation, hauling, parts shipping and loss damage waivers.

## **Industry Background**

The U.S. construction equipment distribution industry is fragmented and consists mainly of a small number of multi-location regional or national operators and a large number of relatively small, independent businesses serving discrete local markets. Construction equipment is largely distributed to end users through two channels: equipment rental companies and equipment dealers. Examples of rental equipment companies include United Rentals, Hertz Equipment Rental and Rental Service Corporation. Examples of equipment dealers include Finning and Toromont. Unlike many of these companies which principally focus on one channel of distribution, we operate substantially in both channels. As an integrated equipment service company, we rent, sell and provide parts and service support. Although many of the historically pure equipment rental companies have announced plans or have begun to provide parts and service support to customers, their service offerings are typically limited and may prove difficult to expand due to the infrastructure, training and resources necessary to develop the breadth of offerings and depth of specialized equipment knowledge that our service and sales staff provides.

Our business is driven by a broad range of economic factors including total U.S. non-residential construction trends, construction machinery demand, and demand for rental equipment. Current trends in non-residential construction spending support a positive outlook for demand for construction equipment. According to the annual rates published by the U.S. Census Bureau, between 1993 and 2000, private non-residential construction spending (as measured by the value of construction work done on projects underway during the period) grew at a compound annual growth rate of approximately 9.1%. From 2001 to 2004, spending levels declined and slowed dramatically in line with the slowdown of the general industrial economy, and in 2004 spending increased by approximately 4.2% over the prior year. Increased non-residential construction spending has contributed to increased demand for construction machinery. According to a December 2004 issue of Machinery Outlook published by Manfredi & Associates, a leading industry consultant, U.S. consumption of construction



machinery is expected to grow to approximately 184,000 units in 2005, representing a 6.6% increase over 2004. This increase continues the strong recovery seen in 2004 (24.4% growth) and in 2003 (9.2% growth) following the downturn that began in 2000. Equipment rental demand is also affected by non-residential construction spending as well as by general economic conditions. During the industrial downturn in the early 2000s, rental equipment operators rationalized excess capacity that had been built up during the 1990s, resulting in improved equipment rental rates as the markets recovered beginning in 2004. Between 1990 and 2004, Manfredi & Associates reports that the U.S. construction equipment rental industry grew from approximately \$6.6 billion to a forecasted \$26.4 billion. Growth is expected to remain strong in 2005. We believe rebuilding efforts in the Gulf Coast following hurricanes Katrina and Rita could result in additional demand for construction equipment.

## **Our Competitive Strengths**

*Integrated Platform of Products and Services.* We believe that the operating experience and extensive infrastructure we have developed through years of operating as an integrated equipment services company provides us with a competitive advantage over rental-focused companies and equipment distributors. Our integrated platform of products and services provides us with multiple points of customer contact and cross-selling opportunities among our rental, used and new equipment sales, parts sales and services operations. As a result of our integrated approach, our five reporting segments generally derive their revenue from the same customer base. Key strengths of our integrated equipment services platform include:

- Ability to strengthen customer relationships by providing a full-range of products and services;
- Purchasing power gained through purchases of new equipment sales and rental operations;
- High quality rental fleet supported by our strong product support capabilities;
- Established retail sales network resulting in profitable disposal of our used equipment; and
- Mix of business activities that enable us to effectively operate through economic cycles.

*Complementary, High Margin Parts and Service Operations.* Our parts and service businesses allow us to maintain our rental fleet in excellent condition and to offer our customers top quality rental equipment. Through our operating history, we have invested a significant amount of capital and management resources in our parts and services operations. Our large staff of trained technicians, wide range of stocked parts, and the significant investment and infrastructure at the branch level required to establish our service operations provide us with an advantage over potential competitors who do not have the requisite resources and lead time to build a full-scale parts and service business. Our after-market parts and service businesses together provide us with a high-margin revenue source that has proven to be stable throughout a range of economic cycles. While large capital expenditures may be reduced by economic downturns, customers generally continue to repair and maintain their existing equipment. Parts sales and service revenues on a combined basis represented approximately 30.2% of our gross profit and 19.2% of our total revenues for the year ended December 31, 2004.

*Specialized, High Quality Equipment Fleet.* Our focus on four core types of heavy construction and industrial equipment allows us to better provide the specialized knowledge and support that our customers demand when renting and purchasing equipment. These four types of equipment are attractive because they have a long useful life, high residual value and strong industry demand. We offer customers a comprehensive selection of equipment within these categories from leading manufacturers around the world. In addition, our parts and service operations allow us to optimally maintain our rental equipment fleet. We actively manage our rental fleet quality through regional quality control managers and our parts and service support.

*Well-Developed Infrastructure.* We have built an infrastructure that includes a network of 41 full-service facilities, and a workforce that includes a highly-skilled group of approximately 544 service

technicians and an aggregate of approximately 150 sales people in our specialized rental and equipment sales forces. Our integrated platform is the result of many years of strategic development, while many rental-focused equipment companies have only recently begun to devote resources to providing full-service capabilities. In addition, we have strategically expanded our network to solidify our presence in the attractive, contiguous regions where we operate. We believe that our well-developed infrastructure helps us to better serve large multi-regional customers than our historically rental-focused competitors and provides an advantage when competing for lucrative fleet and project management business.

*Leading Distributor for Suppliers.* We are a leading distributor for nationally-recognized equipment suppliers, including JLG Industries, Gehl, Genie Industries (Terex), Komatsu, Bobcat and Yale Material Handling. In addition, we are the world's largest distributor of Grove and Manitowoc crane equipment. These relationships improve our ability to negotiate equipment acquisition pricing and allow us to purchase parts at wholesale costs. As an authorized distributor for a wide range of suppliers, we are also able to provide our customers parts and service that in many cases are covered under the manufacturer's warranty.

*Customized Information Technology Systems.* Our customized information systems provide management and employees with the data and reports that facilitate our ability to make rapid and informed decisions. These systems allow us to actively manage our business and our rental fleet. Our customer relationship management system, which is currently being implemented, will provide our sales force with real-time access to customer and sales information. We expect that the customer relationship management system will be fully implemented by June 2006. We have an in-house team of information technology specialists that support our systems.

*Experienced Management Team.* Our senior management is led by John M. Engquist, our President and Chief Executive Officer, who has approximately 31 years of industry experience. Our senior and regional managers have an average of approximately 21 years of industry experience. Our branch managers have extensive knowledge and industry experience as well.

## **Our Business Strategy**

*Leverage our Integrated Business Model.* We intend to continue to actively leverage our integrated business model to offer a one-stop solution to our customers' varied needs with respect to the four categories of heavy construction and industrial equipment on which we focus. Our platform of full-service, complementary rental, sales, and on-site parts, repair and maintenance functions provides us with multiple points of customer contact, enables us to offer specialized equipment knowledge and support to our customers, and allows us to foster strong customer relationships. We will continue to cross-sell our services to expand and deepen our customer relationships. We believe that our integrated equipment services model provides us with a strong platform for additional growth.

*Managing the Life Cycle of our Rental Equipment.* We actively manage the size, quality, age and composition of our rental fleet, employing a "cradle through grave" approach. During the life of our rental equipment, we (1) aggressively negotiate on purchase price; (2) use our customized information technology systems to closely monitor and analyze, among other things, time utilization (equipment usage based on customer demand), rental rate trends and targets and equipment demand; (3) continuously adjust our fleet mix and pricing; (4) maintain fleet quality through regional quality control managers and our on-site parts and services support; and (5) dispose of rental equipment through our retail sales force. This allows us to purchase our rental equipment at competitive prices, optimally utilize our fleet, cost-effectively maintain our equipment quality and maximize the value of our equipment at the end of its useful life.

*Grow our Parts and Service Operations.* Our strong parts and services operations are keystones of our integrated equipment services platform and together provide us with a relatively stable high-margin

revenue source. We have built an extensive infrastructure that enables us to provide parts and service support to our end-users as well as our own rental fleet. We intend to grow this product support side of our business and further penetrate our customer base. Our parts and services operation helps us develop strong, ongoing customer relationships, attract new customers and maintain a high-quality rental fleet.

*Enter Carefully Selected New Markets.* We intend to continue to strategically expand our network to solidify our presence in the attractive, contiguous regions where we operate. The proposed Eagle acquisition, if consummated, will expand our presence into California. The regions in which we operate are attractive because they are among the highest growth areas in the United States. We have a proven track record of successfully entering new markets and currently have 41 full-service facilities located in 16 states. We look to add locations that offer attractive growth opportunities, high demand for construction and heavy equipment, and contiguity to our existing markets.

*Make Selective Acquisitions.* The equipment industry is fragmented and consists of a large number of relatively small, independent businesses servicing discrete local markets. Some of these businesses may represent attractive acquisition candidates. We intend to evaluate and pursue acquisitions on an opportunistic basis, with an objective of increasing our revenues, improving our profitability, entering additional attractive markets and strengthening our competitive position.

## **History**

Through our predecessor companies, we have been in the equipment services business for approximately 44 years. H&E LLC was formed in June 2002 through the Gulf Wide transaction. Head & Engquist, founded in 1961, and ICM, founded in 1971, were two leading regional, integrated equipment service companies operating in contiguous geographic markets. In the combination, Head & Engquist and ICM were merged with and into Gulf Wide, which was renamed H&E Equipment Services L.L.C. Prior to the combination, Head & Engquist operated 25 facilities in the Gulf Coast region, and ICM operated 16 facilities in the Intermountain region of the United States. We were formed as a Delaware corporation in September 2005.

## **Customers**

We serve more than 21,000 customers in the United States, primarily in the Intermountain, Southwest, Gulf Coast and Southeast regions. Our customers include a wide range of industrial and commercial companies, construction contractors, manufacturers, public utilities, municipalities, maintenance contractors and a variety of other large industrial accounts. They vary from small, single machine owners to large contractors and industrial and commercial companies who typically operate under equipment and maintenance budgets. Our branches enable us to closely service local and regional customers, while our well developed full service infrastructure enables us to effectively service multi-regional and national accounts. Our integrated strategy enables us to satisfy customer requirements and increase revenues from customers through cross-selling opportunities presented by the various products and services that we offer. As a result, our five reporting segments generally derive their revenue from the same customer base. In 2004, no single customer accounted for more than 1.0% of our revenues and our top ten customers combined accounted for less than 6.0% of our total revenues.

## **Sales and Marketing**

We have two distinct, focused sales forces; one specializing in equipment rentals and one focused specifically on new and used equipment sales. We believe maintaining separate sales forces for equipment rental and sales is important to our customer service, allowing us to effectively meet the demands of different types of customers.

Both our rental sales force and equipment sales force, together comprising over 150 sales people, are divided into smaller, product focused teams which enhances the development of in-depth product application and technical expertise. To further develop knowledge and experience, we provide our sales force with extensive training, including frequent factory and in-house training by manufacturer representatives regarding the operational features, operator safety training and maintenance of new equipment. This training is essential, as our sales personnel regularly call on contractors' job sites often assisting customers in assessing their immediate and ongoing equipment needs. In addition, we have a commission-based compensation program for our sales force.

We recently began to implement a company wide customer relationship management system. We believe that this comprehensive customer and sales management tool will enhance our territory management program by increasing the productivity and efficiency of our sales representatives and branch managers as they are provided real-time access to sales and customer information.

We have developed strategies to identify target customers for our equipment services in all markets. These strategies allow our sales force to identify frequent rental users, function as advisors and problem solvers for our customers and accelerate the sale process in new operations.

While our specialized, well-trained sales force strengthens our customer relationships and fosters customer loyalty, we also promote our business through marketing and advertising, including industry publications, direct mail campaigns, the Internet and Yellow Pages.

We have implemented a national accounts program in order to develop national relationships and increase awareness of our extensive offering of industrial and construction equipment, ancillary products, parts and services. Under this program, a portion of our sales force is assigned to call on corporate headquarters of our large customers, particularly those with a national or multi-regional presence.

## **Suppliers**

We purchase a significant amount of equipment from the same manufacturers with whom we have distribution agreements. These relationships improve our ability to negotiate equipment acquisition pricing. As an authorized distributor for a wide range of suppliers, we are also able to provide our customers parts and service that in many cases are covered under the manufacturer's warranty. We are a leading distributor for nationally-recognized equipment suppliers including JLG Industries, Gehl, Genie Industries (Terex), Komatsu, Bobcat, Yale Material Handling, Grove and Manitowoc. While we believe that we have alternative sources of supply for the equipment we purchase in each of our principal product categories, termination of one or more of our relationships with any of our major suppliers of equipment could have a material adverse effect on our business, financial condition or results of operation if we were unable to obtain adequate or timely rental and sales equipment.

## **Information Technology Systems**

We have specialized information systems that track (i) rental inventory utilization statistics; (ii) maintenance and repair costs; (iii) returns on investment for specific equipment types; and (iv) detailed operational and financial information for each piece of equipment. These systems enable us to closely monitor our performance and actively manage our business, and include features that were custom designed to support our integrated services platform. The point-of-sale aspect of our systems enables us to link all of our facilities, permitting universal access to real-time data concerning equipment located at the individual facility locations and the rental status and maintenance history for each piece of equipment. In addition, our systems include, among other features, on-line contract generation, automated billing, local sales tax computation and automated rental purchase option calculation. We customized our customer relationship management system to enable us to more effectively manage our business. This customer relationship management system, which is currently being implemented, provide real-time sales and customer information, a quote system, a territory

mapping feature and other organizational tools to assist our sales forces. In addition, we maintain an extensive customer database which allows us to monitor the status and maintenance history of our customers' owned-equipment and enables us to more effectively provide parts and service to meet their needs. All of our critical systems run on servers and other equipment that is less than three years old.

### **Seasonality**

Although our business is not significantly impacted by seasonality, the demand for our rental equipment tends to be lower in the winter months. The level of equipment rental activities are directly related to commercial and industrial construction and maintenance activities. Therefore, equipment rental performance will be correlated to the levels of current construction activities. The severity of weather conditions can have a temporary impact on the level of construction activities.

Equipment sales cycles are also subject to some seasonality with the peak selling period during the spring season and extending through the summer. Parts and service activities are less affected by changes in demand caused by seasonality.

### **Competition**

The equipment industry is generally comprised of either pure rental equipment companies or manufacturer dealer/distributorship companies. We are an integrated equipment services company and rent, sell and provide parts and service support. Despite consolidation, the equipment industry is still fragmented and consists mainly of a small number of multi-location regional or national operators and a large number of relatively small, independent businesses serving discrete local markets. Many of the markets in which we operate are served by numerous competitors, ranging from national and multi-regional equipment rental companies (for example, United Rentals, Hertz Equipment Rental, NationsRent and RSC Equipment Rental) to small, independent businesses with a limited number of locations.

We believe that participants in the equipment rental industry generally compete on the basis of availability, quality, reliability, delivery and price. In general, large operators enjoy substantial competitive advantages over small, independent rental businesses due to a distinct price advantage. Although many rental equipment companies have now announced plans to provide parts and service support to customers, their service offerings are typically limited and may prove difficult to expand due to the training, infrastructure and management resources necessary to develop the breadth of service offerings and depth of knowledge our service technicians are able to provide. Some of our competitors have significantly greater financial, marketing and other resources than we do.

The retail sales and distribution industry continues to be redefined through consolidation and competition. Traditionally, equipment manufacturers distributed their equipment and parts through a network of independent dealers with distribution agreements. As a result of the consolidation and competition, both manufacturers and distributors sought to streamline their operations, improve their costs and gain market share. Our established, integrated infrastructure enables us to compete directly with our competitors on either a local, regional or national basis. We believe customers place a greater emphasis on value-added services, teaming with equipment rental and sales companies who can meet all of their equipment, parts and service needs.

### **Environmental and Safety Regulations**

Our facilities and operations are subject to comprehensive and frequently changing federal, state and local environmental and occupational health and safety laws. These laws regulate (i) the handling, storage, use and disposal of hazardous materials and wastes and, if any, the associated cleanup of properties affected by pollutants; (ii) air quality; and (iii) wastewater. We do not currently anticipate any material adverse effect on our business or financial condition or competitive position as a result of our efforts to comply with such requirements. Although we have made and will continue to make

capital and other expenditures to comply with environmental requirements, we do not expect to incur material capital expenditures for environmental controls or compliance.

In the future, federal, state or local governments could enact new or more stringent laws or issue new or more stringent regulations concerning environmental and worker health and safety matters, or effect a change in their enforcement of existing laws or regulations, that could affect our operations. Also, in the future, contamination may be found to exist at our facilities or off-site locations where we have sent wastes. There can be no assurance that we will not discover previously unknown environmental non-compliance or contamination. We could be held liable for such newly-discovered non-compliance or contamination. It is possible that changes in environmental and worker health and safety laws or liabilities from newly-discovered non-compliance or contamination could have a material adverse effect on our business, financial condition and results of operations.

## Employees

As of September 30, 2005, we had approximately 1,408 employees. The total number of employees does not significantly fluctuate throughout the year. Of these employees, 463 are salaried personnel and 945 are hourly personnel. Our employees perform the following functions: sales operations, parts operations, rental operations, technical service and office and administrative support. Collective bargaining agreements relating to three separate locations cover approximately 90 of our employees. We believe our relations with our employees are good, and we have never experienced a work stoppage.

## Properties

We currently have a network of 41 full-service facilities, serving more than 21,000 customers across 16 states in the Intermountain, Southwest, Gulf Coast and Southeast regions of the United States.

In our facilities, we rent, display and sell equipment, including tools and supplies, and provide maintenance and basic repair work. We own four of our locations and lease 37 locations. Our leases provide for varying terms and renewal options. The following table provides data on our locations:

City/State	Leased/Owned
<b>Alabama</b>	
Birmingham	Leased
<b>Arizona</b>	
Phoenix	Leased
Tucson	Leased
<b>Arkansas</b>	
Little Rock	Owned
Springdale	Owned
<b>Colorado</b>	
Denver	Leased
Colorado Springs	Leased
<b>Florida</b>	
Fort Myers	Leased
Orlando	Leased
Tampa	Leased
<b>Georgia</b>	
Atlanta	Leased

<b>Idaho</b>	
Boise	Leased
Coeur D'Alene	Leased
<b>Louisiana</b>	
Alexandria	Leased
Baton Rouge	Leased
Belle Chasse(2)	Leased/Owned
Gonzales	Leased
Kenner	Leased
Lake Charles	Leased
Shreveport(2)	Leased
<b>Mississippi</b>	
Jackson	Leased
<b>Montana</b>	
Billings	Leased
Belgrade	Leased
Missoula	Leased
<b>New Mexico</b>	
Albuquerque	Leased
<b>Nevada</b>	
Las Vegas	Leased
Reno	Leased
<b>North Carolina</b>	
Charlotte	Leased
<b>Oklahoma</b>	
Oklahoma City	Leased
Tulsa	Leased
<b>Texas</b>	
Dallas(2)	Leased
Houston(3)	Leased
San Antonio	Owned
<b>Utah</b>	
Ogden	Leased
Salt Lake City	Leased
St. George	Leased
<b>Eagle Facilities (California)</b>	
Bakersfield	Leased
La Mirada(2)	Leased
San Diego	Leased
SantaFe Springs	Owned

Each of our facility locations has a branch manager who is responsible for day-to-day operations. In addition, facilities are typically staffed with approximately 10 to 100 people, who may include technicians, salesmen, rental operations staff and parts specialists. While facility offices are typically open five days a week, we provide 24 hour, seven day per week service.

Our corporate headquarters are located in Baton Rouge, Louisiana, where we occupy approximately 18,400 square feet under a lease that extends until February 28, 2007. We believe that our existing facilities will be sufficient for the conduct of our business during the next fiscal year.

### **Legal Proceedings**

Other than the legal proceeding referred to below, we are not currently a party to any material pending legal proceedings that could have a materially adverse effect on our business or financial condition.

In July 2000, one of our competitors, Sunbelt Rentals, Inc., brought claims against us in the General Court of Justice, Superior Court Division, State of North Carolina, County of Mecklenburg, alleging, among other things, that in connection with our hiring of former employees of the plaintiff there occurred a misappropriation of trade secrets, unfair trade practices and interference with prospective advantages. In May 2003, the court ruled in favor of the plaintiff in the amount of \$17.4 million. We subsequently appealed the judgment. In conjunction with the appeal and in accordance with the court's ruling, we have posted and filed an irrevocable standby letter of credit for \$20.1 million, representing the amount of the judgment plus \$2.7 million in anticipated statutory interest for the twenty-four months while the judgment was to be appealed. For additional information on our standby letter of credit, you should refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations." As of September 30, 2005, our fee was 250 basis points on the amount available for issuance.

On October 18, 2005, the Court of Appeals of North Carolina denied our appeal. This ruling does not cause a default or an event of acceleration under our senior secured credit facility, senior secured notes or senior subordinated notes. The payment of damages will not adversely impact our liquidity, because the payment will be funded through our senior secured credit facility and availability under the senior secured credit facility was already reduced by the amount of the letter of credit. The amount of the judgment will be reclassified from accrued liabilities to debt under our senior secured credit facility at the time the payment is actually made or the letter of credit is drawn. This does not result in a net change to total liabilities on our balance sheet. In addition, this will not adversely impact our balance sheet or statement of operations, because the judgment, including statutory interest through September 30, 2005, had already been reflected on our financial statements. We will continue to expense interest through the date of payment.



## MANAGEMENT

### Directors and Executive Officers

The following table sets forth the names, ages and titles, as well as a brief account of the business experience, of each person who is a director or executive officer of H&E LLC and of us, since September 2005.

Name	Age	Title
Gary W. Bagley	58	Chairman and Director
John M. Engquist	52	President, Chief Executive Officer and Director
Leslie S. Magee	37	Chief Financial Officer and Secretary
Bradley W. Barber	32	Executive Vice President and General Manager
William W. Fox	61	Vice President, Cranes and Earthmoving
Kenneth R. Sharp, Jr.	60	Vice President, Lift Trucks
John D. Jones	47	Vice President, Product Support
Dale W. Roesener	48	Vice President, Fleet Management
Keith E. Alessi	51	Director
Bruce C. Bruckmann	52	Director
Lawrence C. Karlson	62	Director
John T. Sawyer	61	Director

*Gary W. Bagley* has served as Chairman and Director since the formation of H&E LLC in 2002. Mr. Bagley has served as interim Chief Executive Officer of Eagle since February 2004. Mr. Bagley served as President of ICM since 1996 and Chief Executive Officer since 1998 until H&E LLC was formed in June 2002, when he became executive Chairman of H&E LLC. He retired as an executive of H&E LLC in 2004. Prior to 1996, he held various positions at ICM, including Salesman, Sales Manager and General Manager. Prior to that, Mr. Bagley served as Vice President and ICM General Manager of Wheeler Machinery Co. Mr. Bagley serves on a number of dealer advisory boards and industry association boards.

*John M. Engquist* has served as President, Chief Executive Officer and Director since the formation of H&E LLC in 2002. He served as President and Chief Executive Officer of Head & Engquist since 1990 and Director of Gulf Wide since 1995. From 1975 to 1990, he held various operational positions at Head & Engquist, starting as a mechanic's helper. Mr. Engquist serves on the Board of Directors of Cajun Constructors, Inc. and Business First Bank and on the Professional Advisory Board of Directors of St. Jude Children's Research Hospital in Memphis, Tennessee.

*Leslie S. Magee* has served as Chief Financial Officer and Secretary since August 2005. Ms. Magee served as Acting Chief Financial Officer of H&E LLC from December 2004 through August 2005. Prior to that, Ms. Magee served as Corporate Controller for H&E LLC and Head & Engquist. Prior to joining Head & Engquist in 1995, Ms. Magee spent five years working for Hawthorn, Waymouth & Carroll, L.L.P, an accounting firm based in Baton Rouge, Louisiana. Ms. Magee is a Certified Public Accountant and is a member of the American Institute of Certified Public Accountants and the Louisiana Society of Certified Public Accountants.

*Bradley W. Barber* has served as Executive Vice President and General Manager since November 2005. Previously, Mr. Barber served as Vice President, Rental Operations from February 2003 to

November 2005. Prior to that, Mr. Barber served as Director of Rental Operations for H&E LLC and Head & Engquist from March 1998 to February 2003. Prior to joining Head & Engquist in March 1998, Mr. Barber worked in both outside sales and branch management for a regional equipment company.

*William W. Fox* has served as Vice President, Cranes and Earthmoving since the formation of H&E LLC in 2002. Mr. Fox served as Executive Vice President and General Manager of Head & Engquist since 1995 and served as President of South Texas Equipment Co., a subsidiary for Head & Engquist, from 1995 to 1997. Prior to that, Mr. Fox held various executive and managerial positions with the Manitowoc Engineering Company and its subsidiary, North Central Crane. He was Executive Vice President/General Manager from 1989 to 1995, Vice President, Sales from 1988 to 1989, and General Manager from 1986 to 1988 of Manitowoc Engineering Company. Mr. Fox was Executive Vice President/General Manager at North Central Crane from 1980 to 1986.

*Kenneth R. Sharp, Jr.* has served as Vice President, Lift Trucks since the formation of H&E LLC in 2002. Mr. Sharp began his career at ICM in 1973 and served as Executive Vice President of ICM since 1996. From 1989 to 1996, Mr. Sharp served as General Manager of the ICM Power Systems Division. From 1983 to 1989, he held various positions at ICM including Salesman, Sales Manager and Product Support Manager.

*John D. Jones* has served as Vice President, Product Support since the formation of H&E LLC in 2002. Mr. Jones served as Vice President of Product Support Service at Head & Engquist since 1994. From 1991 to 1994, he was General Manager of Product Support at Louisiana Machinery. From 1987 to 1991 he served as General Manager of the Parts Operation at Holt Company of Louisiana. From 1976 to 1987, Mr. Jones worked in Product Support and Marketing for Boyce Machinery.

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

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

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

*Lawrence C. Karlson* has been a Director since September 2002. In 1983, Mr. Karlson formed Nobel Electronics, Inc. In 1986, Nobel Electronics was reverse-merged into Pharos AB and Mr. Karlson became President and Chief Executive Officer. In 1990 he was named Chairman. He retired in 1993. Mr. Karlson provides consulting services to a wide variety of business. He currently sits on the Board of Directors of CDI Corporation and Mikron Infrared, Inc.

*John T. Sawyer* has been a Director since September 2002. Mr. Sawyer is President of Penhall Company. He joined Penhall in 1978 as the Estimating Manager of the Anaheim Division. In 1980, Mr. Sawyer was appointed Manager of Penhall's National Contracting Division, and in 1984, he assumed the position of Vice President and became responsible for managing all construction services divisions. Mr. Sawyer has been President of Penhall since 1989.

A holder of our senior subordinated notes has non-voting observer rights with respect to the Board of Directors and board subcommittees of H&E LLC, as described under "Related Party Transactions—Investor Rights Agreement."

### **Committees of Our Board of Directors**

*Audit Committee.* The Audit Committee currently consists of Messrs. Alessi and Sawyer. The board of directors will nominate a third director within the timeframe required by applicable SEC and The Nasdaq National Market rules and regulations. The board of directors has determined that Mr. Alessi qualifies as an "audit committee financial expert" within the meaning of SEC rules and regulations. The composition of the Audit Committee will satisfy the independence and other requirements of the SEC and The Nasdaq National Market rules and under our Corporate Governance Guidelines.

The Audit Committee is responsible for, among other things:

- directly appointing, retaining, evaluating, compensating and terminating our independent auditors;
- discussing with our independent registered public accounting firm auditors their independence from management;
- reviewing with our independent registered public accounting firm auditors the scope and results of their audit;
- pre-approving all audit and permissible non-audit services to be performed by the independent registered public accounting firm;
- overseeing the financial reporting process and discussing with management and our independent registered public accounting firm the interim and annual financial statements that we file with the SEC; and
- reviewing and monitoring our accounting principles, policies and financial and accounting controls.

*Compensation Committee.* The Compensation Committee currently consists of Messrs. Bruckmann and Karlson. The board of directors will nominate a third director within the timeframe required by applicable SEC and The Nasdaq National Market rules and regulations. The composition of the Compensation Committee will satisfy the independence and other requirements of the SEC and The Nasdaq National Market rules.

The Compensation Committee will be responsible for, among other things:

- reviewing and recommending director compensation policies to the board of directors;
- making recommendations, at least annually, to the board of directors regarding our policies relating to the amounts and terms of all compensation of our executive officers; and
- administering and discharging the authority of the board of directors with respect to our equity plans.

*Corporate Governance and Nominating Committee.* Our board of directors will designate a Corporate Governance and Nominating Committee that will consist of three members within the

timeframe required by applicable SEC and The Nasdaq National Market rules and regulations. The composition of the Corporate Governance and Nominating Committee will satisfy the independence and other requirements of the SEC and The Nasdaq National Market rules.

The Corporate Governance and Nominating Committee will be responsible for, among other things:

- selecting potential candidates to be nominated for election to the board of directors;
- recommending potential candidates for election to the board of directors;
- reviewing corporate governance matters; and
- making recommendations to the board of directors concerning the structure and membership of other board committees.

### **Executive Compensation**

The following tables summarize, for the periods indicated, the principal components of compensation for the Chief Executive Officer and the four highest compensated executive officers of

H&E LLC (collectively, the "named executive officers") for the years ended December 31, 2004, 2003 and 2002:

**Summary Compensation Table**

Name and Principal Position	Year	Annual Compensation			All Other Compensation <sup>(b)</sup>
		Salary	Bonus	Other Annual Compensation <sup>(a)</sup>	
John M. Engquist Chief Executive Officer, President and Director	2004	\$ 519,000	\$ 200,000	—	\$ 2,041
	2003	500,000	250,000	—	3,041
	2002	500,000	63,000	—	4,041
Bradley W. Barber <sup>(c)</sup> Executive Vice President and General Manager	2004	\$ 188,000	\$ 75,000	—	\$ 4,041
	2003	148,000	35,000	—	2,041
	2002	125,000	10,000	—	2,041
William W. Fox Vice President	2004	\$ 237,000	\$ 100,000	—	\$ 4,041
	2003	208,000	62,000	—	4,041
	2002	193,000	50,000	—	3,041
Dale W. Roesener Vice President	2004	\$ 182,000	\$ 71,000	—	\$ 4,041
	2003	175,000	—	—	4,041
	2002	175,000	—	—	1,041
Kenneth R. Sharp, Jr. Vice President	2004	\$ 192,000	\$ 60,000	—	\$ 280,041
	2003	185,000	—	—	176,041
	2002	185,000	—	—	142,041
<b>Former Officers</b>					
Lindsay C. Jones Chief Financial Officer and Secretary	2004	\$ 208,000	\$ 50,000	—	\$ 3,041
	2003	200,000	40,000	—	4,041
	2002	156,000	—	—	1,041
Gary W. Bagley Chairman and Director	2004	\$ 244,000	—	\$ 67,000 <sup>(c)</sup>	\$ 375,041
	2003	290,000	—	—	323,041
	2002	200,000	—	—	283,041

(a) Under the terms of Mr. Engquist's employment agreement, we purchased a vehicle for Mr. Engquist's use and also provide fuel for his vehicle. The other executive officers receive allowances for vehicles. In each case, the benefits are less than \$50,000 and 10% of such officer's salary.

(b) "All Other Compensation" consists of:

- Matching contributions to our 401(k) plan for each named executive officer;
- Insurance premiums paid by us on behalf of each named executive officer;
- In the case of Messrs. Bagley and Sharp, above-market interest accrued under our deferred compensation plan; and
- For 2002, in the case of Mr. Bagley, contributions under our non-qualified deferred compensation plan.

(c) Mr. Barber was appointed Executive Vice President and General Manager in November 2005. For his prior positions with H&E LLC, please see his biography.

The following table shows the amount of each category of "All Other Compensation" received by each named executive officer in 2004:

Name	Contribution 401(k) Matching	Premiums Insurance	Deferred Compensation Plan Above Market Interest
John M. Engquist	\$ 2,000	\$ 41	—
Bradley W. Barber	4,000	41	—
William W. Fox	4,000	41	—
Dale W. Roesener	4,000	41	—
Kenneth R. Sharp, Jr.	3,000	41	\$ 277,000
Lindsay C. Jones	3,000	41	—
Gary W. Bagley	—	41	\$ 375,000

(c) Payment of above market interest accrued under our deferred compensation during the year paid.

### Executive Employment Agreements

On July 31, 2004, H&E LLC entered into a consulting and noncompetition agreement with Gary W. Bagley. Such agreement provides for, among other things:

- an initial term of five years; thereafter this agreement may be renewed on a year to year basis, subject to mutual agreement of the parties;
- a consulting fee of \$150,000 per year plus reimbursement of all reasonable and actual out-of-pocket expenses;
- payment of his subordinated deferred compensation;
- welfare benefits, including medical, dental, life and disability insurance; and
- confidentiality of information obtained during employment, non-competition and nonsolicitation.

H&E LLC assumed an employment agreement with each of Gary W. Bagley and Kenneth R. Sharp, Jr. dated as of February 4, 1998. Such agreements, as amended on May 26, 1999, and further amended on December 6, 1999 and June 14, 2002, provide for, among other things:

- an initial term of employment expiring on the fifth anniversary of the date of the agreement, thereafter employment may be terminated by either party upon 30 days written notice;
- early termination by reason of Mr. Bagley's or Mr. Sharp's (as applicable) death or disability, by H&E for good cause, or upon Mr. Bagley's or Mr. Sharp's (as applicable) voluntary resignation with or without a good reason event;
- a severance payment in the case of early termination by H&E for other than cause or a voluntary resignation, payable in regular installments of the base salary through the period ending on the later of (1) the fifth anniversary of the date of this agreement or (2) the last day of the noncomplete period, plus a bonus payment pro rated based on the number of days worked during the year of termination;
- a base salary of \$200,000 per year for Mr. Bagley and \$185,000 per year for Mr. Sharp with increases of 5% annually plus a bonus in such amount as may be proposed by the officers of H&E and approved annually by board of directors of H&E;
- benefits, including medical, dental, life and disability insurance; and
- confidentiality of information obtained during employment, non-competition and non-solicitation.

The employment agreement with Mr. Bagley was terminated on July 31, 2004 when the consulting and non-compete agreement became effective.

In connection with the acquisition of ICM, H&E Holdings assumed a liability for subordinated deferred compensation for Mr. Bagley and Mr. Sharp. The deferred compensation agreements provided for, among other things, deferred signing bonuses in the amount of \$3,638,000 and \$1,882,000, which are included in deferred compensation accounts for Mr. Bagley and Mr. Sharp, respectively. As of December 31, 2004, the aggregate deferred compensation (including accrued interest of \$2,521,000) was \$7,521,000.

H&E Holdings is obligated to pay Mr. Bagley and Mr. Sharp a cash payment in the amount equal to the then balance in their deferred compensation accounts 11.5 years after June 17, 2002. Payments may also be made upon the occurrence of certain events including, cash distributions on the Series D Preferred Units of H&E Holdings and an Approved Company Sale (as defined in the security holders agreement).

In connection with the acquisition of ICM, H&E LLC assumed a nonqualified employee deferred compensation plan under which Mr. Bagley and Mr. Sharp had previously elected to defer a portion of their annual compensation. Participants in the plan can no longer defer compensation. Compensation deferred under the plan is payable upon the termination, disability, or death of the participants. The plan accrues interest at 8.5% per annum. As of December 31, 2004, the aggregate deferred compensation (including accrued interest of \$265,000) was \$451,000.

On June 29, 1999, H&E LLC, formerly Gulf Wide, entered into an employment agreement with John M. Engquist. Such agreement, as amended on August 10, 2001, provides for, among other things:

- an initial term of employment expiring on December 31, 2006; thereafter employment may be terminated by either party upon 30 days written notice,
- early termination by reason of Mr. Engquist's death or disability, by H&E LLC for good cause, or upon Mr. Engquist's voluntary resignation with or without a constructive termination,
- a severance payment in the case of early termination by H&E LLC for (x) other than cause or (y) a voluntary resignation other than due to a constructive termination, in an aggregate amount equal to (i) one year of Mr. Engquist's base salary plus an amount equal to his most recent annual bonus, payable in monthly installments through the one-year period commencing on the date of his termination, and (ii) that portion of Mr. Engquist's bonus that would have accrued at the end of the calendar year in which such termination occurred through the period beginning on the first day of such calendar year and ending on the date of his termination,
- a base salary of \$300,000 per year with increases of 5% annually and with an increase on August 1, 2001 to \$500,000 per year, plus a cash bonus of an amount up to \$500,000 per year as determined by the board of directors, based upon the attainment by H&E LLC of applicable performance targets for such year,
- welfare benefits, including medical, dental, life and disability insurance,
- fringe benefits, including use of two automobiles and professional memberships, and
- confidentiality of information obtained during employment, non-competition and nonsolicitation.

#### **Stock Incentive Plan**

Prior to the consummation of this offering, we expect to adopt a stock incentive plan. Under the stock incentive plan, we may offer deferred shares or restricted shares of our common stock and grant options to purchase shares of our common stock to selected employees. The purpose of the stock incentive plan is to promote our long-term financial success by attracting, retaining and rewarding eligible participants. The number of shares reserved for issuance under the stock incentive plan may not exceed 12% of the total number of shares of our common stock outstanding as of the closing of this offering.

The stock incentive plan is to be administered by our Compensation Committee or, if there shall not be any such committee serving, our Board of Directors. The Compensation Committee will have discretionary authority to determine which employees will be eligible to participate in the stock incentive plan. The Compensation Committee will establish the terms and conditions of the restricted stock, deferred stock and options awarded under the stock incentive plan. However, in no event may the exercise price of any options granted under the stock incentive plan be less than the fair market value of the underlying shares on the date of grant.

The stock incentive plan will permit us to grant both incentive stock options and non-qualified stock options. The Compensation Committee will determine the number and type of options granted to each participant, the exercise price of each option, the duration of the options (not to exceed ten years), vesting provisions and all other terms and conditions of such options in individual option agreements. However, the Compensation Committee will not be permitted to exercise its discretion in any way that will disqualify any incentive stock options issued under the stock incentive plan under Section 422 of the Code. The stock incentive plan shall provide that upon a participant's termination of employment with us, unless determined otherwise by the Compensation Committee at the time options are granted, the exercise period for vested options will generally be limited, provided that vested options will be canceled immediately upon a termination for cause. The stock incentive plan will provide for the cancellation of all unvested options upon termination of employment with us, unless determined otherwise by the Compensation Committee at the time options are granted.

The stock incentive plan will permit us to grant participants deferred stock. The Compensation Committee will determine the number of shares of deferred stock offered to each participant and the duration of the deferral period with respect to such stock, and may condition the grant of deferred stock or the expiration of the deferral period upon performance goals and other terms and conditions as specified in the deferred stock agreement with the participant. The participant will not have the right to receive dividends or vote shares of deferred stock, but will, on the expiration of the deferral period, be credited with additional whole shares of stock representing the value of the sum of the dividends that would have been paid had the stock been held by the participant over the duration of the deferral period. The stock incentive plan shall provide that deferred stock may be forfeited upon a participant's termination of employment prior to the end of the deferral period, unless determined otherwise by the Compensation Committee.

The stock incentive plan will also permit us to offer participants restricted stock. The Compensation Committee will determine the number of shares of restricted stock offered to each participant, the purchase price of the shares of restricted stock, if any, the period the restricted stock is unvested and subject to forfeiture and all other terms and conditions applicable to such restricted stock in individual restricted stock subscription agreements. The participant will have the right to receive dividends and vote shares of restricted stock. The stock incentive plan will provide that restricted stock may be forfeited upon a participant's termination of employment, unless determined otherwise by the Compensation Committee.

The stock incentive plan will provide that upon a change in control, the Compensation Committee may, at its discretion:

- fully vest any options, deferred stock or restricted stock awarded under the stock incentive plan;
- cancel any outstanding options in exchange for a payment in cash of an amount equal to the excess of the change in control price over the exercise price of the option or base price of the award of restricted stock or deferred stock;
- after giving the holder an opportunity to exercise any outstanding options, cancel or terminate any unexercised options; or



- provide that any such options, deferred stock or restricted stock will be honored or assumed, or new rights substituted therefor by the new employer on a substantially similar basis and on terms and conditions substantially comparable to those of the stock incentive plan.

In connection with the consummation of this offering or soon thereafter, we expect to grant options to our employees under the stock incentive plan in an amount of approximately 2% of the total number of shares of our common stock outstanding on a fully-diluted basis immediately following the consummation of this offering. These options will vest either at the time of grant or on or prior to .

### **Deferred Compensation Plans**

In connection with the acquisition of ICM, the Company assumed nonqualified employee deferred compensation plans under which certain employees had previously elected to defer a portion of their annual compensation. Participants in the plans can no longer defer compensation. Compensation previously deferred under the plans is payable upon the termination, disability or death of the participants. One of the plans accumulates interest each year at a bank's prime rate in effect as of the beginning of January. This rate remains constant throughout the year. The effective rate for the 2004 plan year was 4.0%. The aggregate deferred compensation payable (including accrued interest of approximately \$1.6 million) as of December 31, 2004 was approximately \$2.6 million. The other plan accumulates interest each year at 8.5%. The aggregate deferred compensation payable (including accrued interest of \$265,000) at December 31, 2004 was \$451,000.

The Company also assumed, in connection with the acquisition of ICM, a liability for subordinated deferred compensation for certain officers and members of the Company. Compensation deferred is payable in December 2013 and is subordinate to all other debt. Interest is accrued quarterly at a rate of 13.0% per annum. The aggregate deferred compensation payable (including accrued interest of approximately \$2.5 million) as of December 31, 2004 was approximately \$7.5 million.

These deferred compensation plans cover certain of our employees who were formerly employees of ICM. We intend to use a portion of the net proceeds of this offering to pay approximately \$ in deferred compensation owed to Mr. Sharp and Mr. Bagley.

### **Compensation of Directors**

We reimburse directors for any out-of-pocket expenses incurred by them in connection with services provided in such capacity. Outside directors, other than outside directors affiliated with BRS, also receive a quarterly retainer in the amount of \$5,000. In addition, each outside director, other than outside directors affiliated with BRS, receives \$2,000 per board meeting and \$1,000 per board conference call attended. Each outside director, other than outside directors affiliated with BRS, who serves on a board committee receives \$1,000 per committee meeting, \$500 per committee conference call attended and a \$500 quarterly retainer for serving as a committee chairperson.

### **Compensation Committee Interlocks and Insider Participation**

The Compensation Committee currently consists of Messrs. Bruckmann and Karlson. None of the members of the Compensation Committee are currently or have been, one of our officers or employees. None of our executive officers currently serve, or in the past has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

## PRINCIPAL STOCKHOLDERS

All of our common stock is currently owned by H&E Holdings. The following tables contain information regarding the beneficial ownership of the equity interests of H&E Holdings as of September 30, 2005, and the beneficial ownership of our common stock, adjusted to reflect the completion of the Reorganization Transactions and this offering, by:

- each person or group of affiliated persons known by us to beneficially own more than 5% of the outstanding shares;
- each of our directors;
- our chief executive officer and each of our four next most highly compensated executive officers in fiscal 2004; and
- all of our directors and executive officers as a group.

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

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

Units of H&E Holdings Beneficially Owned Before the Offering

Name	Class A Common Units	Percentage of Class A Common Units	Class B Common Units	Percentage of Class B Common Units	Series A Preferred Units	Percentage of Series A Preferred Units Outstanding
Bruckmann, Rosser, Sherrill & Co., L.P. <sup>(1)</sup> (2)	731,845	34.2%	—	—	9,789	88.6%
Bruckmann, Rosser, Sherrill & Co., Inc. <sup>(1)</sup>	4,126	*	—	—	16	*
Bruckmann, Rosser, Sherrill & Co. II, L.P. <sup>(1)</sup> (3)	1,241,815	58.1%	—	—	—	—
Bruce C. Bruckmann <sup>(4)</sup>	2,034,929	95.2%	4,783	*	10,525	95.2%
John M. Engquist <sup>(5)</sup>	—	—	1,170,300	56.4%	—	—
Gary W. Bagley <sup>(5)</sup>	—	—	85,814	4.1%	—	—
Dale W. Roesener <sup>(5)</sup>	—	—	164,326	7.9%	—	—
Kristan Engquist Dunne <sup>(6)</sup>	—	—	74,700	3.6%	—	—
Don M. Wheeler <sup>(7)</sup>	—	—	263,736	12.7%	—	—
Lindsay C. Jones <sup>(8)</sup>	—	—	—	—	—	—
Kenneth R. Sharp, Jr. <sup>(5)</sup>	—	—	—	—	—	—
Bradley Barber <sup>(6)</sup>	—	—	—	—	—	—
William W. Fox <sup>(6)</sup>	—	—	—	—	—	—
All executive officers and directors as a group (10 persons)	2,034,929	95.2%	1,425,223	68.7%	10,525	95.2%

\* Less than 1%

**Units of H&E Holdings Beneficially Owned Before the Offering**

	<b>Series B Preferred Units</b>	<b>Percentage of Series B Preferred Units</b>	<b>Series C Preferred Units</b>	<b>Percentage of Series C Preferred Units</b>	<b>Series D Preferred Units</b>	<b>Percentage of Series D Preferred Units</b>	<b>Percentage of Combined Voting Power<sup>(9)</sup></b>
Bruckmann, Rosser, Sherrill & Co., L.P. <sup>(1)(2)</sup>	8,577	29.1%	19,405	22.9%	—	—	23.0%
Bruckmann, Rosser, Sherrill & Co., Inc. <sup>(1)</sup>	40	*	132	*	40	*	*
Bruckmann, Rosser, Sherrill & Co. II, L.P. <sup>(1)(3)</sup>	10,854	36.8%	42,376	50%	17,156	36.7%	39.2%
Bruce C. Bruckmann <sup>(4)</sup>	20,150	68.3%	63,495	74.9%	17,320	37.1%	64.2%
John M. Engquist <sup>(5)</sup>	—	—	3,500	4.1%	15,714	33.6%	18.2%
Gary W. Bagley <sup>(5)</sup>	—	—	1,250	1.5%	—	—	1.3%
Dale W. Roesener <sup>(5)</sup>	800	2.7%	1,607	1.9%	—	—	2.6%
Kristan Engquist Dunne <sup>(6)</sup>	1,756	5.9%	—	—	822	1.8%	1.2%
Don M. Wheeler <sup>(7)</sup>	5,400	18.3%	8,135	9.6%	10,390	22.2%	4.4%
Lindsay C. Jones <sup>(5)(8)</sup>	—	—	1,500	1.8%	—	—	*
Kenneth R. Sharp, Jr. <sup>(5)</sup>	—	—	1,250	—	—	—	*
Bradley Barber <sup>(5)</sup>	—	—	—	—	—	—	*
William W. Fox <sup>(5)</sup>	—	—	—	—	—	—	*
All executive officers and directors as a group (10 persons)	20,950	71.0%	71,102	83.9%	33,034	70.7%	86.4%

\* Less than 1%

**Shares of our Common Stock Beneficially Owned After the Offering**

	<b>Shares</b>	<b>Percentage</b>
Bruckmann, Rosser, Sherrill & Co., L.P. <sup>(1)(2)</sup>		
Bruckmann, Rosser, Sherrill & Co., Inc. <sup>(1)</sup>		
Bruckmann, Rosser, Sherrill & Co. II, L.P. <sup>(1)(3)</sup>		
Bruce C. Bruckmann <sup>(4)</sup>		
John M. Engquist <sup>(5)</sup>		
Gary W. Bagley <sup>(5)</sup>		
Dale W. Roesener <sup>(5)</sup>		
Kristan Engquist Dunne <sup>(6)</sup>		
Don M. Wheeler <sup>(7)</sup>		
Lindsay C. Jones <sup>(5)(8)</sup>		
Kenneth R. Sharp, Jr. <sup>(5)</sup>		
Bradley Barber <sup>(5)</sup>		
William W. Fox <sup>(5)</sup>		
All executive officers and directors as a group (10 persons)		

(1) The address of Bruckmann, Rosser, Sherrill & Co., L.P., Bruckmann, Rosser, Sherrill & Co., Inc. and Bruckmann, Rosser, Sherrill & Co. II, L.P. is c/o Bruckmann, Rosser, Sherrill & Co., Inc., 126 East 56<sup>th</sup> Street, 29<sup>th</sup> Floor, New York, New York 10022.

(2) BRS Partners, L.P. (or BRS Partners) is the general partner of Bruckmann, Rosser, Sherrill & Co., L.P. (or BRS L.P.) and BRSE Associates, Inc. (or BRSE Associates) is the general partner of BRS Partners. Mr. Bruckmann is a stockholder and officer of BRSE Associates, and neither Mr. Bruckmann nor any other individual stockholder or officer of BRSE Associates has the power to direct or veto the voting or disposition of units held by BRS L.P. Further, BRS Partners and BRSE Associates expressly disclaim beneficial ownership of the units held by BRS L.P.

(3) BRSE LLC (or BRSE) is the general partner of Bruckmann, Rosser, Sherrill & Co. II, L.P. (or BRS II) and by virtue of such status may be deemed to be the beneficial owner of the units held by BRS II. Mr. Bruckmann is a member and

manager of BRSE LLC, and neither Mr. Bruckmann nor any other individual member or manager of BRSE has the power to direct or veto the voting or disposition of units held by BRS II. BRSE expressly disclaims beneficial ownership of the shares held by BRS II.

- (4) Includes units held by Bruckmann, Rosser, Sherrill & Co., L.P., Bruckmann, Rosser, Sherrill & Co., Inc., and Bruckmann, Rosser, Sherrill & Co. II, L.P. Mr. Bruckmann may be deemed to share beneficial ownership of the shares held by these entities by virtue of his status as a member or manager of these entities. Mr. Bruckmann expressly disclaims beneficial ownership of any units held by such entities that exceed his pecuniary interest therein. These amounts also include 36,903 Class A Common Units, 489 Series A Preferred Units, 431 Series B Preferred Units, 980 Series C Preferred Units and 3 Series D Preferred Units held by the following entities and individuals, for which Mr. Bruckmann holds a power of attorney in respect of such units: The Estate of Donald J. Bruckmann, BCB Family Partners, L.P., NAZ Family Partners, L.P., Nancy A. Zweng, Harold O. Rosser, H. Virgil Sherrill, Stephen C. Sherrill, Paul D. Kaminski, John Rice Edmonds and Marilena Tibrea. Mr. Bruckmann disclaims beneficial ownership of all such units except those owned by him directly.
- (5) Unless otherwise indicated, the address of each executive officer or director is c/o H&E Equipment Services L.L.C., 11100 Mead Road, Suite 200, Baton Rouge, Louisiana 70816.
- (6) The address of Ms. Engquist Dunne is 11100 Mead Road, 2<sup>nd</sup> Floor, Baton Rouge, Louisiana 70816.
- (7) The address of Mr. Wheeler is 4899 West 2100 South, Salt Lake City, Utah 48120.
- (8) Lindsay C. Jones resigned effective November 2, 2004.
- (9) Each Class A Common Unit holder is entitled to two votes per Class A Common Unit held and each Class B Common Unit Holder is entitled to one vote per Class B Common Unit held. Each Voting Preferred Unit holder is entitled to one vote per Voting Preferred Unit held.

## RELATED PARTY TRANSACTIONS

### Reorganization Transactions

We were formed as a Delaware corporation in September 2005 as a wholly-owned subsidiary of H&E Holdings. The business is currently conducted through H&E LLC, the operating subsidiary of H&E Holdings. H&E LLC is a Louisiana limited liability company and H&E Holdings is a Delaware limited liability company. In order to have an operating Delaware corporation as the issuer for our initial public offering, immediately prior to the closing of this offering H&E LLC and H&E Holdings will merge with and into us (H&E Equipment Services, Inc.), with us surviving the reincorporation merger as the operating company. In these transactions, holders of preferred limited liability company interests and holders of common limited liability company interests in H&E Holdings will receive shares of our common stock. As a result of these transactions, immediately prior to the consummation of this offering, BRS and its affiliates will own approximately % of our common stock and our executives, directors and principal stockholders will own approximately % of our common stock. Immediately following the consummation of this offering, BRS and its affiliates will own approximately % of our common stock and our executives, directors and principal stockholders will own approximately % of our common stock. Investors in this offering will purchase shares of our common stock.

The terms of each such conversion, including the number of shares of our common stock issued, will be based upon the valuation of our company, which in turn will be based on the initial public offering price to the public of shares of our common stock in this offering that is determined by a negotiation between us and the representatives of the underwriters, as further described in "Underwriting."

Based on an assumed initial public offering price of \$ per share (the mid-point of the price range set forth on the cover of this prospectus), in the merger with H&E Holdings, holders of H&E Holdings will receive an aggregate of .

In the merger with H&E LLC, we will become the obligor under the indentures governing the senior secured notes and senior subordinated notes and the senior secured credit facility agreement.

### Merger Consideration

As discussed above, immediately prior to the completion of this offering, H&E Holdings and H&E LLC will merge with and into us, with us as the surviving corporation and operating company. The table below sets forth the consideration to be received by certain of our affiliates that are holders of

H&E Holdings, based on an assumed initial public offering price of \$ \_\_\_\_\_ per share (the mid-point of the price range set forth on the cover of this prospectus).

Name	H&E Holdings Units Owned prior to the Reorganization Transactions <sup>(1)</sup>	Shares of Our Common Stock to be Issued in the Reorganization Transactions <sup>(2)</sup>
Bruckmann, Rosser, Sherrill & Co., L.P.	741,634	
Bruckmann, Rosser, Sherrill & Co., Inc.	4,142	
Bruckmann, Rosser, Sherrill & Co. II, L.P.	1,241,815	
Bruce C. Bruckmann	2,016,981	
John M. Engquist	1,170,300	
Gary W. Bagley	85,814	
Dale W. Roesener	164,326	
Kristan Engquist Dunne	74,700	
Don M. Wheeler	263,736	
Lindsay C. Jones	—	
Kenneth R. Sharp, Jr.	1,250	
Bradley Barber	—	
William W. Fox	—	

(1) Represents aggregate ownership of preferred units and common units (without regard to class or series). For more detailed information on the ownership of units of H&E Holdings prior to the Reorganization Transactions, see "Principal Stockholders."

(2) Does not give effect to the shares of common stock to be issued in this offering. For information on ownership of our common stock after completion of this offering, see "Principal Stockholders."

### Eagle Acquisition

On September 22, 2005, we entered into a letter of intent to acquire Eagle for a formula-based purchase price to be determined (which, based on Eagle's June 30, 2005 financial results, is currently estimated to be approximately \$53.0 million, including assumed indebtedness). Although this letter of intent expired by its terms on October 31, 2005, the parties are continuing to negotiate the terms of a definitive purchase agreement. Since February 2004, Gary W. Bagley, our Chairman, has served as the interim Chief Executive Officer of Eagle. In addition, Mr. Bagley and Kenneth R. Sharp, Jr., one of our executives, hold ownership interests in Eagle and would receive in the aggregate approximately \$ \_\_\_\_\_ million from the proceeds of this offering in connection with the potential acquisition. For more information on the proposed Eagle acquisition, see "Business—Proposed Acquisition."

### Management Agreement and Transaction Fees

Each of H&E and ICM were acquired by affiliates of Bruckmann, Rosser, Sherrill & Co., Inc. ("BRS Inc.") in 1999, pursuant to separate recapitalization transactions. In connection with those transactions, we entered into a management services agreement with BRS Inc. and Bruckmann, Rosser, Sherrill & Co., L.L.C. ("BRS L.L.C."), affiliates of BRS, pursuant to which BRS Inc. and BRS L.L.C. have agreed to provide certain advisory and consulting services to us, relating to business and organizational strategy, financial and investment management and merchant and investment banking. In exchange for such services, we agreed to pay BRS Inc. and BRS L.L.C. (i) \$7.2 million of transaction

fees in connection with the ICM and H&E recapitalization transactions, (ii) an annual fee during the term of this agreement equal to the lesser of \$2.0 million or 1.75% of our yearly EBITDA before operating lease expense on rental fleet equipment, plus all reasonable out-of-pocket fees and expenses, and (iii) a transaction fee in connection with each material acquisition, divestiture or financing or refinancing we enter into in an amount equal to 1.25% of the aggregate value of such transaction plus all reasonable out-of-pocket fees and expenses. We expect that the management services agreement will be terminated as of the closing of this offering, with a payment by us to BRS L.L.C. of approximately \$8.0 million, plus accrued management fees and expenses of approximately \$0.1 million as of September 30, 2005.

### **Contribution Agreement**

In connection with the Gulf Wide transaction, the equity holders of Gulf Wide and ICM entered into a contribution agreement, which contained customary provisions for such agreements, including representations and warranties with respect to each of Gulf Wide and ICM equityholders, covenants with respect to the consummation of the combination of H&E and ICM and various closing conditions, including the execution of a registration rights agreement. The transactions contemplated by the contribution agreement were completed in June 2002.

### **Securityholders Agreement**

In connection with the Gulf Wide transaction, H&E Holdings entered into a securityholders agreement with affiliates of BRS, certain members of management and other members of H&E Holdings. The securityholders agreement, among other things: (i) restricts the transfer of the equity interests of H&E Holdings; (ii) grants tag-along rights on certain transfers of the equity interests of H&E Holdings; (iii) requires the securityholders to consent to a sale of H&E Holdings to an independent third party if such sale is approved by the holders of a majority of the then-outstanding common equity interests held by BRS Co-Investment and BRSEC Co-Investment II; (iv) grants preemptive rights on certain issuances of the equity interests of H&E Holdings; and (v) provides that the holders of a majority of the common equity units held by BRS designate a majority of the members of the Board of Directors of H&E Holdings. We expect that certain provisions of the securityholders agreement, including the provisions concerning the election of directors, tag-along rights, consent to a sale of H&E Holdings and the grant of preemptive rights, will be terminated upon the consummation of this offering.

### **Registration Rights Agreement**

In connection with the financing of the Gulf Wide transaction, H&E Holdings entered into a registration rights agreement with affiliates of BRS, certain members of management and other members of H&E Holdings. Pursuant to the terms of the registration rights agreement, the holders of a majority of the then-outstanding common equity interests held by BRS have the right to require H&E Holdings, subject to certain conditions, to register any or all of their common equity interests under the Securities Act at H&E Holdings' expense. In addition, subject to certain conditions, all holders of the common equity interests of H&E Holdings are entitled to request the inclusion of any common equity interests subject to the registration rights agreement in any registration statement at the expense of H&E Holdings whenever H&E Holdings proposes to register any of its common equity interests under the Securities Act. In connection with all such registrations, H&E Holdings has agreed to indemnify all holders of its common equity interests against certain liabilities, including liabilities under the Securities Act. Pursuant to the registration rights agreement, the holders of securities can not include their interests in this initial public offering without the consent of BRS, which consent has not been granted. In connection with the Reorganization Transactions, we expect that the parties will amend the registration rights agreement to provide that the registration rights agreement thereafter applies to our common stock held by the parties.

## **Investor Rights Agreement**

In connection with the financing of the Gulf Wide transaction, H&E Holdings entered into an investor rights agreement with affiliates of BRS, Credit Suisse First Boston Corporation and other members of H&E Holdings. The investor rights agreement (i) grants tag-along rights on certain transfers of the equity interests of H&E Holdings; (ii) requires the investor to consent to a sale of H&E Holdings to an independent third party if such sale is approved by the holders of a majority of the then-outstanding common equity interests held by BRSEC Co-Investment and BRSEC Co-Investment II; (iii) grants preemptive rights on certain issuances of the equity interests of H&E Holdings; and (iv) provides to a holder of our senior subordinated notes non-voting observer rights with respect to meetings of the Board of Directors and board subcommittees of H&E Holdings. Certain provisions of the investor rights agreement, including the provisions concerning tag-along rights, consent to a sale of H&E Holdings, and the grant of preemptive rights will terminate upon the consummation of this offering. In connection with the Reorganization Transactions and this offering, we expect that the parties will amend the investor rights agreement to provide that the non-voting observer rights of one of the holders of our senior subordinated notes will be terminated. Pursuant to the terms of the investor rights agreement, subject to certain conditions, on any two occasions after 180 days after the first public offering, the holders of 33% or more of the equity interests issued to the investor on the date of the investor rights agreement (or successor securities) have the right to require H&E Holdings to register all or part of such equity interests under the Securities Act at H&E Holdings' expense. In addition, the investor is entitled to request the inclusion of any equity interests subject to the investor rights agreement in any registration statement at the expense of H&E Holdings whenever H&E Holdings proposes to register any of its equity interests under the Securities Act. In connection with all such registrations, H&E Holdings has agreed to indemnify the investor against certain liabilities, including liabilities under the Securities Act. In connection with the Reorganization Transactions, we expect that the parties will amend the investor rights agreement to provide that the investor rights agreement thereafter applies to our common stock held by the parties.

## **Limited Liability Company Agreement**

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

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

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

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



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

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

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

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

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

*Board of Directors.* The board of directors of H&E Holdings consists of "Class A Directors" and "Class B Directors." Each Class A Director is entitled to two votes and each Class B Director is entitled to one vote. At no time will the authorized number of Class B Directors exceed that number which would provide all of the then authorized Class B Directors with a number of votes that exceeds 50% of the number of votes of the then authorized number of Class A Directors. The Class A Directors are elected by the members which own a majority of the number of votes of all Common Units then-outstanding. The Class B Directors are elected by the members which own a majority of the number of votes of all of the Voting Preferred Units then-outstanding.

In connection with the Reorganization Transactions, this operating agreement will be terminated.

#### **The BRS Purchase**

In connection with the Gulf Wide transaction, affiliates of BRS were issued senior subordinated notes with a face value of approximately \$7.6 million and a corresponding pro rata share of the limited liability company interests instead of the transaction fee payable under the management agreement. BRS and its affiliates no longer hold any senior subordinated notes.

#### **Other Related Party Transactions**

John M. Engquist, our Chief Executive Officer and President, and his sister, Kristan Engquist Dunne, each have a 16.6% ownership interest in a joint venture, from which we lease our Baton Rouge, Louisiana and Kenner, Louisiana facilities. Mr. Engquist's mother beneficially owns 50% of such joint venture. In 2002, 2003 and 2004, we paid the joint venture a total of approximately \$397,000, \$297,000 and \$329,000, respectively, in lease payments for these facilities.

Mr. Engquist has a 50% ownership interest in T&J Partnership and J&T Company, from which we lease our Shreveport, Louisiana and Lake Charles, Louisiana facilities. Mr. Engquist's mother beneficially owns the other 50% of such entities. In 2002, 2003 and 2004, we paid such entities a total of approximately \$171,000, \$186,000 and \$207,000, respectively, in lease payments for these facilities. In January 2005, J&T Company sold the Lake Charles, Louisiana parcel to an unaffiliated third party.

Mr. Engquist and his wife each hold a 50% ownership interest in John Engquist LLC, from which we lease our Alexandria, Louisiana facility. In 2002, 2003 and 2004, we paid such entity a total of approximately \$48,000, \$48,000 and \$53,000, respectively, in lease payments for this facility.

We charter an aircraft from Gulf Wide Aviation, in which Mr. Engquist and his mother each have a 50% ownership interest. We pay an hourly rate to Gulf Wide Aviation for the use of the aircraft by various members of our management. In addition, a portion of one pilot's salary is paid by us. In 2002,

2003 and 2004, our payments in respect of charter costs to Gulf Wide Aviation and salary to the pilot totaled approximately \$294,000, \$244,000 and \$273,000, respectively.

Mr. Engquist has a 25% ownership interest in Perkins-McKenzie Insurance Agency, Inc. ("Perkins-McKenzie"), an insurance brokerage. Perkins-McKenzie brokers a substantial portion of our liability insurance. As the broker, Perkins-McKenzie receives a commission from our insurance provider based upon the premiums paid to our insurance provider. In 2002, 2003 and 2004, these commissions were approximately \$400,000, \$600,000 and \$650,000, respectively.

We purchase products and services from, and sell products and services to a company, B-C Equipment Sales, Inc., in which Mr. Engquist has a 50% ownership interest. In 2002, 2003 and 2004, our purchases totaled approximately \$606,000, \$573,000 and \$129,000, respectively, and our sales totaled approximately \$170,000, \$194,000 and \$64,000, respectively.

Don M. Wheeler, an equity holder, has an ownership interest and controls Silverado Investments, Wheeler Investments and WG LLC, from which we lease our Salt Lake City, Utah, Colorado Springs, Colorado, Phoenix, Arizona, Tucson, Arizona and Denver, Colorado facilities. In 2002, 2003 and 2004, our lease payments to such entities totaled approximately \$1,270,000, \$1,437,000 and \$1,358,000, respectively for these facilities.

Dale W. Roesener, Vice President, Fleet Management, has a 47.6% ownership interest in Aero SRD LLC, from which we lease our Las Vegas, Nevada facility. In 2002, 2003 and 2004, our lease payments to such entity totaled approximately \$471,000, \$519,000 and \$489,000, respectively for this facility.

In connection with the recapitalization of H&E in 1999, we entered into a \$3.0 million consulting and non-competition agreement with Thomas R. Engquist, the father of John M. Engquist, our Chief Executive Officer and President. The agreement provided for total payments over a ten-year term, payable in increments of \$25,000 per month. Mr. Thomas Engquist was obligated to provide us consulting services and to comply with the non-competition provision set forth in the Recapitalization Agreement between us and others dated June 19, 1999. The parties specifically acknowledged and agreed that in the event of the death of Mr. Engquist during the term of the agreement, the payments that otherwise would have been payable to Mr. Engquist under the agreement shall be paid to his heirs (including John M. Engquist). Due to Mr. Thomas Engquist's passing away during 2003, we will not be provided with any further consulting services. Therefore, we recorded a \$1.3 million expense during 2003 for the present value of the remaining future payments. As of December 31, 2004, the balance for this obligation amounted to \$1,062,000.

We had a prior management agreement with BRS and its affiliates, under which we were obligated to pay the lesser of \$500,000 or 1% of earnings before interest, taxes, depreciation and amortization. The total paid for the year ended December 31, 2002 was \$670,000. The management agreement terminated on June 17, 2002.

We had consulting and non-competition agreements with two former stockholders of Coastal Equipment, Inc., acquired in 1999, for \$1.0 million, which amount was paid in four annual installments of \$250,000 beginning March 1, 2000 and ending March 31, 2003.

We expensed \$612,000 and \$363,000 in 2004 to the deferred compensation accounts of Gary W. Bagley, our Chairman, and Kenneth R. Sharp, Jr., an executive officer, respectively.

Mr. Engquist's son is one of our employees and received compensation of approximately \$64,000 and \$83,000 in 2003 and 2004, respectively.

Bradley W. Barber's brother is one of our employees and received compensation of approximately \$63,000 in 2004.

## DESCRIPTION OF CAPITAL STOCK

Our authorized common stock currently consists of \_\_\_\_\_ shares of our common stock, \$0.01 par value, and \_\_\_\_\_ shares of our preferred stock, \$ \_\_\_\_\_ par value, the rights and preferences of which may be established from time to time by our board of directors.

Currently we are a wholly-owned subsidiary of H&E Holdings. After giving effect to the Reorganization Transactions but immediately prior to this offering, we will have approximately \_\_\_\_\_ shares of our common stock outstanding held by \_\_\_\_\_ stockholders of record, and no shares of preferred stock outstanding. After completion of this offering, we expect to have \_\_\_\_\_ shares of common stock outstanding and no shares of preferred stock outstanding.

The following description summarizes the terms of our capital stock. Because it is only a summary, it does not contain all the information that may be important to you. For a complete description you should refer to our certificate of incorporation and bylaws, as in effect immediately following the closing of this offering, copies of which have been filed as exhibits to the registration statement of which this prospectus is a part.

### Common Stock

The holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders. Our stockholders do not have cumulative voting rights in the election of directors. Subject to preferences that may be granted to any outstanding shares of preferred stock, holders of our common stock are entitled to receive ratably those dividends as may be declared by our board of directors out of funds legally available therefore, as well as any other distributions made to our stockholders. See "Dividend Policy." In the event of our liquidation, dissolution, or winding up, holders of our common stock are entitled to share ratably in all of our assets remaining after we pay our liabilities and distribute the liquidation preference to holders of our outstanding shares of preferred stock. Holders of our common stock have no preemptive or other subscription or conversion rights. There are no redemption or sinking fund provisions applicable to our common stock.

### Preferred Stock

Our board of directors will have the authority, without further action by our stockholders, to issue our preferred stock in one or more series and to fix the rights, preferences, privileges, and restrictions thereof. These rights, preferences, and privileges include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms, and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of our common stock. The issuance of our preferred stock could adversely affect the voting power of our holders of common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of our preferred stock could have the effect of delaying, deferring, or preventing a change in our control.

### Registration Rights

Under a registration rights agreement (which in connection with the Reorganization Transactions will be amended to apply to our common stock held by the parties) between H&E Holdings, affiliates of BRS, certain members of management and other members of H&E Holdings, the holders of a majority of the then-outstanding shares of common stock held by BRS Co-Investment and BRSEC Co-Investment II have the right to require us, subject to certain conditions, to register any or all of their common stock under the Securities Act at our expense. In addition, subject to certain conditions, certain former holders of the common equity interests of H&E Holdings are entitled to request the inclusion of the common stock they currently hold subject to the registration rights

agreement in any registration statement at our expense whenever we propose to register any of our common stock under the Securities Act. In connection with all such registrations, we have agreed to indemnify such holders against certain liabilities, including liabilities under the Securities Act.

Under an investor rights agreement (which, in connection with the Reorganization Transactions, will be amended to apply to our common stock held by the parties) between H&E Holdings, certain affiliates of BRS, Credit Suisse First Boston Corporation, the predecessor of Credit Suisse First Boston LLC, an underwriter of this offering, and other members of H&E Holdings. Subject to certain conditions, on any two occasions after 180 days after the first public offering, the holders of 33% or more of the equity interests issued to the investor on the date of the investor rights agreement (or successor securities) have the right to require us to register all or part of the common stock represented by such equity interests under the Securities Act at our expense. In addition, the investor is entitled to request the inclusion of any common stock subject to the investor rights agreement in any registration statement at our expense whenever we propose to register any of our common stock under the Securities Act. In connection with all such registrations, we have agreed to indemnify the investor against certain liabilities, including liabilities under the Securities Act.

#### **Anti-takeover Effects of Provisions of Our Certificate of Incorporation and Bylaws**

Certain provisions of our certificate of incorporation and bylaws could have anti-takeover effects. These provisions are intended to enhance the likelihood of continuity and stability in the composition of our corporate policies formulated by our board of directors. In addition, these provisions also are intended to ensure that our board of directors will have sufficient time to act in what our board of directors believes to be in the best interests of us and our stockholders. These provisions also are designed to reduce our vulnerability to an unsolicited proposal for our takeover that does not contemplate the acquisition of all of our outstanding shares or an unsolicited proposal for the restructuring or sale of all or part of us. The provisions are also intended to discourage certain tactics that may be used in proxy fights. However, these provisions could delay or frustrate the removal of incumbent directors or the assumption of control of us by the holder of a large block of common stock, and could also discourage or make more difficult a merger, tender offer, or proxy contest, even if such event would be favorable to the interest of our stockholders.

*Written Consent of Stockholders.* Our certificate of incorporation and bylaws provide that any action required or permitted to be taken by our stockholders must be taken at a duly called meeting of stockholders and not by written consent. Elimination of actions by written consent of stockholders may lengthen the amount of time required to take stockholder actions because actions by written consent are not subject to the minimum notice requirement of a stockholder's meeting. The elimination of actions by written consent of the stockholders may deter hostile takeover attempts. Without the availability of actions by written consent of the stockholders, a holder controlling a majority of our capital stock would not be able to amend our bylaws without holding a stockholders meeting. To hold such a meeting, the holder would have to obtain the consent of a majority of the board of directors, the chairman of the board or the chief executive officer to call a stockholders' meeting and satisfy the applicable notice provisions set forth in our bylaws.

*Amendment of the Bylaws.* Under Delaware law, the power to adopt, amend or repeal a corporation's bylaws is conferred upon the stockholders. A corporation may, however, in its certificate of incorporation also confer upon the board of directors the power to adopt, amend or repeal its bylaws. Our certificate of incorporation and bylaws grant our board the power to alter, amend and repeal our bylaws, or adopt new bylaws, on the affirmative vote of a majority of the directors then in office. Our stockholders may alter, amend or repeal our bylaws, or adopt new bylaws, but only at a regular or special meeting of stockholders by an affirmative vote of not less than  $66\frac{2}{3}\%$  in voting power of all outstanding shares of our capital stock entitled to vote generally at an election of directors, voting together as a single class.

*Amendment of Certificate of Incorporation.* The provisions of our certificate of incorporation that could have anti-takeover effects as described above are subject to amendment, alteration, repeal, or rescission either by (i) our board of directors without the assent or vote of our stockholders or (ii) the affirmative vote of not less than 66<sup>2</sup>/<sub>3</sub>% in voting power of all outstanding shares of our capital stock entitled to vote generally at an election of directors, voting together as a single class, depending on the subject provision. This requirement makes it more difficult for stockholders to make changes to the provisions in our certificate of incorporation which could have anti-takeover effects by allowing the holders of a minority of the voting securities to prevent the holders of a majority of voting securities from amending these provisions.

*Special Meetings of Stockholders.* Our bylaws preclude our stockholders from calling special meetings of stockholders or requiring the board of directors or any officer to call such a meeting or from proposing business at such a meeting. Our bylaws provide that only a majority of our board of directors, the chairman of the board or the chief executive officer can call a special meeting of stockholders. Because our stockholders do not have the right to call a special meeting, a stockholder can not force stockholder consideration of a proposal over the opposition of the board of directors by calling a special meeting of stockholders prior to the time a majority of the board of directors, the chairman of the board or the chief executive officer believes the matter should be considered or until the next annual meeting provided that the requestor met the notice requirements. The restriction on the ability of stockholders to call a special meeting means that a proposal to replace board members also can be delayed until the next annual meeting.

*Other Limitations on Stockholder Actions.* Advance notice is required for stockholders to nominate directors or to submit proposals for consideration at meetings of stockholders. This provision may have the effect of precluding the conduct of certain business at a meeting if the proper notice is not provided and may also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company. In addition, the ability of our stockholders to remove directors without cause is precluded.

### **Section 203 of the General Corporation Law of the State of Delaware**

We are subject to Section 203 of the General Corporation Law of the State of Delaware, which prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that such stockholder became an interested stockholder, with the following exceptions:

- prior to such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested holder;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned by persons who are directors and also officers and by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; and
- on or subsequent to such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least 66<sup>2</sup>/<sub>3</sub>% of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines business combination to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;

- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loss, advances, guarantees, pledges, or other financial benefits by or through the corporation.

In general, Section 203 defines an interested stockholder as an entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation or any entity or person affiliated with or controlling or controlled by such entity or person.

#### **Transfer Agent and Registrar**

The transfer agent and registrar for shares of our common stock is \_\_\_\_\_ .

#### **Listing**

We have applied to have our common stock approved for quotation on The Nasdaq National Market under the symbol "HEES."

## DESCRIPTION OF INDEBTEDNESS

### Senior Credit Facility

H&E entered into a senior secured credit facility on June 17, 2002 as amended to date. The senior secured credit facility with GE Capital as administrative agent and a syndicate of banks formed by Bank of America, N.A., consists of a senior secured credit facility in an aggregate principal amount not to exceed \$165.0 million with an extended maturity date to February 2009.

Subject to compliance with customary conditions precedent and to the extent of availability under a collateral borrowing base, revolving loans and swing line loans are available at any time prior to the final maturity of the senior secured credit facility. Other than certain mandatory prepayments, amounts repaid under the senior secured credit facility may be reborrowed prior to the final maturity of the senior credit facility, as amended, provided that availability requirements are met. Letters of credit are available at any time and have an expiry date occurring no later than one year after issuance and, in any case, no later than the final maturity of the senior secured credit facility, as amended.

All our obligations under the senior secured credit facility are unconditionally guaranteed by H&E LLC and by each of our existing and each subsequently acquired or organized domestic subsidiary. The senior secured credit facility and the related guarantees are secured by all of our present and future assets and all present and future assets of each guarantor, including but not limited to (i) a first-priority pledge of all of the outstanding capital stock owned by us and each guarantor and (ii) perfected first-priority security interests in all of our present and future tangible and intangible assets and the present and future tangible and intangible assets of each guarantor.

Revolving loans under the senior secured credit facility bear interest at our option, either (i) at a floating rate equal to the index rate plus the applicable margin set forth in the credit agreement, or, absent a default, (ii) at a fixed rate for a period of one, two, three or six months equal to the reserve adjusted London interbank offered rate ("LIBOR") plus the applicable margin set forth in the credit agreement, based upon the aggregate amount of revolving loans outstanding from time to time. Swing line loans under the senior secured credit facility, as amended, bear interest at the index rate plus the applicable revolver index margin set forth in the credit agreement, based upon the aggregate amount of the swing line loan outstanding from time to time. Interest on loans based upon the index rate are payable on the first business day of each month in which such loan is outstanding and interest on loans based on LIBOR are payable at the last day of the applicable LIBOR period and, in the case of any LIBOR period greater than three months in duration, interest shall be payable at three month intervals. While a default is continuing, interest may accrue at 2.0% above the rate otherwise applicable at the option of the agent under the senior secured credit facility, as amended, or a required percentage of lenders thereunder. Notwithstanding the foregoing, interest on all loans under the senior secured credit facility, as amended, are payable at the time of repayment of any such loans, and at maturity. In addition to paying on any outstanding principal amount under the senior secured credit facility, as amended, we are required to pay an unused facility fee to the senior lenders equal to 0.5% per annum of the average unused daily balance of the senior secured credit facility, as amended, commencing on the execution and delivery of the senior secured credit facility and payable monthly in arrears, based upon the actual number of days elapsed in a 360 day year. The applicable margins on interest rates and letter of credit fees under the facility are equal to (i) for each fiscal month in which the daily average excess availability for the immediately preceding fiscal month is equal to or more than \$40 million, the LIBOR margin will be 2.25%, the index margin will be 0.75% and the letter of credit margin will be 2.25%, (ii) for each fiscal month in which the daily average excess availability for the immediately preceding fiscal month was less than \$40 million, the LIBOR margin will be 2.50%, the index margin will be 1.00% and the letter of credit margin will be 2.50%, and (iii) for each fiscal month in which the daily average excess availability for the immediately preceding fiscal month was less

than \$25 million, the LIBOR margin will be 2.75%, the index margin will be 1.25% and the letter of credit margin will be 2.75%

The senior secured credit facility, as amended, contains representations and warranties, covenants (including limitations on incurrence of liens, incurrence of debt, voluntary prepayment of debt, modification of equity interests and agreements, issuance of equity interests, payment of dividends, transactions with affiliates, capital expenditures, loans, advances and investments), events of default and remedies and other provisions customary for credit facilities of this type.

The senior secured credit facility, as amended, also contains the following financial covenants that require us to maintain certain financial ratios, on a consolidated basis, at the end of each fiscal quarter:

- maximum ratio of senior debt to tangible assets (each as defined in the senior secured credit facility) as of the last day of such fiscal quarter of not more than 1.10 to 1.00 for such fiscal quarter;
- maximum ratio of funded debt plus operating lease payoff value to EBITDAR (each as defined in the senior secured credit facility) as of the last day of such fiscal quarter and for the twelve-month period then ended of not more than (i) 5.70 to 1.00 for each fiscal quarter ending on or after March 31, 2005 and on or prior to December 31, 2005, (ii) 5.40 to 1.00 for each fiscal quarter ending on or after March 31, 2006 and on or prior to December 31, 2006, (iii) 5.30 to 1.00 for each fiscal quarter ending on or after March 31, 2007 and on or prior to December 31, 2007, and (iv) 5.20 to 1.00 for each fiscal quarter thereafter;
- minimum ratio of equipment inventory rental revenues to equipment inventory rental expenditures (each as defined in the senior secured credit facility) for the twelve-month period then ended of not less than 28%; and
- minimum ratio of EBITDAR to interest expense, plus operating lease payments, plus capital lease payments, plus restricted payments (to the extent not already included) (each as defined in the senior secured credit facility) for the twelve-month period then ended of not less than (i) 1.25 to 1.00 for each fiscal quarter ending on or prior to December 31, 2005, (ii) 1.35 to 1.00 for each fiscal quarter ending on or after March 31, 2006 and on or prior to December 31, 2007, and (iii) 1.40 to 1.00 for each fiscal quarter thereafter.

We have paid and will continue to pay the senior lenders certain syndication and administration fees, reimburse certain expenses and provide certain indemnities, in each case which are customary for credit facilities of this type.

#### **The Senior Secured Notes**

In connection with the financing of the Gulf Wide transaction, H&E LLC and H&E Finance Corp. issued \$200 million in aggregate principal amount of its senior secured notes due 2012. As of September 30, 2005, we had \$198.8 million aggregate principal amount of the senior secured notes outstanding.

The senior secured notes bear interest at 11<sup>1</sup>/<sub>8</sub>% per year, payable semi-annually, and mature on June 15, 2012.

The senior secured notes were jointly and severally guaranteed on a senior secured basis by all of the existing and future domestic restricted subsidiaries of H&E LLC and H&E Finance Corp.

The senior secured notes rank senior to all of H&E LLC's, H&E Finance Corp.'s and the guarantors' existing and future senior unsecured indebtedness and junior to all of H&E LLC's, H&E Finance's and the guarantors' senior indebtedness secured by first-priority liens (including borrowings



under the senior secured credit facility) and to obligations under secured floor plan financing and under capitalized leases.

If there is a change of control (as defined in the indenture governing the senior secured notes), H&E LLC and H&E Finance Corp. must give holders of the senior secured notes the opportunity to sell us their notes at a purchase price equal to 101% of their principal amount.

The indenture governing the senior secured notes contains covenants that limit H&E LLC's and H&E Finance Corp.'s ability and that of the restricted subsidiaries' ability to:

- incur additional indebtedness;
- create liens;
- engage in sale-leaseback transactions;
- pay dividends or make other equity distributions;
- purchase or redeem capital stock;
- make certain investments;
- sell assets;
- engage in transactions with affiliates; and
- consolidate, merger or sell all or substantially all of its assets.

#### **The Senior Subordinated Notes**

In connection with the financing of the Gulf Wide transaction, H&E LLC and H&E Finance Corp. issued \$53.0 million in aggregate principal amount of its senior subordinated notes due 2013. As of September 30, 2005, we had \$43.9 million aggregate principal amount of the senior subordinated notes outstanding.

The senior subordinated notes bear interest at 12<sup>1</sup>/<sub>2</sub>% per year, payable semi-annually, and mature on June 15, 2013.

The senior subordinated notes were jointly and severally guaranteed on a senior subordinated basis by all of the existing and future domestic restricted subsidiaries of H&E LLC and H&E Finance Corp.

The senior subordinated notes rank junior to all senior debt of H&E LLC's, H&E Finance Corp.'s and subsidiary guarantors (including the senior secured notes), junior to all of the liabilities of any future subsidiaries of H&E LLC and H&E Finance Corp. that do not guarantee the notes, equally with H&E LLC's, H&E Finance Corp.'s and the guarantors' existing and future senior subordinated indebtedness and senior to all subordinated indebtedness.

If there is a change of control (as defined in the indenture governing the senior subordinated notes), H&E LLC and H&E Finance Corp. must give holders of the senior subordinated notes the opportunity to sell us their notes at a purchase price equal to 101% of their principal amount.

The indenture governing the senior subordinated notes contains covenants that limit H&E LLC's and H&E Finance Corp.'s ability and that of the restricted subsidiaries' ability to:

- incur additional indebtedness;
- create liens;
- engage in sale-leaseback transactions;
- pay dividends or make other equity distributions;
- purchase or redeem capital stock;
- make certain investments;
- sell assets;
- engage in certain transactions with affiliates; and
- consolidate, merger or sell all or substantially all of its assets.

## SHARES ELIGIBLE FOR FUTURE SALE

Prior to the offering, there has been no public market for our common stock. Future sales of substantial amounts of our common stock in the public market, or the possibility of such sales occurring, could adversely affect the prevailing market price and our ability to raise equity capital in the future.

Based on the number of shares outstanding at \_\_\_\_\_, 2005, after this offering we will have \_\_\_\_\_ outstanding shares of common stock, assuming no exercise of the underwriters' over-allotment option and no exercise of outstanding options or warrants after \_\_\_\_\_, 2005. Of the outstanding shares, the shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, except that any shares held by our "affiliates" as that term is defined in Rule 144 promulgated under the Securities Act may only be sold in compliance with the limitations described below. The remaining \_\_\_\_\_ shares of common stock held by existing security holders are restricted and may first be sold at various times after 180 days from the date of this prospectus, as all are subject to contractual lock-up agreements with us.

Restricted securities may be sold in the public market only if registered under the Securities Act or if they qualify for an exemption from registration described below under Rules 144, 144(k) or 701 promulgated under the Securities Act.

All of our named executive officers and directors and certain of our security holders have entered into lock-up agreements pursuant to which they have agreed, subject to limited exceptions, not to offer or sell any shares of common stock or securities convertible into or exchangeable or exercisable for common stock for a period of 180 days from the date of this prospectus without the prior written consent of Credit Suisse First Boston LLC and UBS Securities LLC which may, at any time and without notice, waive any of the terms of the lock-up. Following the lock-up period, these shares will not be eligible for sale in the public market without registration under the Securities Act unless these sales meet the conditions and restrictions of Rules 144 or 701 as described below. As restrictions on resale end, the market price could drop significantly if the holders of these restricted shares sell them or are perceived by the market as intending to sell them.

The 180-day period under the lock-up agreements may be extended under specified circumstances. See the section of this prospectus entitled "Underwriting."

In general, under Rule 144 as currently in effect, any person (or persons whose shares are aggregated), including an affiliate, who has beneficially owned shares for a period of at least one year is entitled to sell, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the then-outstanding common stock, or approximately \_\_\_\_\_ shares based on the number of shares to be outstanding immediately after this offering; or
- the average weekly trading volume in the common stock during the four calendar weeks immediately preceding the date on which the notice of such sale on Form 144 is filed with the SEC.

Sales under Rule 144 are also subject to certain provisions relating to notice and manner of sale and the availability of current public information about us.

In addition, a person (or persons whose shares are aggregated) who is not deemed to have been one of our affiliates at any time during the 90 days immediately preceding a sale, and who has beneficially owned the shares for at least two years, would be entitled to sell such shares under Rule 144(k) without regard to the volume limitation and other conditions described above. Therefore, unless otherwise restricted, Rule 144(k) shares may be sold immediately upon the completion of this offering. The foregoing summary of Rule 144 is not intended to be a complete description.

Subject to limitations on the aggregate offering price of a transaction and other conditions, Rule 701 may be relied upon with respect to the resale of securities originally purchased from us by our employees, directors, officers, consultants or advisors prior to the date we become subject to the reporting requirements of the Exchange Act. To be eligible for resale under Rule 701, shares must have been issued pursuant to written compensatory benefit plans or written contracts relating to the compensation of such persons. In addition, the SEC has indicated that Rule 701 will apply to typical stock options granted by an issuer before it becomes subject to the reporting requirements of the Exchange Act, along with the shares acquired upon exercise of such options (including exercises after the date of the offering). Securities issued in reliance on Rule 701 are restricted securities and, subject to the lock-up agreements described above, beginning 90 days after the date of this prospectus, may be sold by persons other than affiliates, subject only to the manner of sale provisions of Rule 144, and by affiliates, under Rule 144 without compliance with its one-year minimum holding period requirements. The foregoing summary of Rule 701 is not intended to be a complete description.

We intend to file a registration statement under the Securities Act to register the shares of common stock available for issuance pursuant to our equity plans. Shares issued pursuant to these plans after the effective date of such registration statement will be available for sale in the open market and, for our affiliates, subject to the conditions and restrictions of Rule 144. As of \_\_\_\_\_, 2005, options to purchase a total of \_\_\_\_\_ shares of common stock were outstanding.

For a description of certain rights of our existing security holders to require us to register their common stock under the Securities Act, see the section of this prospectus entitled "Description of Capital Stock—Registration Rights."

**MATERIAL UNITED STATES FEDERAL TAX CONSEQUENCES  
TO NON-UNITED STATES HOLDERS**

The following is a summary of the material United States federal income and estate tax consequences of the ownership and disposition of shares of our common stock to a non-United States holder. For purposes of this discussion, a non-United States holder is any beneficial owner that for United States federal income tax purposes is not a United States person; the term United States person means:

- an individual citizen or resident of the United States;
- a corporation or other entity taxable as a corporation or a partnership or entity taxable as a partnership created or organized in the United States or under the laws of the United States or any political subdivision thereof;
- an estate whose income is subject to United States federal income tax regardless of its source; or
- a trust (x) whose administration is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust or (y) which has made a valid election to be treated as a United States person.

If a partnership or other pass-through entity holds common stock, the tax treatment of a partner or member in the partnership or other entity will generally depend on the status of the partner or member and upon the activities of the partnership or other entity. Accordingly, we urge partnerships or other pass-through entities which hold shares of our common stock and partners or members in these partnerships or other entities to consult their tax advisors.

This discussion assumes that non-United States holders will hold shares of our common stock issued pursuant to the offering as a capital asset (generally, property held for investment). This discussion does not address all aspects of United States federal income taxation that may be relevant in light of a non-United States holder's special tax status or special tax situations. United States expatriates, life insurance companies, tax-exempt organizations, dealers in securities or currency, banks or other financial institutions, pension funds and investors that hold shares of common stock as part of a hedge, straddle or conversion transaction are among those categories of potential investors that are subject to special rules not covered in this discussion. This discussion does not address any non-income tax consequences except as noted under "Federal Estate Tax" or any income tax consequences arising under the laws of any state, local or non-United States taxing jurisdiction. Furthermore, the following discussion is based on current provisions of the Internal Revenue Code, Treasury Regulations and administrative and judicial interpretations thereof, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. Additionally, we have not sought any ruling from the Internal Revenue Service, or IRS, with respect to statements made and conclusions reached in this discussion, and there can be no assurance that the IRS will agree with these statements and conclusions. We urge each prospective purchaser to consult a tax advisor regarding the United States federal, state, local and non-United States income and other tax consequences of acquiring, holding and disposing of shares of our common stock.

**Dividends**

We have not made any distributions on our common stock and we do not plan to make any distributions for the foreseeable future. However, if we do make distributions on our common stock, those payments will constitute dividends for United States tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under United States federal income tax principles. To the extent those distributions exceed our current and accumulated earnings and profits, the distributions will constitute a return of capital and will first reduce a holder's basis, but not below

zero, and then will be treated as gain from the sale of shares and may be subject to United States federal income tax as described below.

Any dividend (out of earnings and profits) paid to a non-United States holder of common shares generally will be subject to United States withholding tax either at a rate of 30% of the gross amount of the dividend or such lower rate as may be specified by an applicable tax treaty. In order to receive a reduced treaty rate, a non-United States holder must provide us with an IRS Form W-8BEN or other appropriate version of IRS Form W-8 certifying qualification for the reduced rate.

Dividends received by a non-United States holder that are effectively connected with a United States trade or business conducted by the non-United States holder (and dividends attributable to a non-United States holder's permanent establishment in the United States if a tax treaty applies) are exempt from this withholding tax. In order to obtain this exemption, a non-United States holder must provide us with an IRS Form W-8ECI properly certifying this exemption. Effectively connected dividends (and dividends attributable to a permanent establishment), although not subject to withholding tax, are taxed at the same graduated rates applicable to United States persons, net of certain deductions and credits. In addition, dividends received by a corporate non-United States holder that are effectively connected with a United States trade or business of the corporate non-United States holder (and dividends attributable to a corporate non-United States holder's permanent establishment in the United States if a tax treaty applies) may also be subject to a branch profits tax at a rate of 30% (or such lower rate as may be specified in a tax treaty).

A non-United States holder of common shares that is eligible for a reduced rate of withholding tax pursuant to a tax treaty may obtain a refund of any excess amounts currently withheld if an appropriate claim for refund is filed with the IRS.

### **Gain on Disposition of Shares of Common Stock**

A non-United States holder generally will not be subject to United States federal income tax on gain realized upon the sale or other disposition of shares of our common stock unless:

- the gain is effectively connected with a United States trade or business of the non-United States holder (or attributable to a permanent establishment in the United States if a tax treaty applies), which gain, in the case of a corporate non-United States holder, must also be taken into account for branch profits tax purposes;
- the non-United States holder is an individual who holds his or her common shares as a capital asset (generally, an asset held for investment purposes) and who is present in the United States for a period or periods aggregating 183 days or more during the taxable year in which the sale or disposition occurs and certain other conditions are met; or
- our common shares constitutes a United States real property interest by reason of our status as a "United States real property holding corporation" for United States federal income tax purposes at any time within the shorter of the five-year period preceding the disposition or the holder's holding period for shares of our common stock. We believe that we are not currently, and we believe that we will not become, a "United States real property holding corporation" for United States federal income tax purposes. If we are or become a "United States real property holding corporation," so long as our common stock continues to be regularly traded on an established securities market, only a non-United States holder who, actually or constructively, holds or held (at any time during the shorter of the five year period preceding the date of disposition of the holder's holding period) more than 5% of shares of our common stock will be subject to United States federal income tax on the disposition of shares of our common stock.

## **Backup Withholding and Information Reporting**

Generally, we must report annually to the IRS the amount of dividends paid, the name and address of the recipient, and the amount, if any, of tax withheld. A similar report is sent to the holder. Pursuant to tax treaties or other agreements, the IRS may make its reports available to tax authorities in the recipient's country of residence.

Payments of dividends or of proceeds on the disposition of shares made to a non-United States holder may be subject to information reporting and backup withholding at the then effective rate unless the non-United States holder establishes an exemption, for example, by properly certifying its non-United States status on a Form W-8BEN or another appropriate version of Form W-8. Notwithstanding the foregoing, information reporting and backup withholding may apply if either we or our paying agent has actual knowledge, or reason to know, that the holder is a United States person.

Backup withholding is not an additional tax. Rather, the United States income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund or credit may be obtained, provided that the required information is furnished to the IRS in a timely manner.

## **Federal Estate Tax**

An individual non-United States holder who is treated as the owner, or has made certain lifetime transfers, of an interest in our common stock will be required to include the value thereof in his or her gross estate for United States federal estate tax purposes, and may be subject to United States federal estate tax unless an applicable estate tax treaty provides otherwise.

## UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated \_\_\_\_\_, 2005, we have agreed to sell to the underwriters named below, for whom Credit Suisse First Boston LLC and UBS Securities LLC are acting as representatives, the following respective numbers of shares of common stock:

Underwriter	Number of Shares
Credit Suisse First Boston LLC	
UBS Securities LLC	
Total	

The underwriting agreement provides that the underwriters are obligated to purchase all the shares of common stock in the offering if any are purchased, other than those shares covered by the over-allotment option described below. The underwriting agreement also provides that if an underwriter defaults the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated.

We have granted to the underwriters a 30-day option to purchase on a pro rata basis up to \_\_\_\_\_ additional shares at the initial public offering price less the underwriting discounts and commissions. The option may be exercised only to cover any over-allotments of common stock.

The underwriters propose to offer the shares of common stock initially at the public offering price on the cover page of this prospectus and to selling group members at that price less a selling concession of \$ \_\_\_\_\_ per share. The underwriters and selling group members may allow a discount of \$ \_\_\_\_\_ per share on sales to other broker/dealers. After the initial public offering the underwriters may change the public offering price and concession and discount to broker/dealers.

The following table summarizes the compensation and estimated expenses we will pay:

	Per Share		Total	
	Without Over-allotment	With Over-allotment	Without Over-allotment	With Over-allotment
Underwriting Discounts and Commissions paid by us	\$	\$	\$	\$
Expenses payable by us	\$	\$	\$	\$

The representatives have informed us that the underwriters do not expect sales to accounts over which the underwriters have discretionary authority to exceed 5% of the shares of common stock being offered.

We have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the Securities and Exchange Commission a registration statement under the Securities Act of 1933 (the "Securities Act") relating to, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, without the prior written consent of Credit Suisse First Boston LLC and UBS Securities LLC for a period of 180 days after the date of this prospectus. However, in the event that either (1) during the last 17 days of the "lock-up" period, we release earnings results or material news or a material event relating to us occurs or (2) prior to the expiration of the "lock-up" period, we announce that we will release earnings results during the 16-day period beginning on the last day of the "lock-up" period, then in either case the expiration of the "lock-up" period will be extended until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of the material news or event, as applicable, unless Credit Suisse First Boston LLC and UBS Securities LLC waive, in writing, such an extension.

Our officers, directors and security holders have agreed that they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any of these transactions are to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of Credit Suisse First Boston LLC and UBS Securities LLC for a period of 180 days after the date of this prospectus.

The foregoing "lock-up" restrictions will not apply to (i) transfers of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock made as a *bona fide* gift, provided that the donee or donees agree to be bound by the terms of the lock-up agreement prior to the transfer, (ii) transfers of shares of our common stock or securities convertible or exchangeable or exercisable for any shares of our common stock to a family member of the security holder or to any trust for the direct or indirect benefit of the security holder or a family member of the security holder, provided that the transferee agrees to be bound in writing by the terms of the lock-up agreement prior to the transfer, (iii) any shares of our common stock acquired by the security holder in the open market, provided that no filing by any party under the Exchange Act shall be required or shall be voluntarily made in connection with subsequent sales of such shares, and (iv) distributions to partners, members, stockholders or affiliates of a security holder that is a limited partnership, limited liability company or corporation, provided that the distributees agree to be bound in writing by the terms of the lock-up agreement prior to the distribution. With respect to the foregoing clauses (i), (ii) and (iv), it shall be a condition to the transfer or distribution that the donee, transferee or distributee, as applicable, shall not be required to, and shall not voluntarily, file a report under Section 16(a) of the Exchange Act reporting a reduction in beneficial ownership of shares of our common stock during the "lock-up" period.

The underwriters have reserved for sale at the initial public offering price up to \_\_\_\_\_ shares of the common stock for employees, directors and other persons associated with us who have expressed an interest in purchasing common stock in the offering. The number of shares available for sale to the general public in the offering will be reduced to the extent these persons purchase the reserved shares. Any reserved shares not so purchased will be offered by the underwriters to the general public on the same terms as the other shares.

We have agreed to indemnify the underwriters against liabilities under the Securities Act, or contribute to payments that the underwriters may be required to make in that respect.

We have applied to have our shares of common stock approved for quotation on The Nasdaq National Market subject to official notice of issuance under the symbol "HEES."

Some of the underwriters and their affiliates have provided, and may provide in the future, investment banking and other financial services for us in the ordinary course of business, for which they have received and would receive customary compensation. In connection with the financing of the Gulf Wide transaction in June 2002, Credit Suisse First Boston LLC was an initial purchaser of our senior secured notes, senior subordinated notes and an amount of our Common Units and Preferred Units, for which it received customary compensation. Credit Suisse First Boston LLC currently beneficially owns approximately \$3.0 million (approximately 6%) of our senior subordinated notes and is the record holder of various series of our Common Units and Preferred Units which it purchased in the Gulf Wide transaction and which in the aggregate, after giving effect to the Reorganization Transactions, will represent less than 1% of our common stock then outstanding.

Prior to the offering, there has been no public market for the common stock. The initial public offering price for the common stock will be determined by negotiation between us and the



representatives, and may not reflect the market price for the common stock following the offering. The principal factors, in addition to prevailing market conditions, considered in determining the initial public offering price will include:

- the history of and prospects for our industry;
- an assessment of our management;
- our present operations;
- our historical results of operations;
- our earnings prospects;
- the general condition of the securities markets at the time of the offering; and
- the recent market prices of, and the demand for, publicly traded common stock of generally comparable companies.

We cannot be sure that the initial public offering price will correspond to the price at which the common stock will trade in the public market following this offering or that an active trading market for the common stock will develop and continue after this offering.

In connection with the offering the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Exchange Act.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any covered short position by either exercising their over-allotment option and/or purchasing shares in the open market.
- Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.
- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on The Nasdaq National Market and, if commenced, may be discontinued at any time.

A prospectus in electronic format may be made available on the web sites maintained by one or more of the underwriters, or selling group members, if any, participating in this offering and one or more of the underwriters participating in this offering may distribute prospectuses electronically. The representatives may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make internet distributions on the same basis as other allocations.

## NOTICE TO CANADIAN RESIDENTS

### Resale Restrictions

The distribution of our common stock in Canada is being made only on a private placement basis exempt from the requirement that we prepare and file a prospectus with the securities regulatory authorities in each province where trades of our common stock are made. Any resale of our common stock in Canada must be made under applicable securities laws which will vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of our common stock.

### Representations of Purchasers

By purchasing our common stock in Canada and accepting a purchase confirmation a purchaser is representing to us and the dealer from whom the purchase confirmation is received that:

- the purchaser is entitled under applicable provincial securities laws to purchase the common stock without the benefit of a prospectus qualified under those securities laws;
- where required by law, that the purchaser is purchasing as principal and not as agent; and
- the purchaser has reviewed the text above under "Resale Restrictions."

### Rights of Action—Ontario Purchasers Only

Under Ontario securities legislation, a purchaser who purchases a security offered by this prospectus during the period of distribution will have a statutory right of action for damages, or while still the owner of the shares, for rescission against us in the event that this prospectus contains a misrepresentation without regard to whether the purchaser relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action and three years from the date on which payment is made for the shares. The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the shares. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against us. In no case will the amount recoverable in any action exceed the price at which the shares were offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, we will have no liability. In the case of an action for damages, we will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the shares as a result of the misrepresentation relied upon. These rights are in addition to, and without derogation from, any other rights or remedies available at law to an Ontario purchaser. The foregoing is a summary of the rights available to an Ontario purchaser. Ontario purchasers should refer to the complete text of the relevant statutory provisions.

### Enforcement of Legal Rights

All of our directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

## **Taxation and Eligibility for Investment**

Canadian purchasers of our common stock should consult their own legal and tax advisors with respect to the tax consequences of an investment in the common stock in their particular circumstances and about the eligibility of the common stock for investment by the purchaser under relevant Canadian legislation.

## **LEGAL MATTERS**

The validity of the shares of our common stock offered hereby will be passed on for us by Dechert LLP, New York, New York, and for the underwriters by Latham & Watkins LLP, New York, New York.

## **EXPERTS**

The consolidated financial statements and schedule of H&E Equipment Services L.L.C. included in this prospectus and in the registration statement have been audited by BDO Seidman, LLP, an independent registered public accounting firm, to the extent and for the periods set forth in their report appearing elsewhere herein and in the registration statement, and are included in reliance upon such report given upon the authority of said firm as experts in auditing and accounting.

The consolidated financial statements of Eagle High Reach Equipment, Inc. and subsidiary included in this prospectus and registration statement have been audited by Perry-Smith LLP, an independent auditor, to the extent and for the periods indicated in their report appearing elsewhere herein, and are included in reliance upon such report and upon the authority of such firm as experts in accounting and auditing.

## **WHERE YOU CAN FIND MORE INFORMATION**

This prospectus is part of a registration statement on Form S-1 that we have filed with the Securities and Exchange Commission under the Securities Act of 1933 covering the common stock we are offering. As permitted by the rules and regulations of the SEC, this prospectus omits certain information contained in the registration statement. For further information with respect to us and our common stock, you should refer to the registration statement and to its exhibits and schedules. Statements contained in this prospectus regarding the contents of any agreement or other document are not necessarily complete. You should refer in each instance to the copy of the agreement filed or incorporated by reference as an exhibit to the registration statement, each such statement being qualified in all respects by the document to which it refers. We are also required to file annual, quarterly and special reports, and other information with the SEC under the Securities Act of 1933.

You can read the registration statement and the exhibits and schedules filed with the registration statement or any reports, statements or other information we have filed or file, at the public reference facilities maintained by the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at its regional office located at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. You may also obtain copies of the documents from such offices upon payment of the prescribed fees. You may call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. You may also request copies of the documents upon payment of a duplicating fee, by writing to the SEC. In addition, the SEC maintains a web site that contains reports and other information regarding registrants (including us) that file electronically with the SEC, which you can access at <http://www.sec.gov>.

In addition, the you may request copies of this filing and such other reports as we may determine or as the law requires at no cost, by telephone at (225) 298-5200, or by mail to H&E Equipment Services, Inc., 11100 Mead Road, Suite 200, Baton Rouge, Louisiana 70816, Attention: Investor Relations.

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## Report of Independent Registered Public Accounting Firm

The Board of Directors  
H&E Equipment Services L.L.C.

We have audited the accompanying consolidated balance sheets of H&E Equipment Services L.L.C. and subsidiaries as of December 31, 2004 and 2003 and the related consolidated statements of operations, members' deficit and cash flows for each of the three years in the period ended December 31, 2004. We have also audited the schedule listed in Item 16 of Form S-1. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and schedule are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. Our audits included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement and schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of H&E Equipment Services L.L.C. and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the schedule presents fairly, in all material respects, the information set forth herein.

As discussed in Note 20 to the consolidated financial statements the fiscal 2003 and 2002 financial statements have been restated to correct errors in the accounting for deferred taxes in connection with the Company's combination with ICM Equipment Company on June 17, 2002.

/s/ BDO Seidman, LLP

Dallas, Texas  
September 28, 2005,  
except for Note 22, which is as of October 13, 2005

H&E EQUIPMENT SERVICES L.L.C.

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2004 AND 2003 (RESTATED)

(Dollars in thousands)

	2004	2003 (restated)
<b>Assets</b>		
Cash	\$ 3,358	\$ 3,891
Receivables, net of allowance for doubtful accounts of \$2,732 and \$3,188, respectively	68,902	62,615
Inventories, net of reserve for obsolescence of \$1,490 and \$1,235, respectively	56,811	44,078
Prepaid expenses and other assets	1,044	2,521
Rental equipment, net of accumulated depreciation of \$124,411 and \$114,014, respectively	243,630	261,154
Property and equipment, net of accumulated depreciation and amortization of \$17,674 and \$13,942, respectively	16,101	15,327
Deferred financing costs, net of accumulated amortization of \$5,092 and \$2,751, respectively	10,251	11,235
Goodwill, net	8,572	8,572
	<hr/>	<hr/>
Total assets	\$ 408,669	\$ 409,393
	<hr/>	<hr/>
<b>Liabilities and Member's Deficit</b>		
Liabilities:		
Amount due on senior secured credit facility	\$ 55,293	\$ 43,958
Accounts payable	92,592	91,446
Accrued expenses payable and other liabilities	20,919	15,901
Accrued loss from litigation	17,434	17,434
Related party obligation	1,062	1,235
Notes payable	727	1,063
Senior secured notes, net of discount	198,761	198,660
Senior subordinated notes, net of discount	43,491	43,010
Capital lease obligations	1,120	5,351
Deferred compensation payable	10,570	10,898
	<hr/>	<hr/>
Total liabilities	441,969	428,956
	<hr/>	<hr/>
Commitments and contingent liabilities (see note 14 of Consolidated Financial Statements)		
Members' deficit	(33,300)	(19,563)
	<hr/>	<hr/>
Total liabilities and members' deficit	\$ 408,669	\$ 409,393
	<hr/>	<hr/>

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

H&E EQUIPMENT SERVICES L.L.C.

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 (RESTATED) AND 2002 (RESTATED)

(Dollars in thousands)

	2004	2003 (Restated)	2002 (Restated)
<b>Revenues:</b>			
Equipment rentals	\$ 160,342	\$ 153,851	\$ 136,624
New equipment sales	116,907	81,692	72,143
Used equipment sales	84,999	70,926	52,487
Parts sales	58,014	53,658	47,218
Service revenue	33,696	33,349	27,755
Other	24,214	20,510	14,778
<b>Total revenues</b>	<b>478,172</b>	<b>413,986</b>	<b>351,005</b>
<b>Cost of Revenues:</b>			
Rental depreciation	49,590	55,244	46,627
Rental expense	50,666	49,696	37,706
New equipment sales	104,111	73,228	65,305
Used equipment sales	67,906	58,145	43,776
Parts sales	41,500	39,086	34,011
Service revenue	12,865	13,043	11,438
Other	28,246	26,433	19,774
<b>Total cost of revenues</b>	<b>354,884</b>	<b>314,875</b>	<b>258,637</b>
<b>Gross profit</b>	<b>123,288</b>	<b>99,111</b>	<b>92,368</b>
Selling, general and administrative expenses	97,525	93,054	78,352
Loss from litigation	—	17,434	—
Related party expense	—	1,275	—
Gain on sale of property and equipment	207	80	59
<b>Income (loss) from operations</b>	<b>25,970</b>	<b>(12,572)</b>	<b>14,075</b>
<b>Other income (expense):</b>			
Interest expense	(39,856)	(39,394)	(28,955)
Other, net	149	221	372
<b>Total other expense, net</b>	<b>(39,707)</b>	<b>(39,173)</b>	<b>(28,583)</b>
Loss before income taxes	(13,737)	(51,745)	(14,508)
Income tax provision (benefit)	—	(5,694)	(6,287)
<b>Net loss</b>	<b>\$ (13,737)</b>	<b>\$ (46,051)</b>	<b>\$ (8,221)</b>
<b>Net loss per common unit</b>	<b>(137)</b>	<b>(461)</b>	<b>(82)</b>
<b>Pro forma net loss per common share (unaudited):</b>			
Basic			
Diluted			
<b>Common shares used to compute pro forma net loss per common share (unaudited):</b>			
Basic			
Diluted			

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

H&E EQUIPMENT SERVICES L.L.C.

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY (DEFICIT)

FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 (RESTATED) AND 2002 (RESTATED)

(Dollars in thousands)

	Series A Senior Preferred	Junior Preferred	Class A Common	Class B Common	Additional Paid-in Capital	Accumulated Deficit	Member's Interest	Total Members' Equity (Deficit)
January 1, 2002 (as previously reported)	\$ 1,235	\$ 5,000	\$ 1,152	\$ 1,152	\$ 50,090	\$ (76,546)	\$ —	\$ (17,917)
Prior period adjustment						(2,790)		(2,790)
Net loss—January 1, 2002 to June 17, 2002	—	—	—	—	—	(2,365)	—	(2,365)
Accretion of liquidation value on Preferred Units outside of equity through June 17, 2002	—	—	—	—	—	(1,009)	—	(1,009)
Members' equity issued with Senior Subordinated Notes at June 17, 2002	—	—	—	—	—	—	7,600	7,600
Conversion of Senior Exchangeable Preferred Units at June 17, 2002	—	—	—	—	—	—	10,652	10,652
Conversion of Senior Subordinated Preferred Units at June 17, 2002	—	—	—	—	—	—	38,173	38,173
Conversion of series A Senior Preferred, Junior Preferred, Class A Common, Class B Common, Additional Paid-in Capital and accumulated deficit to member's interest at June 17, 2002	(1,235)	(5,000)	(1,152)	(1,152)	(50,090)	82,710	(24,081)	—
Net loss—June 17, 2002 to December 31, 2002	—	—	—	—	—	—	(5,856)	(5,856)
December 31, 2002 (restated)	—	—	—	—	—	—	26,488	26,488
Net loss	—	—	—	—	—	—	(46,051)	(46,051)
December 31, 2003 (restated)	—	—	—	—	—	—	(19,563)	(19,563)
Net loss	—	—	—	—	—	—	(13,737)	(13,737)
December 31, 2004	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (33,300)	\$ (33,300)

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



H&E EQUIPMENT SERVICES L.L.C.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 (RESTATED) AND 2002 (RESTATED)

(Dollars in thousands)

	2004	2003 (Restated)	2002 (Restated)
<b>Cash flows from operating activities:</b>			
Net loss	\$ (13,737)	\$ (46,051)	\$ (8,221)
<b>Adjustments to reconcile net loss to net cash provided by operating activities:</b>			
Depreciation on property and equipment	3,642	3,915	3,032
Depreciation on rental equipment	49,590	55,244	46,627
Amortization of other intangible assets	295	—	—
Amortization of loan discounts and deferred financing costs	2,627	2,394	1,091
Provision for losses on accounts receivable	1,395	1,269	1,517
Provision for obsolescence	240	612	121
Gain on sale of property and equipment	(207)	(80)	(59)
Gain on sale of rental equipment	(15,230)	(11,161)	(5,876)
Deferred income taxes	—	(5,717)	(6,322)
<b>Changes in operating assets and liabilities, net of business combination:</b>			
Receivables, net	(7,682)	1,261	(3,145)
Inventories, net	(22,263)	(4,980)	(15,988)
Prepaid expenses and other assets	1,477	(576)	1,433
Accounts payable	1,146	233	9,159
Accrued expenses payable and other liabilities	4,674	4,882	1,460
Accrued loss from litigation	—	17,434	—
Deferred compensation payable	(328)	665	490
<b>Net cash provided by operating activities</b>	<b>5,639</b>	<b>19,344</b>	<b>25,319</b>
<b>Cash flows from investing activities:</b>			
Purchases of property and equipment	(4,558)	(2,483)	(3,821)
Purchases of rental equipment	(72,940)	(30,588)	(52,369)
Proceeds from sale of property and equipment	349	2,700	115
Proceeds from sale of rental equipment	65,396	51,279	33,738
Cash acquired in ICM business combination	—	—	3,643
<b>Net cash (used in) provided by investing activities</b>	<b>(11,753)</b>	<b>20,908</b>	<b>(18,694)</b>
<b>Cash flows from financing activities:</b>			
Net proceeds from issuance of senior secured notes	—	—	198,526
Net proceeds from issuance of senior subordinated notes	—	—	50,009
Payments of amounts due to members	—	—	(13,347)
Payment of deferred financing costs	(887)	(1,089)	(13,466)
Borrowings on senior secured credit facility	479,756	385,504	436,081
Payments on senior secured credit facility	(468,421)	(418,270)	(658,489)
Payments of related party obligation	(300)	(75)	—
Principal payments on notes payable	(336)	(339)	(2,022)
Payments of capital lease obligations	(4,231)	(5,490)	(4,841)
<b>Net cash provided by (used in) financing activities</b>	<b>5,581</b>	<b>(39,759)</b>	<b>(7,549)</b>
<b>Net increase (decrease) in cash</b>	<b>(533)</b>	<b>493</b>	<b>(924)</b>
Cash, beginning of year	3,891	3,398	4,322
<b>Cash, end of year</b>	<b>\$ 3,358</b>	<b>\$ 3,891</b>	<b>\$ 3,398</b>

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

	2004	2003 (Restated)	2002 (Restated)
<b>Supplemental schedule of noncash investing and financing activities:</b>			
Noncash asset purchases:			
Assets transferred from new and used inventory to rental fleet	\$ 9,292	\$ 8,852	\$ 11,602
Members' equity issued with the senior subordinated notes	—	—	7,600
Rental equipment financed under capital lease obligations	—	—	4,182
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid during the year for:			
Interest	\$ 33,648	\$ 35,160	\$ 22,295
Income taxes	19	98	6

**Supplemental Disclosures of Non-Cash Investing and Financing Activities:**

As of December 31, 2004 and 2003, the Company had \$51.2 million and \$51.8 million, respectively, in manufacturer flooring plans payable outstanding, which were used to finance purchases of inventory and rental equipment.

On June 17, 2002, the Company entered into a business combination acquiring substantially all the assets and assuming certain liabilities of ICM Equipment Company L.L.C. The following table sets forth information relating to the acquisition (in thousands)

Fair value of assets acquired	\$ 187,781
Fair value of liabilities assumed	(187,781)
<b>Excess of liabilities assumed over fair value of assets acquired</b>	<b>—</b>

During the first quarter of 2004, the Company entered into a twelve month non-competition agreement with a former vice-president. Accordingly, the Company recorded a \$0.3 million intangible asset and accrued liability. The intangible asset was valued at the present value of the future payments discounted at the Company's weighted average cost over the term of the agreement and is being amortized using the straight-line method over the term of the agreement.

During the third quarter of 2004, the Company entered into a three year non-competition agreement with a former officer. Accordingly, the Company recorded a \$0.1 million intangible asset and accrued liability. The intangible asset was valued at the present value of the future payments discounted at the Company's weighted average cost over the term of the agreement and is being amortized using the straight-line method over the term of the agreement.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except share amounts)

**(1) Organization and Nature of Operations**

**Basis of Presentation**

H&E Equipment Services L.L.C. (H&E Equipment Services) is a wholly-owned subsidiary of H&E Holdings L.L.C. (H&E Holdings). H&E Holdings is principally a holding company conducting all of its operations through H&E Equipment Services (see Note 3). The consolidated financial statements include the results of operations of H&E Equipment Services and its wholly-owned subsidiaries H&E Finance Corp., GNE Investments, Inc. and Great Northern Equipment, Inc., collectively referred to herein as the Company.

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 consolidated balance sheets are presented on an unclassified basis.

**Nature of Operations**

As one of the largest integrated equipment services companies in the United States focused on heavy construction and industrial equipment, we rent, sell and provide parts and service support for four core categories of specialized equipment: (1) hi-lift or aerial platform equipment, (2) cranes, (3) earthmoving equipment, and (4) industrial lift trucks. By providing equipment sales, rental, on-site parts, and repair and maintenance functions under one roof, we are a one-stop provider for our customers' varied equipment needs. This full service approach provides us with multiple points of customer contact, enables us to maintain an extremely high quality rental fleet, as well as an effective distribution channel for fleet disposal and provides cross-selling opportunities among our new and used equipment sales, rental, parts sales and service operations.

**(2) Summary of Significant Accounting Policies**

**Principles of Consolidation and Basis of Presentation**

The accompanying consolidated financial statements include the accounts of H&E Equipment Services and its subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

**Revenue Recognition**

The Company's policy is to recognize revenue from equipment rentals in the period earned, over the contract term, regardless of the timing of the billing to customers. A rental contract term can be daily, weekly or monthly. Because the term of the contracts can extend across financial reporting periods, the Company records unbilled rental revenue and deferred revenue at the end of reporting periods so rental revenue is appropriately stated in the periods presented. Revenue from the sale of equipment and parts is recognized at the time of delivery to, or pick-up by, the customer and when all obligations under the sales contract have been fulfilled and collectability is reasonably assured. Service revenue is recognized at the time the services are rendered. Other revenues consist primarily of billings to customers for rental equipment delivery and damage waiver charges and are recognized at the time an invoice is generated and after the service has been provided.

## **Cash and Cash Equivalents**

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

## **Inventories**

New and used equipment is stated at the lower of cost or market, with cost determined by specific-identification. Parts and supplies are stated at the lower of the average cost or market.

## **Rental Equipment**

Rental equipment purchased by the Company is stated at cost and is depreciated over the estimated useful lives of the equipment using the straight-line method. Estimated useful lives vary based upon type of equipment. Generally, the Company depreciates cranes and aerial work platforms over a ten year useful life, earthmoving equipment over a five year useful life with a 25% salvage value, and industrial lift trucks over a seven year useful life. Attachments and other smaller type equipment are fully depreciated over a three year life.

Ordinary repair and maintenance costs and property taxes are charged to operations as incurred. Expenditures for additions or improvements that extend the useful life of the asset are capitalized in the period incurred. When rental equipment is sold or disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in the Company's consolidated results of operations. Individual offers for fleet are received by the Company on a continual basis at which time the Company performs an analysis on whether or not to accept the offer. The rental equipment is not transferred to inventory under the held for sale model as the equipment is used to generate revenues until the equipment is sold. In accordance with Statement of Financial Accounting Standards No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets*," the Company periodically reviews the carrying value of its long-lived assets for possible impairment. In management's opinion, there is no impairment of long lived assets at December 31, 2004.

## **Property and Equipment**

Property and equipment are recorded at cost and are depreciated over the assets' estimated useful lives using the straight-line method. Ordinary repair and maintenance costs are charged to operations as incurred. The Company periodically reviews the carrying value of its long-lived assets for possible impairment. In management's opinion, there is no impairment of long-lived assets at December 31, 2004. Leasehold improvements are amortized using the straight-line method over their estimated useful

lives or the remaining life of the lease, whichever is shorter. Generally, the Company assigns the following useful lives to these categories:

Category	Estimated Useful Life
Transportation equipment	5 years
Buildings	39 years
Office equipment	5 years
Computer equipment	3 years
Machinery and equipment	7 years

#### **Deferred Financing Costs and Initial Purchasers' Discounts**

Deferred financing costs and initial purchasers' discounts were recorded in 2003 and 2002 in connection with entering into the new senior secured credit facility and issuing senior secured notes and senior subordinated notes (see Note 12). The Company paid a \$0.4 million and \$0.8 million amendment fee in May 2003 and February 2004, respectively, in connection with amending the senior secured credit facility. The amounts are being amortized over the terms of the related debt, utilizing the effective interest method. The amortization expense of deferred financing costs and initial purchasers' discounts is included with interest expense as an overall cost of the financing. During the years ended December 31, 2004, 2003 and 2002, interest expense related to the amortization of these costs totaled \$2,627, \$2,394 and \$1,091, respectively.

#### **Goodwill**

Goodwill recorded in the accompanying consolidated balance sheets was \$8.6 million. The goodwill was established in connection with two separate acquisitions in 1999 and 2002. Prior to the adoption of Statement of Financial Accounting Standards No. 142, "*Goodwill and Other Intangible Assets*" (SFAS No. 142) on January 1, 2002, \$3.2 million of goodwill recorded as a result of the 1999 acquisition was being amortized over 40 years.

The Company adopted the provisions of SFAS No. 142, effective January 1, 2002. The provisions of SFAS No. 142 eliminate the amortization of goodwill and certain intangible assets that are deemed to have indefinite lives and require such assets to be tested for impairment annually and to be written down to fair value, if necessary. Accordingly, the Company does not have goodwill amortization subsequent to December 31, 2001.

The Company made an assessment of its goodwill for impairment during the year ended December 31, 2004 in accordance with SFAS No. 142. Based on the assessment, the Company was not required to adjust the carrying value of its goodwill.

#### **Advertising**

Advertising costs are expensed as incurred and totaled \$1,024, \$1,046, and \$993 for the years ended December 31, 2004, 2003 and 2002, respectively.

**Legal Costs**

Legal costs are expensed as incurred. A significant portion of our legal costs are associated with the litigation as described in Note 14.

**Shipping and Handling Fees and Costs**

Shipping and handling fees billed to customers are recorded as revenues while the related shipping and handling costs are included in other cost of revenues.

**Income Taxes**

The Company files a consolidated federal income tax return with its wholly owned subsidiaries. As a Limited Liability Corporation, the Company has elected to be taxed as a C Corporation under the provisions of the Internal Revenue Code (IRC). Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax assets are reviewed for recoverability and valuation allowances are provided, when necessary, to reduce deferred tax assets to the amounts expected to be realized.

**Fair Value of Financial Instruments**

The carrying amounts reported in the accompanying consolidated balance sheets for accounts receivable, accounts payable, accrued liabilities, and deferred compensation payable approximate fair value due to the immediate or short-term maturity of these financial instruments. The carrying amount of the amended senior secured credit facility approximates fair value due to the fact that the underlying instruments include provisions to adjust interest rates to approximate fair market value. The estimated

fair value of the Company's notes payable, senior secured and senior subordinated notes payable at December 31, 2004 and 2003 are as follows (in thousands):

	December 31, 2004	
	Carrying Amount	Fair Value
Cash and cash equivalents	3,358	3,358
Senior secured notes with interest computed at 11 <sup>1</sup> / <sub>8</sub> %	\$ 198,761	\$ 220,000
Senior subordinated notes with interest computed at 12 <sup>1</sup> / <sub>2</sub> %	43,491	51,940
Notes payable to financial institution with interest computed at 4 <sup>1</sup> / <sub>4</sub> %	654	516
Notes payable to suppliers with interest computed at 2.9%	55	50
Notes payable to finance companies with interest rates ranging from 9 <sup>1</sup> / <sub>2</sub> % to 10 <sup>1</sup> / <sub>2</sub> %	18	17
	\$ 246,337	\$ 275,881
	December 31, 2003	
	Carrying Amount	Fair Value
Cash and cash equivalents	3,891	3,891
Senior secured notes with interest computed at 11 <sup>1</sup> / <sub>8</sub> %	\$ 198,660	\$ 201,000
Senior subordinated notes with interest computed at 12 <sup>1</sup> / <sub>2</sub> %	43,010	44,520
Notes payable to financial institution with interest computed at 4 <sup>1</sup> / <sub>4</sub> %	838	655
Notes payable to suppliers with interest computed at 2.9%	175	161
Notes payable to finance companies with interest rates ranging from 9 <sup>1</sup> / <sub>2</sub> % to 10 <sup>1</sup> / <sub>2</sub> %	50	46
	\$ 246,624	\$ 250,273

### Concentrations of Credit and Supplier Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and trade accounts receivable. Cash and cash equivalents consist primarily of money market accounts which are maintained with high credit quality financial institutions. Cash and cash equivalents are in excess of Federal Deposit Insurance Corporation ("FDIC") insurance limits. Credit risk with respect to trade accounts receivable is mitigated by the large number of geographically diverse customers and the Company's credit evaluation procedures. Although generally no collateral is required, when feasible, mechanics' liens are filed and personal guarantees are signed to protect the Company's interests. The Company maintains reserves for potential losses.

The Company records trade receivables at sales value and establishes specific reserves for certain customer accounts identified as known collection problems due to insolvency, disputes or other collection issues. The amounts of the specific reserves estimated by management are based on the following assumptions and variables: the customer's financial position, age of the customer's receivables and changes in payment schedules. In addition to the specific reserves, management establishes a non-specific allowance for doubtful accounts by applying specific percentages to the different receivable

aging categories (excluding the specifically reserved accounts). The percentage applied against the aging categories increases as the accounts become further past due. The allowance for doubtful accounts is charged with the write-off of uncollectible customer accounts.

The Company purchases a significant amount of equipment from the same manufacturers with whom it has distribution agreements. The Company believes that while there are alternative sources of supply for the equipment it purchases in each of the principal product categories, termination of one or more of our relationships with any of its major suppliers of equipment could have a material adverse effect on the Company's business, financial condition or results of operation if it is unable to obtain adequate or timely rental and sales equipment.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions. The use of estimates and assumptions may affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates include the allowance for doubtful accounts, useful lives for depreciation, goodwill and other asset impairments, loss contingencies and fair values of financial instruments. Actual results could differ from those estimates.

#### **Reclassifications**

Certain amounts in the prior-years consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year consolidated financial statements. See Note 20 for further discussion of reclassifications.

#### **Recent Accounting Pronouncements**

In December 2004, the FASB issued Statement No. 123 (revised 2004), "*Share-Based Payment*" (FAS No. 123R), which replaces FAS No. 123 and supersedes APB Opinion No. 25, "*Accounting for Stock Issued to Employees*." FAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values beginning with the first interim period after June 15, 2005, with early adoption encouraged. In April 2005, the SEC announced that the effective date of Statement No. 123(R) will be deferred until January 1, 2006 for calendar companies. Historically, we have not used stock-based awards for compensating our employees; therefore, the adoption of SFAS No. 123(R) currently would not apply to us. However, prior to the consummation of this offering, we expect to establish a stock incentive plan and will then be required to adopt FAS No. 123(R). Under FAS No. 123(R), we must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at the date of adoption. The effect of adoption on our financial position and results of operations will depend in part, on the types and quantities of stock-based awards that we issue to our employees under the new stock incentive plan. We have not yet determined the method of adoption or the effect that the adoption will have on our financial position or results of operations.



In May 2005, the FASB issued Statement No. 154, "Accounting Changes and Error Corrections" (SFAS 154). SFAS 154 replaces APB Opinion No. 20, "Accounting Changes" and FASB Statement No. 3, "Reporting Accounting Charges in Interim Financial Statements." SFAS 154 requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented on the new accounting principle, unless it is impracticable to do so. SFAS 154 also provides that a correction of errors in previously issued financial statements should be termed a "restatement." The new standard is effective for accounting changes and correction of errors beginning July 1, 2005. The Company has incorporated the provisions of SFAS 154 in the presentation of our December 31, 2004 financial statements.

**(3) Reorganization and Acquisition of ICM Equipment Company L.L.C.**

On June 17, 2002, the equity holders of H&E Equipment Services L.L.C. (formerly Gulf Wide Industries L.L.C.) and ICM Equipment Company L.L.C. (ICM) formed H&E Holdings by executing a Limited Liability Company Agreement of H&E Holdings and by contributing to H&E Holdings all of the outstanding equity securities and certain outstanding subordinated debt of the two companies to the members of H&E Holdings in exchange for certain equity securities of H&E Holdings. H&E Holdings issued cancellation certificates for the previously issued outstanding shares. Pursuant to a Contribution Agreement and Plan of Reorganization, H&E Holdings contributed all of the outstanding equity securities of ICM to H&E Equipment Services, merging ICM out of existence.

Pursuant to the Contribution Agreement and Plan of Reorganization, H&E Holdings issued a series of preferred and common units in exchange for all the outstanding stock of ICM. The acquisition was based upon a strategic plan to achieve market penetration in contiguous territories. In addition, the combined companies incurred significant operating synergies. The acquisition was accounted for under the purchase method of accounting. H&E Equipment Services was considered the acquirer for accounting purposes. Under the purchase method of accounting, the acquired assets and assumed liabilities have been recorded at their fair values at the date of acquisition. The operating results of ICM have been included in the accompanying consolidated financial statements from the date of the acquisition.

The following table summarizes the fair value of assets acquired and liabilities assumed as allocated in purchase accounting (in thousands):

<b>Fair value of assets acquired:</b>	
Cash	\$ 3,643
Accounts receivable	27,020
Inventories	12,082
Rental equipment	131,894
Property and equipment	5,201
Deferred tax assets	1,512
Other assets	1,062
Goodwill	5,367
	\$ 187,781
<b>Fair value of liabilities assumed:</b>	
Outstanding borrowings on senior secured credit facility	\$ 117,493
Accounts payable and accrued liabilities	50,092
Amounts due to members	10,147
Deferred compensation payable	9,743
Capital lease obligations	306
	\$ 187,781

The consolidated results of operations data shown below is presented on an unaudited pro forma basis and represents the results of H&E Equipment Services had the business combination occurred at the beginning of 2002 (in thousands):

	<b>Year Ended December 31, 2002</b>
Revenues	\$ 431,721
Net loss	\$ (18,597)

The unaudited pro forma financial information is presented for informational purposes only and is based upon certain assumption and estimates, which are subject to change. The results are not necessarily indicative of the operating results that would have occurred had the transaction been consummated at the beginning of the period presented, nor are they necessarily indicative of future operating results.

**(4) Receivables**

Receivables consisted of the following at December 31, 2004 and 2003 (in thousands):

	2004	2003
Trade receivables	\$ 68,704	\$ 62,039
Unbilled rental revenue	2,628	2,756
Income tax receivables	218	149
Advances to employees	21	115
Affiliated companies	63	295
Sales-type leases	—	397
Other	—	52
	71,634	65,803
Less allowance for doubtful accounts	(2,732)	(3,188)
	\$ 68,902	\$ 62,615

**(5) Inventories**

Inventories consisted of the following at December 31, 2004 and 2003 (in thousands):

	2004	2003
New equipment	\$ 33,598	\$ 20,517
Used equipment	6,331	8,574
Parts, supplies and other	16,882	14,987
	\$ 56,811	\$ 44,078

As of December 31, 2004, the Company had reserves for inventory obsolescence totalling \$1,490.

**(6) Property and Equipment**

Property and equipment consisted of the following at December 31, 2004 and 2003 (in thousands):

	2004	2003
Land	\$ 1,331	\$ 1,334
Transportation equipment	11,780	9,913
Building and leasehold improvements	8,295	8,250
Office and computer equipment	7,528	6,271
Machinery and equipment	4,841	3,501
	33,775	29,269
Less accumulated depreciation and amortization	(17,674)	(13,942)
	\$ 16,101	\$ 15,327

**(7) Accounts Payable**

Accounts payable consisted of the following at December 31, 2004 and 2003 (in thousands):

	2004	2003
Trade accounts payable	\$ 41,393	\$ 39,677
Manufacturer flooring plans payable	51,199	51,769
	\$ 92,592	\$ 91,446

Manufacturer flooring plans payable are financing arrangements for inventory and rental equipment. The interest paid on the manufacturer flooring plans ranges between zero percent and Prime Interest Rate plus 6.9%. Certain manufacturer flooring plans provide for a one to twelve-month reduced interest rate term or a deferred payment period. The Company makes payments in accordance with the original terms of the financing agreements. However, the Company routinely sells equipment that is financed under manufacturer flooring plans prior to the original maturity date of the financing agreement. The payable is paid at the time equipment being financed is sold. The manufacturer flooring plans payable are secured by the equipment being financed.

Maturities (based on original financing terms) of the manufacturer flooring plans payable as of December 31, 2004 for each of the next five years ending December 31 are as follows (in thousands):

2005	\$ 12,648
2006	12,600
2007	7,556
2008	14,452
2009	1,447
Thereafter	2,496
	\$ 51,199

**(8) Accrued Expenses Payable and Other Liabilities**

Accrued expenses payable and other liabilities consisted of the following at December 31, 2004 and 2003 (in thousands):

	2004	2003
Payroll and related liabilities	\$ 6,788	\$ 7,129
Sales, use and property taxes	3,969	2,824
Accrued interest	3,088	1,862
Accrued insurance	2,532	1,560
Deferred revenue	2,139	1,616
Other	2,403	910
	<u>\$ 20,919</u>	<u>\$ 15,901</u>

**(9) Notes Payable**

A summary of notes payable as of December 31, 2004 and 2003 are as follows (in thousands):

	2004	2003
Notes payable to a financial institution maturing through 2008.		
Payable in monthly installments of approximately \$19. Interest is at 4.25%. Notes are collateralized by real estate.	\$ 654	\$ 838
Notes payable to suppliers maturing through 2005.		
Payable in monthly installments of approximately \$11. Interest is at 2.9%. Notes are collateralized by equipment.	55	175
Notes payable to finance companies maturing through 2006.		
Payable in monthly installments of approximately \$3. Interest ranges from 9.5% to 10.5%. Notes are collateralized by equipment.	18	50
	<u>\$ 727</u>	<u>\$ 1,063</u>

Maturities of notes payable as of December 31, 2004 for each of the next four years ending December 31, are as follows (in thousands):

2005	\$ 265
2006	184
2007	181
2008	97
	<u>\$ 727</u>

**(10) Convertible and Preferred Securities****Senior Exchangeable Preferred Units**

In connection with a recapitalization completed in 2001, Bruckmann, Rosser, Sherrill & Co., L.P. (BRS) purchased for \$10.0 million in cash 10,000 units of \$1,000 par value Senior Exchangeable

Preferred Units. These units included a 10% liquidation value compounded semi-annually from their issuance date. The liquidation value was to include the par value plus any accreted value to be paid. At any time prior to July 31, 2006, the holders of the Senior Exchangeable Preferred Units could have exchanged any part of the liquidation value of these units into a senior subordinated promissory note of either the Company or its subsidiary, at the election of the holder. The difference between the carrying value and liquidation value was accreted through periodic charges to accumulated deficit.

#### **Senior Subordinated Preferred Units.**

In connection with the August 10, 2001 recapitalization, the Company issued 36,286,902 shares of \$1,000 par value Senior Subordinated Preferred Units. These units included an 8% liquidation value compounded semi-annually from their issuance date. The liquidation value as of December 31, 2001 included the par value plus any accreted value to be paid under the terms of the agreement. The Senior Subordinated Preferred Units could be redeemed at the discretion of the Company's Board of Directors. The Company's Board of Directors is subject to voting control of BRS, who have voting control of the Company. The differences between the carrying value and the liquidation value was accreted through periodic charges to accumulated deficit.

#### **Series A Senior Preferred Units**

In connection with the August 10, 2001 recapitalization, the Company issued 1,235,229 shares of \$1,000 par value Senior Series A Preferred Units. These units included a 12% liquidation value compounded semi-annually from their issuance date. The liquidation value was to include the par value plus any accreted value to be paid under the terms of the agreement. These units could be redeemed at the discretion of the Company's Board of Directors.

#### **Junior Preferred Units**

In connection with the August 10, 2001 recapitalization, the Company issued 5,000 shares of \$1,000 par value Junior Preferred Units. These units included an 8% liquidation value compounded semi-annually from their issuance date. The liquidation value was to include the par value plus any accreted value to be paid under the terms of the agreement. These units could be redeemed at the discretion of the Company's Board of Directors.

In connection with the Company's reorganization and acquisition of ICM in June 2002 (see Note 3), the Senior Exchangeable Preferred Units, the Senior Subordinated Preferred Units, the Series A Senior Preferred Units and the Junior Preferred Units were converted to member's interest.

#### **(11) Capital Lease Obligations**

The Company leases various equipment under capital leases expiring in various years through 2005. The assets and liabilities under capital leases are recorded at the lower of the present value of the future minimum lease payments or the fair value of the assets. The assets are amortized over their estimated useful lives. Amortization of assets under capital leases is included in depreciation expense.

Following is a summary of assets held under capital leases at December 31, 2004 and 2003 (in thousands):

	2004	2003
Rental equipment	\$ 4,182	\$ 18,879
Less accumulated amortization	(1,471)	(5,308)
	<u>\$ 2,711</u>	<u>\$ 13,571</u>

Future minimum lease payments under capital leases as of December 31, 2004 are as follows (in thousands):

Total minimum lease payments for 2005	\$ 1,401
Less amount representing interest	(281)
Total present value of future minimum payments with interest at 9.5%	<u>\$ 1,120</u>

## (12) Senior Secured Notes, Senior Subordinated Notes and Senior Secured Credit Facility

In connection with the reorganization of the Company and acquisition of ICM (see Note 3), the Company issued \$200.0 million aggregate principal amount of 11<sup>1</sup>/<sub>8</sub>% senior secured notes and \$53.0 million aggregate principal amount of 12<sup>1</sup>/<sub>2</sub>% senior subordinated notes and entered into a new senior secured credit facility. The senior secured credit facility is comprised of a \$150.0 million revolving line of credit. The proceeds from the senior secured notes, senior subordinated notes and senior secured credit facility were used to payoff the existing credit facilities of the two companies which had aggregate outstanding balances of approximately \$306.4 million, repay senior subordinated promissory notes of approximately \$13.3 million, and pay for financing costs of approximately \$13.5 million. The deferred financing costs are being amortized to interest expense over the life of the respective related debt using the effective interest rate method.

### Senior Secured Notes

On June 17, 2002, the Company issued \$200.0 million aggregate principal amount of 11<sup>1</sup>/<sub>8</sub>% Senior Secured Notes due 2012. The following table reconciles the \$200.0 million Senior Secured Notes to the balance (in thousands):

	2004	2003
Aggregate principal amount issued	\$ 200,000	\$ 200,000
Initial purchasers' discount	(1,474)	(1,474)
Initial purchasers' discount amortization (June 17, 2002 through December 31, 2004)	235	134
Senior Secured Notes balance at December 31, 2004	<u>\$ 198,761</u>	<u>\$ 198,660</u>

The net proceeds from the sale of the notes were approximately \$190.7 million (after deducting the initial purchasers' discount and related financing costs). Interest on the notes is paid semi-annually

on June 15 and December 15 of each year, commencing on December 15, 2002. The notes mature on June 15, 2012 and are guaranteed by the Company's domestic subsidiaries (see Note 21). The notes are secured by junior security interests in substantially all of the assets of H&E Equipment Services. The Company, at its option, may redeem the notes on or after June 15, 2007, at specified redemption prices, which range from 105.563% in 2007 to 100.0% in 2010 and thereafter. In addition, at any time on or prior to June 15, 2005, the Company may redeem up to 35% of the outstanding notes at a redemption price of 111.125% with the net proceeds of certain equity offerings. The indenture governing the notes contains certain restrictive covenants including limitations on (i) additional indebtedness; (ii) restricted payments; (iii) liens and guarantees; (iv) dividends and other payments; (v) preferred stock of subsidiaries; (vi) transactions with affiliates; (vii) sale and leaseback transactions; and (viii) the Company's ability to consolidate, merge or sell all or substantially all of its assets.

### Senior Subordinated Notes

On June 17, 2002, the Company issued \$53.0 million aggregate principal amount of 12<sup>1/2</sup>% Senior Subordinated Notes due 2013. The following table reconciles the \$53.0 million Senior Subordinated Notes to the balance (in thousands):

	2004	2003
Aggregate principal amount issued	\$ 53,000	\$ 53,000
Initial purchasers' discount	(10,591)	(10,591)
Initial purchasers' discount amortization (June 17, 2002 through December 31, 2004)	1,082	601
Senior Subordinated Notes balance at December 31, 2004	\$ 43,491	\$ 43,010

The net proceeds from the sale of the notes were approximately \$40.7 million (after deducting the initial purchasers' discount and related financing costs). Interest on the notes is paid semi-annually on June 15 and December 15 of each year, commencing on December 15, 2002. The notes mature on June 15, 2013 and are guaranteed by the Company's domestic subsidiaries (see Note 21). The notes are senior to all other subordinated debt and are unsecured. The Company, at its option, may redeem the notes on or after June 15, 2007, at specified redemption prices which range from 106.250% in 2007 to 100.0% in 2010 and thereafter. In addition, at any time prior to June 15, 2005, the Company may redeem up to 35% of the outstanding notes at a redemption price of 112.50% with the net proceeds of certain equity offerings. The indenture governing the notes contains certain restrictive covenants including limitations on (i) additional indebtedness, (ii) restricted payments, (iii) liens and guarantees, (iv) dividends and other payments, (v) preferred stock of subsidiaries, (vi) transactions with affiliates, (vii) sale and leaseback transactions, and (viii) the Company's ability to consolidate, merge or sell all or substantially all of its assets.

In connection with and attached to the issuance of the senior subordinated notes, H&E Holdings issued approximately 553 shares of Series A preferred stock, 1,476 shares of Series B preferred stock, 4,239 shares of Series C preferred stock, 2,613 shares of Series D preferred stock, 106,842 shares of



Class A common stock, and 103,684 shares of Class B common stock, all of which are limited liability company interests in H&E Holdings.

Also in connection with the issuances of the senior secured notes and the senior subordinated notes, the Company recorded original issue discounts of \$1.5 million and \$3.0 million, respectively. Additionally, \$7.6 million of value was allocated to the H&E Holdings' limited liability company interests issued as part of the offering of the senior subordinated notes. The value allocated to these interests has been accounted for as additional original issue discount. The value allocated to the limited liability interests was based on an estimate of the relative fair values of these interests and the senior subordinated notes at the date of issuance. The original issue discounts are being amortized to interest expense over the lives of the respective notes using the effective interest rate method.

### **Senior Secured Credit Facility**

In accordance with the amended senior secured credit facility, the Company may borrow up to \$150 million depending upon the availability of borrowing base collateral consisting of eligible trade receivables, inventories, property and equipment, and other assets. The amended senior secured credit facility bears interest at LIBOR plus 300 basis points and matures February 10, 2009. The credit facility is senior to all other outstanding debt, secured by substantially all the assets of the Company, and is guaranteed by the Company's domestic subsidiaries (see Note 21). The balance outstanding on the amended senior secured credit facility as of December 31, 2004 was approximately \$55.3 million. Additional borrowings available under the terms of the amended senior secured credit facility as of December 31, 2004, taking into account the standby letters of credit outstanding, totaled \$67.6 million based on the borrowing base collateral value of assets. The average interest rate on outstanding borrowings for the year ended December 31, 2004 was 7.1%.

If at any time an event of default exists, the interest rate on the amended senior secured credit facility will increase by 2.0% per annum. The Company is also required to pay a commitment fee equal to 0.5% per annum in respect of undrawn commitments under the revolving credit facility.

In accordance with the terms of the amended senior secured credit facility, the Company must comply with certain restrictive financial covenants and must maintain certain financial ratios. The Company is required to, among other things, satisfy certain financial tests relating to (a) the maximum senior debt to tangible assets ratio, (b) maximum leverage ratio, (c) maximum adjusted leverage ratio, (d) minimum utilization rate of equipment inventory ratio, (e) minimum adjusted interest coverage ratio and (f) maximum property and equipment capital expenditures.

As a result of the Company recording the estimated loss from litigation (see Note 14), on May 14, 2003, the Company's senior secured credit agreement was amended to modify certain restrictive financial covenants and financial ratios. The credit agreement was amended to:

1. exclude the loss from litigation from the calculation of Company's earnings before interest, taxes, depreciation and amortization.
2. adjust the maximum leverage ratio and the maximum adjusted leverage ratio, respectively, to 5.20x from 4.60x for the remaining term of the credit agreement. The minimum adjusted

interest coverage ratio was adjusted to 1.25x from 1.45x through 2004. In 2005, the ratio increases to 1.30x with an additional increase to 1.40x in 2006 through the remainder of the agreement.

3. increase the maximum amount of letters of credit allowed under the amended senior credit facility to \$30.0 million from \$10.0 million.
4. institute a pricing grid such that if excess availability (defined as the total borrowing base assets less total outstanding borrowings):
  - a. falls below \$90.0 million, the interest rate and letter of credit fee increase by 25 basis points,
  - b. falls below \$50.0 million, the interest rate and letter or credit fee increase an additional 25 basis points.
5. institute a \$20.0 million block on availability based on the total borrowing base assets.

On May 14, 2003, the Company paid a loan amendment fee of \$0.4 million that will be amortized over the remaining term of the loan.

On February 10, 2004, the Company's senior secured credit agreement was amended to extend the maturity date and to modify certain restrictive financial covenants and financial ratios, providing additional liquidity. Principally, the amendment:

1. extends the maturity date of the senior secured credit facility to February 2009.
2. eliminates the maximum leverage ratio covenant.
3. increases the adjusted maximum leverage ratio covenant from 5.2x to 5.8x for each quarter in the first year; 5.7x for each quarter in the second year; 5.4x for each quarter in the third year; 5.3x for each quarter in the fourth year; and 5.2x for each quarter in the fifth year. The minimum adjusted interest coverage ratio is set at 1.25x for each quarter through 2005; 1.35x for each quarter in 2006 and 2007; and 1.40x for each quarter in 2008 and through the remaining term of the agreement.
4. increases the block on availability of assets from \$20.0 million to \$30.0 million based on the total borrowing base assets.
5. reduces the advance rate on rental fleet assets to 75 percent from 80 percent of orderly liquidation value.

On February 10, 2004, the Company paid a loan amendment fee of \$0.8 million that is being amortized over the remaining term of the loan.

On October 26, 2004, the Company's senior secured credit agreement was further amended to eliminate the requirement to provide separate collateral reports for the Company's wholly-owned subsidiary, Great Northern Equipment, Inc. No amendment fee was paid related to this amendment.

On January 13, 2005, the Company further amended its senior secured credit agreement to increase the maximum amount of property and equipment capital expenditures from \$5.0 million to \$8.5 million during any fiscal year. No amendment fee was paid relating to this amendment.

On March 11, 2005, we amended the senior secured credit agreement dated June 17, 2002, governing our senior secured credit facility. Principally, the amendment:

1. lowers interest rates according to a pricing grid based upon daily average excess availability for the immediately preceding fiscal month. With daily average excess availability equal to or more than \$40.0 million, the LIBOR margin shall be 2.25% and the Index margin shall be 0.75%. If availability falls below \$40.0 million and equal to or more than \$25.0 million, the senior secured credit facility bears interest at a LIBOR margin of 2.50% and the Index margin shall be 1.00%. If availability is less than \$25 million, the LIBOR margin will be 2.75% and the Index margin shall be 1.25%. We elect interest at either the Index rate plus the applicable revolver Index margin per annum or the applicable LIBOR rate plus the applicable revolver LIBOR margin per each calendar month. The commitment fee equal to 0.5% per annum in respect to un-drawn commitments remains unchanged;
2. decreases the block on availability of assets from \$30.0 million to \$15.0 million based on the total borrowing base assets; and
3. increases the advance rate on rental fleet assets to 80% of orderly liquidation value as defined in the senior secured credit agreement.

On March 29, 2005, we also amended the senior secured credit agreement to extend the requirement of the delivery of annual audited financial statements from March 31, 2005 until September 30, 2005. The Company paid no amendment fee relating to this amendment.

As of August 26, 2005, we were granted a waiver under our senior secured credit agreement, pursuant to which, our lenders waived our non-compliance with, and the effects of our non-compliance under, various representations and non-financial covenants contained in the senior secured credit agreement affected by the accounting adjustments in connection with the restatement described in Note 20. As a result of the restatement, among other things, we would no longer be able to make the representations under the senior secured credit agreement concerning the conformity with GAAP of our previously delivered financial statements, or confirm our prior compliance with certain obligations concerning the maintenance of our books and records in accordance with GAAP. Because the restatement is not expected to result in our having breached any of the financial covenants in the senior secured credit agreement, the waiver does not waive or modify any such financial covenants. We continue to have full access to our revolving credit facility under the senior secured credit agreement.

As of December 31, 2004, the Company was in compliance with all covenants associated with its debt.

**(13) Income Taxes**

Income tax provision (benefit) for the years ended December 31, 2004, 2003 and 2002, consists of (in thousands):

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
<b>Year ended December 31, 2004:</b>			
U.S. Federal	\$ —	\$ —	\$ —
State	—	—	—
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<b>Year ended December 31, 2003:</b>			
U.S. Federal	\$ 67	\$ (5,717)	\$ (5,650)
State	(44)	—	(44)
	<u>\$ 23</u>	<u>\$ (5,717)</u>	<u>\$ (5,694)</u>
<b>Year ended December 31, 2002:</b>			
U.S. Federal	\$ —	\$ (6,108)	\$ (6,108)
State	20	(200)	(180)
	<u>\$ 20</u>	<u>\$ (6,308)</u>	<u>\$ (6,288)</u>

Significant components of the Company's deferred income tax assets and liabilities as of December 31, 2004 and 2003 are as follows (in thousands):

	<u>2004</u>	<u>2003</u>
<b>Deferred tax assets:</b>		
Accounts receivable	\$ 1,038	\$ 1,212
Inventories	566	469
Net operating losses	52,473	55,227
AMT credit	832	832
Sec 263A costs	629	489
Accrued liabilities	8,906	8,411
Deferred compensation	2,366	2,595
Accrued interest	1,651	1,546
Interest expense-high yield debt	—	1,013
Other assets	520	408
	<u>68,981</u>	<u>72,202</u>
Valuation allowance	(19,099)	(13,456)
	<u>49,882</u>	<u>58,746</u>
<b>Deferred tax liabilities:</b>		
Property and equipment	(47,901)	(56,950)
Investments	(1,520)	(1,520)
Goodwill	(461)	(276)
	<u>(49,882)</u>	<u>(58,746)</u>
Net deferred tax assets	<u>\$ —</u>	<u>\$ —</u>

The difference between income taxes computed using statutory federal income tax rates and the effective corporate rates are as follows for the years ended December 31, 2004, 2003 and 2002 (in thousands):

	2004	2003	2002
Computed tax at statutory rates	\$ (4,670)	\$ (17,593)	\$ (4,934)
Permanent item	(629)	411	312
State income tax—net of federal tax effect	(594)	(1,446)	(119)
Increase in valuation allowance	5,643	13,456	—
Other	250	(522)	(1,547)
	<u>\$ —</u>	<u>\$ (5,694)</u>	<u>\$ (6,288)</u>

At December 31, 2004, the Company had available net operating loss carryforwards of approximately \$147.2 million, which expire in varying amounts from 2019 through 2023. The Company also had federal alternative minimum tax credit carryforwards at December 31, 2004 of approximately \$.8 million which do not expire. The utilization of all or some of these loss carryforwards will be limited pursuant to Internal Revenue Code Section 382 as a result of ownership changes.

Management has concluded that it is more likely than not that the Company will not have sufficient taxable income within the carryback and carryforward periods permitted by the current law to allow for the utilization of certain carryforwards and other tax attributes. Therefore, a valuation allowance of \$19.1 million has been established to reduce the deferred tax assets as of December 31, 2004.

#### (14) Commitments and Contingencies

##### Operating Leases

The Company leases certain property and rental equipment under non-cancelable operating lease agreements expiring at various dates through 2018. Rent expense on property and rental equipment under non-cancelable operating lease agreements for the years ended December 31, 2004, 2003 and 2002 amounted to approximately \$23,324, \$24,343 and \$21,023, respectively.

Future minimum operating lease payments, in the aggregate, existing at December 31, 2004 for each of the next five years ending December 31 are as follows (in thousands):

2005	\$ 21,492
2006	16,359
2007	8,220
2008	2,976
2009	1,753
Thereafter	8,211
	<u>\$ 59,011</u>

## **Legal Matters**

In July 2000, one of our competitors, Sunbelt Rentals, Inc., brought claims against us in the General Court of Justice, Superior Court Division, State of North Carolina, County of Mecklenburg alleging, among other things, that in connection with our hiring of former employees of the plaintiff there occurred a breach of fiduciary duty, misappropriation of trade secrets, unfair trade practices and interference with prospective advantages. In May 2003, the Court ruled in favor of the plaintiff in the amount of \$17.4 million. Consequently, we recorded a \$17.4 million loss in 2003. We subsequently appealed the judgment. In conjunction with the appeal and in accordance with the Court's ruling, we issued an irrevocable standby letter of credit for \$19.8 million, representing the amount of the judgment plus \$2.4 million in anticipated statutory interest (8%) for the twenty-four months while the judgment is being appealed. Going forward, we intend to expense any statutory interest as interest expense in the statement of operations. As of December 31, 2004, we paid a 300 basis point fee on the amount available for issuance. As of September 30, 2005, our fee was 250 basis points on the amount available for issuance.

On October 18, 2005, the Court of Appeals of North Carolina denied our appeal. This ruling does not cause a default or an event of acceleration under our senior secured credit facility, senior secured notes or senior subordinated notes. The payment of damages will not adversely impact our liquidity, because the payment will be funded through our senior secured credit facility and availability under the senior secured credit facility was already reduced by the amount of the letter of credit. The amount of the judgment will be reclassified from accrued liabilities to debt under our senior secured credit facility at the time the payment is actually made or the letter of credit is drawn. This does not result in a net change to total liabilities on our balance sheet. In addition, this will not adversely impact our balance sheet or statement of operations, because the judgement, including statutory interest through September 30, 2005, had already been reflected on our financial statements. We will continue to expense interest through the date of payment.

The Company is also involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these various matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

## **Employment Contracts**

The Company has entered into employment contracts with various officers and members, which provide for annual payments to the officers and members, subject to their continued employment with the Company. The employment contracts mature on December 31, 2006 and require aggregate annual payments of approximately \$500 with bonuses at the discretion of the Board of Directors.

## **Letters of Credit**

The Company had outstanding letters of credit totaling \$27,067 and \$24,338 as of December 31, 2004 and 2003, respectively.

#### **(15) Employee Benefit Plan**

The Company offers its employees participation in a qualified 401(k)/profit-sharing plan which requires the Company to match employee contributions up to predetermined limits for qualified employees as defined by the plan. For the years ended December 31, 2004, 2003 and 2002, the Company contributed \$739, \$657 and \$609, respectively, to this plan.

#### **(16) Deferred Compensation Plans**

In connection with the acquisition of ICM, the Company assumed nonqualified employee deferred compensation plans under which certain employees had previously elected to defer a portion of their annual compensation. Participants in the plans can no longer defer compensation. Compensation previously deferred under the plans is payable upon the termination, disability or death of the participants. One of the plans accumulates interest each year at a bank's prime rate in effect as of the beginning of January. This rate remains constant throughout the year. The effective rate for the 2004 plan year was 4.0 percent. The aggregate deferred compensation payable (including accrued interest of \$1,559) at December 31, 2004 was \$2,598. The other plan accumulates interest each year at 8.50%. The aggregate deferred compensation payable (including accrued interest of \$265) at December 31, 2004 was \$451.

The Company also assumed, in connection with the acquisition of ICM, a liability for subordinated deferred compensation for certain officers and members of the Company. Compensation deferred is payable in December 2013 and is subordinate to all other debt. Interest is accrued quarterly at a rate of 13 percent per annum. The aggregate deferred compensation payable (including accrued interest of \$2,521) at December 31, 2004 was \$7,521.

#### **(17) Related Party Transactions**

John M. Engquist, our Chief Executive Officer and President, has a 16.6% ownership interest in a joint venture, from which we lease our Baton Rouge, Louisiana and Kenner, Louisiana facilities. In 2004, 2003 and 2002, we paid such entity a total of approximately \$329, \$297, and \$397, respectively, in lease payments.

Mr Engquist has a 50% ownership interest in T&J Partnership and J&T Company, from which we lease our Shreveport, Louisiana and Lake Charles, Louisiana facilities. In 2004, 2003 and 2002, we paid such entities a total of approximately \$207, \$186 and \$171, respectively, in lease payments. In January 2005, J&T Company sold the Lake Charles, Louisiana parcel to an unaffiliated third party.

Mr. Engquist and his wife, Martha Engquist, each hold a 50% ownership interest in John Engquist LLC, from which we lease our Alexandria, Louisiana facility. In 2004, 2003 and 2002, we paid such entity a total of approximately \$53, \$48 and \$48, respectively, in lease payments.

We charter an aircraft from Gulf Wide Aviation, in which Mr. Engquist and his mother, Rubye Engquist, each have a 50% ownership interest. We pay an hourly rate to Gulf Wide Aviation for the use of the aircraft by various members of our management. In addition, a portion of one pilot's salary is paid by us. In 2004, 2003 and 2002, our payments in respect of charter costs to Gulf Wide Aviation and salary to the pilot totaled approximately \$273, \$244 and \$294, respectively. The Company had a receivable from the charter aircraft company of approximately \$63 and \$66 as of December 31, 2004 and 2003, respectively.

Mr. Engquist has a 25% ownership interest in Perkins-McKenzie Insurance Agency, Inc. ("Perkins-McKenzie"), an insurance brokerage. Perkins-McKenzie brokers a substantial portion of our liability insurance. As the broker, Perkins-McKenzie receives from our insurance provider as a commission a portion of the premiums we paid to our insurance provider in 2002, 2003 and 2004. In 2004, 2003 and 2002, our payments to our insurance provider totaled approximately \$5,531, \$5,694 and \$3,096, respectively.

We purchase products and services from, and sell products and services to, B-C Equipment Sales, Inc., in which Mr. Engquist has a 50% ownership interest. In 2004, 2003 and 2002, our purchases totaled approximately \$129, \$573 and \$606, respectively, and our sales totaled approximately \$64, \$194 and \$170, respectively. Amounts owed this equipment company were \$9 and \$21, and amounts due from this equipment company were \$21 and \$11 as of December 31, 2004 and 2003, respectively.

The Company owed companies related through common ownership \$7 at December 31, 2003 and 2002. The Company had no sales transactions with these affiliated companies during 2004, 2003 and 2002.

Don M. Wheeler, an equity holder, has an ownership interest and controls Silverado Investments, Wheeler Investments and WG LLC, from which we lease our Salt Lake City, Utah, Colorado Springs, Colorado, Phoenix, Arizona, Tucson, Arizona and Denver, Colorado facilities. In 2004, 2003 and 2002, our lease payments to such entities totaled approximately \$1,358, \$1,437 and \$1,270, respectively.

Dale W. Roesener, Vice President, Fleet Management, has a 47.6% ownership interest in Aero SRD LLC, from which we lease our Las Vegas, Nevada facility. In 2004, 2003 and 2002, our lease payments to such entity totaled approximately \$489, \$519 and \$471, respectively.

In connection with the recapitalization of H&E in 1999, we entered into a \$3.0 million consulting and non-competition agreement with Thomas R. Engquist, the father of John M. Engquist, our Chief Executive Officer and President. The agreement provided for total payments over a ten-year term, payable in increments of \$25,000 per month. Mr. Engquist was obligated to provide us consulting services and was to comply with the non-competition provision set forth in the Recapitalization Agreement between us and others dated June 19, 1999. The parties specifically acknowledged and agreed that in the event of the death of Mr. Engquist during the term of the agreement, the payments that otherwise would have been payable to Mr. Engquist under the agreement shall be paid to his heirs (including John M. Engquist). Due to Mr. Engquist's passing away during 2003, we will not be provided with any further consulting services. Therefore, we recorded a \$1.3 million expense during 2003 for the present value of the remaining future payments. The total amount paid under this agreement was \$300 for each of the years ended December 31, 2004, 2003 and 2002. As of December 31, 2004, the balance for this obligation amounted to \$1,062.

The Company had a management agreement with BRS and its affiliates, under which the Company was obligated to pay the lesser of \$500 or 1% of earnings before interest, taxes, depreciation and amortization. The total paid for the year ended December 31, 2002 was \$670. The management agreement terminated on June 17, 2002.

In connection with the acquisition of ICM, the Company entered into a management agreement with BRS and its affiliates payable in the lesser of \$2 million annually or 1.75% of annual earnings



before interest, taxes, depreciation and amortization, excluding operating lease expense, plus all reasonable out-of-pocket expenses. The total amount paid to BRS and its affiliates under the management agreement for the years ended December 31, 2004, 2003 and 2002 was \$1,537, \$1,549 and \$1,085, respectively. The Company had a receivable from BRS and its affiliates of \$229 as of December 31, 2003.

The Company has consulting and noncompetition agreements with two former stockholders of Coastal Equipment, Inc., acquired in 1999, for \$1,000, payable in four annual installments of \$250 beginning March 1, 2000 and ending March 31, 2003.

During the years ended December 31, 2004, 2003 and 2002, the Company expensed a combined total of \$975, \$766, and \$360, respectively for interest earned under a deferred compensation plan for Gary W. Bagley, our Chairman, and Kenneth R. Sharp, Jr., an executive officer.

Mr. Engquist's son is an employee and received compensation of approximately \$83 and \$64 in 2004 and 2003, respectively.

Bradley W. Barber's brother is an employee and received compensation of approximately \$63 in 2004.

## (18) Segment Information

The Company has identified five reportable segments: equipment rentals, new equipment sales, used equipment sales, parts sales and service revenue. These segments are based upon how management of the Company allocates resources and assesses performance. Non-segmented revenues and non-segmented costs relate to equipment support activities including transportation, hauling, parts freight and damage-waiver charges and are not allocated to the other reportable segments. There were no sales between segments for any of the periods presented. Selling, general, and administrative expenses as well as all other income and expense items below gross profit are not generally allocated to reportable segments. The Company does not compile discrete financial information by its segments other than the information presented below. The following table presents information about the Company's reportable segments (in thousands):

	Years Ended December 31,		
	2004	2003 (Restated)	2002 (Restated)
<b>Revenues:</b>			
Equipment rentals	\$ 160,342	\$ 153,851	\$ 136,624
New equipment sales	116,907	81,692	72,143
Used equipment sales	84,999	70,926	52,487
Parts sales	58,014	53,658	47,218
Service revenue	33,696	33,349	27,755
<b>Total segmented revenues</b>	<b>453,958</b>	<b>393,476</b>	<b>336,227</b>
Non-segmented revenues	24,214	20,510	14,778
<b>Total revenues</b>	<b>\$ 478,172</b>	<b>\$ 413,986</b>	<b>\$ 351,005</b>

<b>Gross Profit:</b>			
Equipment rentals	\$	60,086	\$ 48,911 \$ 52,291
New equipment sales		12,796	8,464 6,838
Used equipment sales		17,093	12,781 8,711
Parts sales		16,514	14,572 13,207
Service revenue		20,831	20,306 16,317
		<u>          </u>	<u>          </u>
Total gross profit from revenues		127,320	105,034 97,364
Non-segmented gross profit (loss)		(4,032)	(5,923) (4,996)
		<u>          </u>	<u>          </u>
Total gross profit	\$	123,288	\$ 99,111 \$ 92,368
		<u>          </u>	<u>          </u>

Years Ended  
December 31,

	2004	2003 (Restated)
	<u>          </u>	<u>          </u>
<b>Segment identified assets:</b>		
Equipment sales	\$ 39,928	\$ 29,091
Equipment rentals	243,630	261,154
Parts and service	16,882	14,987
	<u>          </u>	<u>          </u>
Total segment identified assets	300,440	305,232
Non-segment identified assets	108,229	104,161
	<u>          </u>	<u>          </u>
Total assets	\$ 408,669	\$ 409,393
	<u>          </u>	<u>          </u>

The Company operates primarily in the United States and had minimal international sales for any of the periods presented. No one customer accounted for more than 10% of the Company's sales on an overall or segment basis for any of the periods presented.

## **(19) Impact of Recent Natural Disaster**

The Company has four facilities located in the area most significantly affected by Hurricanes Katrina and Rita. None of the facilities in the New Orleans, Louisiana area were forced to close for any extended period of time, and all of them are currently open and fully operational. Due to the most recent hurricane, we are in the process of returning the Lake Charles, Louisiana facility to a fully operational state. While the financial impact of Hurricanes Katrina and Rita relating to these four facilities is not expected to be material to the Company, the Company remains in the process of assessing the potential overall impact of the hurricanes on the Company's business.

## **(20) Restatements of Previously Issued Consolidated Financial Statements**

Our previous accountants, KPMG LLP ("KPMG"), refused to give its consent to the inclusion, in our annual report on Form 10-K for 2004, of its audit opinion on our financial statements for fiscal years 2002 and 2003, notwithstanding that KPMG consented to the inclusion of their audit opinions in our prior Forms 10-K for those years. KPMG informed us that it refused to furnish its consent due to a pending lawsuit against KPMG brought by John M. Engquist, our President and Chief Executive Officer. The lawsuit relates to a personal matter between KPMG and Mr. Engquist, and it does not involve in any manner us or our business or financial results or condition. KPMG's refusal to issue its consent is not based on any disagreement on accounting principles or practices, financial statement disclosure, or auditing scope and procedure involving the Company.

As a result, we asked BDO Seidman LLP to re-audit our 2002 and 2003 annual financial statements and issue new audit opinions thereon. During the re-audits of the Company's consolidated financial statements as of and for the years ended December 31, 2003 and 2002, we discovered errors related to the treatment of deferred taxes in connection with the Company's combination with ICM Equipment Company on June 17, 2002. Based on the Company's internal review, and after consultation with the Audit Committee of the Company's Board of Directors on August 24, 2005, the Company's Board of Directors concluded to restate its previously issued consolidated financial statements as of and for the years ended December 31, 2003 and 2002 to reflect the proper accounting treatment of deferred income taxes.

In accounting for the business combination on June 17, 2002, the Company incorrectly recognized the deferred tax components related to the tax basis of carryover goodwill acquired in the business combination. Financial Accounting Standard Board No. 109, Accounting for Income Taxes, provides that a deferred tax asset should not be recognized as a result of carryover goodwill in a business combination. As a result, the Company reduced the deferred tax asset of approximately \$9.5 million, net of a \$17.3 valuation allowance, to \$1.5 million.

The primary effect of the correction discussed above resulted in a change to the original purchase accounting for the business combination. The Company restated its rental equipment and property and equipment to their fair values at the time of the combination and recorded goodwill of \$5.4 million. In addition, depreciation expense on rental equipment and property and equipment was restated. The effect of these changes also resulted in the Company's adjustment to its valuation allowance and income tax benefit.

The Company also made certain reclassifications to prior years' consolidated financial statements unrelated to the restatements discussed above. Primarily, these reclassifications were made to reflect transportation costs associated with field service trucks as other cost of revenues rather than the historical presentation as selling, general and administrative expenses. Following is a summary of the

effects of the restatement adjustments and reclassifications on the Company's consolidated statements of operations for the years ended December 31, 2003 and 2002 and the Company's consolidated balance sheet as of December 31, 2003:

Consolidated Statements of Operations				
	As Previously Reported	Restatement Adjustments	Reclassification Adjustments	As Restated
<b>Year Ended December 31, 2003:</b>				
Other revenues	20,206	—	304	20,510
Total revenues	413,682	—	304	413,986
Rental depreciation	54,931	313	—	55,244
Rental expense	49,345	—	351	49,696
New equipment cost of revenues	74,166	—	(938)	73,228
Used equipment cost of revenues	57,207	—	938	58,145
Other cost of revenues	19,638	—	6,795	26,433
Total cost of revenues	307,416	313	7,146	314,875
Selling, general and administration expenses	99,872	24	(6,842)	93,054
Income from operations	(12,235)	(337)	—	(12,572)
Loss before income taxes	(51,408)	(337)	—	(51,745)
Income tax provision	24	(5,718)	—	(5,694)
Net loss	(51,432)	5,381	—	(46,051)
<b>Year Ended December 31, 2002:</b>				
Other revenues	15,473	—	(695)	14,778
Total revenues	351,700	—	(695)	351,005
Rental depreciation	46,471	156	—	46,627
Rental expense	37,408	—	298	37,706
New equipment cost of revenues	66,055	—	(750)	65,305
Used equipment cost of revenues	43,026	—	750	43,776
Other cost of revenues	16,813	—	2,961	19,774
Total cost of revenues	255,222	156	3,259	258,637
Selling, general and administration expenses	82,294	12	(3,954)	78,352
Income from operations	14,243	(168)	—	14,075
Loss before income taxes	(14,340)	(168)	—	(14,508)
Income tax benefit	(1,271)	(5,016)	—	(6,287)
Net loss	(13,069)	4,848	—	(8,221)

Consolidated Balance Sheet

	As Previously Reported	Restatement Adjustments	Reclassification Adjustments	As Restated
<b>December 31, 2003:</b>				
Rental equipment, net of accumulated depreciation	259,282	1,872	—	261,154
Property and equipment, net of accumulated depreciation	15,128	199	—	15,327
Goodwill, net	3,204	5,368	—	8,572
Total assets	401,954	7,439	—	409,393
Members' deficit	(27,002)	7,439	—	(19,563)
Total liabilities and members' deficit	401,954	7,439	—	409,393

**(21) Condensed Consolidating Financial Information of Guarantor Subsidiaries**

All of the indebtedness of H&E Equipment Services is guaranteed by GNE Investments, Inc. and its wholly-owned subsidiary Great Northern Equipment, Inc. The guarantor subsidiaries are all wholly-owned and the guarantees, made on a joint and several basis, are full and unconditional (subject to subordination provisions and subject to a standard limitation which provides that the maximum amount guaranteed by each guarantor will not exceed the maximum amount that can be guaranteed without making the guarantee void under fraudulent conveyance laws). There are no restrictions on H&E Equipment Services' ability to obtain funds from the guarantor subsidiaries by dividend or loan.

The condensed consolidating financial statements of H&E Equipment Services and its subsidiaries are included below. The condensed financial statements for H&E Finance Corp., the subsidiary co-issuer, is not presented because H&E Finance Corp. has no assets or operations.

**CONDENSED CONSOLIDATING BALANCE SHEET**  
(in thousands)

As of December 31, 2004

	H&E Equipment Services	Guarantor Subsidiaries	Elimination	Consolidated
<b>Assets:</b>				
Cash	\$ 3,334	\$ 24	\$ —	\$ 3,358
Receivables, net	66,434	2,468	—	68,902
Inventories, net	52,641	4,170	—	56,811
Prepaid expenses and other assets	1,044	—	—	1,044
Rental equipment, net	231,330	12,300	—	243,630
Property and equipment, net	15,615	486	—	16,101
Deferred financing costs, net	10,251	—	—	10,251
Investment in guarantor subsidiaries	5,238	—	(5,238)	—
Goodwill, net	8,572	—	—	8,572
<b>Total assets</b>	<b>394,459</b>	<b>19,448</b>	<b>(5,238)</b>	<b>408,669</b>
<b>Liabilities and Member's Equity (Deficit):</b>				
Amount due on senior secured credit facility	51,822	3,471	—	55,293
Accounts payable	92,592	—	—	92,592
Accrued expenses payable and other liabilities	20,804	115	—	20,919
Intercompany balance	(10,624)	10,624	—	—
Accrued loss from litigation	17,434	—	—	17,434
Related party obligation	1,062	—	—	1,062
Notes payable	727	—	—	727
Senior secured notes, net of discount	198,761	—	—	198,761
Senior subordinated notes, net of discount	43,491	—	—	43,491
Capital lease obligations	1,120	—	—	1,120
Deferred compensation payable	10,570	—	—	10,570
<b>Total liabilities</b>	<b>427,759</b>	<b>14,210</b>	<b>—</b>	<b>441,969</b>
<b>Members' equity (deficit)</b>	<b>(33,300)</b>	<b>5,238</b>	<b>(5,238)</b>	<b>(33,300)</b>
<b>Total liabilities and members' equity (deficit)</b>	<b>\$ 394,459</b>	<b>\$ 19,448</b>	<b>\$ (5,238)</b>	<b>\$ 408,669</b>

	H&E Equipment Services	Guarantor Subsidiaries	Elimination	Consolidated
<b>Assets:</b>				
Cash	\$ 3,868	\$ 23	\$ —	\$ 3,891
Receivables, net	61,318	1,297	—	62,615
Inventories, net	42,783	1,295	—	44,078
Prepaid expenses and other assets	2,521	—	—	2,521
Rental equipment, net	252,298	8,856	—	261,154
Property and equipment, net	15,071	256	—	15,327
Deferred financing costs, net	11,235	—	—	11,235
Investment in guarantor subsidiaries	4,464	—	(4,464)	—
Goodwill, net	8,572	—	—	8,572
<b>Total assets</b>	<b>\$ 402,130</b>	<b>\$ 11,727</b>	<b>\$ (4,464)</b>	<b>\$ 409,393</b>
<b>Liabilities and Member's Equity (Deficit):</b>				
Amount due on senior secured credit facility	\$ 39,679	\$ 4,279	\$ —	\$ 43,958
Accounts payable	91,446	—	—	91,446
Accrued expenses payable and other liabilities	15,741	160	—	15,901
Intercompany balance	(2,824)	2,824	—	—
Accrued loss from litigation	17,434	—	—	17,434
Related party obligation	1,235	—	—	1,235
Notes payable	1,063	—	—	1,063
Senior secured notes, net of discount	198,660	—	—	198,660
Senior subordinated notes, net of discount	43,010	—	—	43,010
Capital lease obligations	5,351	—	—	5,351
Deferred compensation payable	10,898	—	—	10,898
<b>Total liabilities</b>	<b>421,693</b>	<b>7,263</b>	<b>—</b>	<b>428,956</b>
<b>Members' equity (deficit)</b>	<b>(19,563)</b>	<b>4,464</b>	<b>(4,464)</b>	<b>(19,563)</b>
<b>Total liabilities and members' equity (deficit)</b>	<b>\$ 402,130</b>	<b>\$ 11,727</b>	<b>\$ (4,464)</b>	<b>\$ 409,393</b>

**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS**  
(in thousands)

Year Ended December 31, 2004

	H&E Equipment Services	Guarantor Subsidiaries	Elimination	Consolidated
<b>Revenues:</b>				
Equipment rentals	\$ 154,333	\$ 6,009	\$ —	\$ 160,342
New equipment sales	112,790	4,117	—	116,907
Used equipment sales	80,248	4,751	—	84,999
Parts sales	56,331	1,683	—	58,014
Service revenue	32,607	1,089	—	33,696
Other	23,421	793	—	24,214
<b>Total revenues</b>	<b>459,730</b>	<b>18,442</b>	<b>—</b>	<b>478,172</b>
<b>Cost of Revenues:</b>				
Rental depreciation	47,650	1,940	—	49,590
Rental expense	49,520	1,146	—	50,666
New equipment sales	100,628	3,483	—	104,111
Used equipment sales	64,384	3,522	—	67,906
Parts sales	40,343	1,157	—	41,500
Service revenue	12,532	333	—	12,865
Other	27,084	1,162	—	28,246
<b>Total cost of revenues</b>	<b>342,141</b>	<b>12,743</b>	<b>—</b>	<b>354,884</b>
<b>Gross Profit:</b>				
Equipment rentals	57,163	2,923	—	60,086
New equipment sales	12,162	634	—	12,796
Used equipment sales	15,864	1,229	—	17,093
Parts sales	15,988	526	—	16,514
Service revenue	20,075	756	—	20,831
Other	(3,663)	(369)	—	(4,032)
<b>Gross profit</b>	<b>117,589</b>	<b>5,699</b>	<b>—</b>	<b>123,288</b>
Selling, general and administrative expenses	93,499	4,026	—	97,525
Equity in loss of guarantor subsidiaries	774	—	(774)	—
Gain on sale of property and equipment	183	24	—	207
<b>Income (loss) from operations</b>	<b>25,047</b>	<b>1,697</b>	<b>(774)</b>	<b>25,970</b>
<b>Other income (expense):</b>				
Interest expense	(38,919)	(937)	—	(39,856)
Other, net	135	14	—	149
<b>Total other expense, net</b>	<b>(38,784)</b>	<b>(923)</b>	<b>—</b>	<b>(39,707)</b>
Loss before income taxes	(13,737)	774	(774)	(13,737)
Income tax provision	—	—	—	—
<b>Net loss</b>	<b>\$ (13,737)</b>	<b>\$ 774</b>	<b>\$ (774)</b>	<b>\$ (13,737)</b>



	H&E Equipment Services	Guarantor Subsidiaries	Elimination	Consolidated
<b>Revenues:</b>				
Equipment rentals	\$ 149,092	\$ 4,759	\$ —	\$ 153,851
New equipment sales	79,534	2,158	—	81,692
Used equipment sales	66,948	3,978	—	70,926
Parts sales	52,278	1,380	—	53,658
Service revenue	32,479	870	—	33,349
Other	19,940	570	—	20,510
<b>Total revenues</b>	<b>400,271</b>	<b>13,715</b>	<b>—</b>	<b>413,986</b>
<b>Cost of Revenues:</b>				
Rental depreciation	53,447	1,797	—	55,244
Rental expense	48,762	934	—	49,696
New equipment sales	71,286	1,942	—	73,228
Used equipment sales	55,219	2,926	—	58,145
Parts sales	38,117	969	—	39,086
Service revenue	12,748	295	—	13,043
Other	25,685	748	—	26,433
<b>Total cost of revenues</b>	<b>305,264</b>	<b>9,611</b>	<b>—</b>	<b>314,875</b>
<b>Gross Profit:</b>				
Equipment rentals	46,883	2,028	—	48,911
New equipment sales	8,248	216	—	8,464
Used equipment sales	11,729	1,052	—	12,781
Parts sales	14,161	411	—	14,572
Service revenue	19,731	575	—	20,306
Other	(5,745)	(178)	—	(5,923)
<b>Gross profit</b>	<b>95,007</b>	<b>4,104</b>	<b>—</b>	<b>99,111</b>
Selling, general and administrative expenses	89,379	3,675	—	93,054
Loss from litigation	17,434	—	—	17,434
Related party expense	1,275	—	—	1,275
Equity in loss of guarantor subsidiaries	(377)	—	377	—
Gain on sale of property and equipment	42	38	—	80
<b>Income (loss) from operations</b>	<b>(13,416)</b>	<b>467</b>	<b>377</b>	<b>(12,572)</b>
<b>Other income (expense):</b>				
Interest expense	(38,547)	(847)	—	(39,394)
Other, net	218	3	—	221
<b>Total other expense, net</b>	<b>(38,329)</b>	<b>(844)</b>	<b>—</b>	<b>(39,173)</b>
Loss before income taxes	(51,745)	(377)	377	(51,745)
Income tax provision	(5,694)	—	—	(5,694)
<b>Net loss</b>	<b>\$ (46,051)</b>	<b>\$ (377)</b>	<b>\$ 377</b>	<b>\$ (46,051)</b>

**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
(in thousands)

Year Ended December 31, 2004

	H&E Equipment Services	Guarantor Subsidiaries	Elimination	Consolidated
<b>Cash flows from operating activities:</b>				
Net loss	\$ (13,737)	\$ 774	\$ (774)	\$ (13,737)
<b>Adjustments to reconcile net loss to net cash provided by operating activities:</b>				
Depreciation on property and equipment	3,493	149	—	3,642
Depreciation on rental equipment	46,666	2,924	—	49,590
Amortization of other intangible assets	295	—	—	295
Amortization of loan discounts and deferred financing costs	2,627	—	—	2,627
Provision for losses on accounts receivable	1,341	54	—	1,395
Provision for obsolescence	240	—	—	240
Gain on sale of property and equipment	(183)	(24)	—	(207)
Gain on sale of rental equipment	(14,112)	(1,118)	—	(15,230)
Equity in earnings of guarantor subsidiaries	(774)	—	774	—
<b>Changes in operating assets and liabilities:</b>				
Receivables, net	(6,457)	(1,225)	—	(7,682)
Inventories, net	(14,752)	(7,511)	—	(22,263)
Prepaid expenses and other assets	1,477	—	—	1,477
Accounts payable	1,146	—	—	1,146
Accrued expenses payable and other liabilities	4,719	(45)	—	4,674
Intercompany balance	(7,800)	7,800	—	—
Deferred compensation payable	(328)	—	—	(328)
<b>Net cash provided by operating activities</b>	<b>3,861</b>	<b>1,778</b>	<b>—</b>	<b>5,639</b>
<b>Cash flows from investing activities:</b>				
Purchases of property and equipment	(4,176)	(382)	—	(4,558)
Purchases of rental equipment	(68,117)	(4,823)	—	(72,940)
Proceeds from sale of property and equipment	322	27	—	349
Proceeds from sale of rental equipment	61,187	4,209	—	65,396
<b>Net cash used in investing activities</b>	<b>(10,784)</b>	<b>(969)</b>	<b>—</b>	<b>(11,753)</b>
<b>Cash flows from financing activities:</b>				
Payment of deferred financing costs	(887)	—	—	(887)
Borrowings on senior secured credit facility	479,756	—	—	479,756
Payments on senior secured credit facility	(467,613)	(808)	—	(468,421)
Payment of related party obligation	(300)	—	—	(300)
Principal payments of notes payable	(336)	—	—	(336)
Payments on capital lease obligations	(4,231)	—	—	(4,231)
<b>Net cash provided by (used in) financing activities</b>	<b>6,389</b>	<b>(808)</b>	<b>—</b>	<b>5,581</b>
<b>Net (decrease) increase in cash</b>	<b>(534)</b>	<b>1</b>	<b>—</b>	<b>(533)</b>
Cash, beginning of year	3,868	23	—	3,891
<b>Cash, end of year</b>	<b>\$ 3,334</b>	<b>\$ 24</b>	<b>\$ —</b>	<b>\$ 3,358</b>

	H&E Equipment Services	Guarantor Subsidiaries	Elimination	Consolidated
<b>Cash flows from operating activities:</b>				
Net loss	\$ (46,051)	\$ (377)	\$ 377	\$ (46,051)
<b>Adjustments to reconcile net loss to net cash provided by operating activities:</b>				
Depreciation on property and equipment	3,827	88	—	3,915
Depreciation on rental equipment	53,447	1,797	—	55,244
Amortization of loan discounts and deferred financing costs	2,394	—	—	2,394
Provision for losses on accounts receivable	1,209	60	—	1,269
Provision for obsolescence	612	—	—	612
Provision for deferred taxes	(5,717)	—	—	(5,717)
Gain on sale of property and equipment	(42)	(38)	—	(80)
Gain on sale of rental equipment	(10,200)	(961)	—	(11,161)
Equity in loss of guarantor subsidiaries	377	—	(377)	—
<b>Changes in operating assets and liabilities:</b>				
Receivables, net	2,215	(954)	—	1,261
Inventories, net	(4,462)	(518)	—	(4,980)
Prepaid expenses and other assets	(580)	4	—	(576)
Accounts payable	321	(88)	—	233
Accrued expenses payable and other liabilities	4,742	140	—	4,882
Intercompany balance	(5,056)	5,056	—	—
Accrued loss from litigation	17,434	—	—	17,434
Deferred compensation payable	665	—	—	665
Net cash provided by operating activities	15,135	4,209	—	19,344
<b>Cash flows from investing activities:</b>				
Purchases of property and equipment	(2,256)	(227)	—	(2,483)
Purchases of rental equipment	(23,890)	(6,698)	—	(30,588)
Proceeds from sale of property and equipment	2,654	46	—	2,700
Proceeds from sale of rental equipment	47,707	3,572	—	51,279
Net cash provided by (used in) investing activities	24,215	(3,307)	—	20,908
<b>Cash flows from financing activities:</b>				
Payment of deferred financing costs	(1,089)	—	—	(1,089)
Borrowings on senior secured credit facility	385,504	—	—	385,504
Payments on senior secured credit facility	(417,324)	(946)	—	(418,270)
Payment of related party obligation	(75)	—	—	(75)
Principal payments of notes payable	(339)	—	—	(339)
Payments on capital lease obligations	(5,490)	—	—	(5,490)
Net cash used in financing activities	(38,813)	(946)	—	(39,759)
Net increase (decrease) in cash	537	(44)	—	493
Cash, beginning of year	3,331	67	—	3,398
Cash, end of year	\$ 3,868	\$ 23	\$ —	\$ 3,891

**(22) Net Income (Loss) Per Common Unit**

The Company accounts for net income (loss) per common unit in accordance with SFAS No. 128, "Earnings per Share." Net income (loss) per common unit is computed by dividing net income (loss) attributable to common members by the weighted-average number of common units outstanding. The Company has had 100 common units outstanding since June 17, 2002. The 2002 net income (loss) per common unit only accounts for the period following the Company's reorganization and acquisition of ICM Equipment Company L.L.C. on June 17, 2002. The period prior to the transaction is not meaningful because of the substantial changes to the Company's capital structure resulting from such transactions.

**H&E EQUIPMENT SERVICES L.L.C.**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

	<u>September 30,</u> 2005	<u>December 31,</u> 2004
(In thousands)		
<b>ASSETS</b>		
Cash	\$ 4,440	\$ 3,358
Receivables, net of allowance for doubtful accounts of \$2,303 and \$2,732, respectively	83,075	68,902
Inventories, net of reserve for obsolescence of \$1,134 and \$1,490, respectively	73,584	56,811
Prepaid expenses and other assets	3,102	1,044
Rental equipment, net of accumulated depreciation of \$130,128 and \$124,411, respectively	296,237	243,630
Property and equipment, net of accumulated depreciation of \$20,091 and \$17,674, respectively	17,312	16,101
Deferred financing costs and other intangible assets, net of accumulated amortization of \$6,719 and \$5,092, respectively	8,634	10,251
Goodwill, net of accumulated amortization of \$758	8,572	8,572
	<u>          </u>	<u>          </u>
Total assets	\$ 494,956	\$ 408,669
	<u>          </u>	<u>          </u>
<b>LIABILITIES AND MEMBERS' DEFICIT</b>		
Liabilities:		
Amount due on senior secured credit facility	\$ 81,205	\$ 55,293
Accounts payable	123,236	92,592
Accrued expenses payable and other liabilities	37,262	20,919
Accrued loss from litigation	17,434	17,434
Related party obligation	919	1,062
Notes payable	546	727
Senior secured notes, net of discount	198,844	198,761
Senior subordinated notes, net of discount	43,906	43,491
Capital lease obligations	—	1,120
Deferred compensation payable	11,434	10,570
	<u>          </u>	<u>          </u>
Total liabilities	514,786	441,969
	<u>          </u>	<u>          </u>
Members' deficit	(19,830)	(33,300)
	<u>          </u>	<u>          </u>
Total liabilities and members' deficit	\$ 494,956	\$ 408,669
	<u>          </u>	<u>          </u>

See notes to consolidated financial statements.

**H&E EQUIPMENT SERVICES L.L.C.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004 (Restated)	2005	2004 (Restated)
	(In thousands)		(In thousands)	
<b>Revenues:</b>				
Equipment rentals	\$ 50,409	\$ 42,076	\$ 136,576	\$ 116,722
New equipment sales	36,152	28,793	99,867	80,570
Used equipment sales	26,751	20,353	76,332	61,984
Parts sales	16,986	14,951	51,202	44,335
Service revenues	10,409	8,486	29,459	25,446
Other	7,749	6,315	21,300	17,564
<b>Total revenues</b>	<b>148,456</b>	<b>120,974</b>	<b>414,736</b>	<b>346,621</b>
<b>Cost of Revenues:</b>				
Rental depreciation	14,354	12,292	39,394	36,713
Rental expense	12,015	12,431	35,024	38,795
New equipment sales	31,783	25,592	87,803	71,946
Used equipment sales	20,325	16,167	58,043	49,734
Parts sales	11,972	10,741	36,105	31,766
Service revenues	3,980	3,188	10,973	9,639
Other	7,229	7,180	21,700	20,924
<b>Total cost of revenues</b>	<b>101,658</b>	<b>87,591</b>	<b>289,042</b>	<b>259,517</b>
<b>Gross profit</b>	<b>46,798</b>	<b>33,383</b>	<b>125,694</b>	<b>87,104</b>
Selling, general and administrative expenses	28,219	24,489	81,342	72,878
Gain on sale of property and equipment	118	49	15	156
<b>Income from operations</b>	<b>18,697</b>	<b>8,943</b>	<b>44,367</b>	<b>14,382</b>
<b>Other Income (Expense):</b>				
Interest expense	(10,557)	(10,161)	(30,982)	(29,836)
Other, net	85	11	255	95
<b>Total other expense, net</b>	<b>(10,472)</b>	<b>(10,150)</b>	<b>(30,727)</b>	<b>(29,741)</b>
<b>Income (loss) before provision for income taxes</b>	<b>8,225</b>	<b>(1,207)</b>	<b>13,640</b>	<b>(15,359)</b>
Provision for income taxes	—	—	171	—
<b>Net income (loss)</b>	<b>\$ 8,225</b>	<b>\$ (1,207)</b>	<b>\$ 13,469</b>	<b>\$ (15,359)</b>

See notes to consolidated financial statements.

**H&E EQUIPMENT SERVICES L.L.C.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

	Nine Months Ended September 30,	
	2005	2004 (Restated)
	(In thousands)	
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 13,469	\$ (15,359)
<b>Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:</b>		
Depreciation on property and equipment	3,752	2,672
Depreciation on rental equipment	39,394	36,713
Amortization of loan discounts and deferred financing costs	2,044	1,958
Amortization of other intangible assets	82	191
Provision for losses on accounts receivable	1,096	1,037
Provision for obsolescence	30	53
Gain on sale of property and equipment	(15)	(156)
Gain on sale of rental equipment	(16,199)	(11,087)
<b>Changes in operating assets and liabilities:</b>		
Receivables	(15,269)	(7,215)
Inventories	(36,378)	(21,833)
Prepaid expenses and other assets	(2,058)	(582)
Accounts payable	30,644	(3,663)
Accrued expenses payable and other liabilities	16,426	13,246
Deferred compensation payable	864	(575)
	37,882	(4,600)
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(5,672)	(3,272)
Purchases of rental equipment	(117,723)	(48,823)
Proceeds from sale of property and equipment	725	295
Proceeds from sale of rental equipment	61,494	48,195
	(61,176)	(3,605)
<b>Cash flows from financing activities:</b>		
Borrowings on senior secured credit facility	424,867	350,067
Payments on senior secured credit facility	(398,955)	(338,286)
Payments of deferred financing costs	(10)	(887)
Payments of related party obligation	(225)	(225)
Principal payments on notes payable	(181)	(241)
Payments on capital lease obligations	(1,120)	(3,899)
	24,376	6,529
Net increase (decrease) in cash	1,082	(1,676)
Cash, beginning of period	3,358	3,891
	\$ 4,440	\$ 2,215

See notes to consolidated financial statements.

	2005	2004 (Restated)
(In thousands)		

Supplemental schedule of noncash investing activities:

Assets transferred from new and used inventory to rental fleet	\$ 19,573	\$ 8,629
Non-compete agreement	—	469

Supplemental disclosures of cash flow information:

Cash paid during the period for:		
Interest	\$ 22,084	\$ 21,643
Income taxes	171	19

As of September 30, 2005 and December 31, 2004, the Company had \$62.7 million and \$51.2 million, respectively, in manufacturer flooring plans payable outstanding, which were used to finance purchases of inventory and rental equipment.

See notes to consolidated financial statements.



**H&E EQUIPMENT SERVICES L.L.C.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Organization and Nature of Operations**

**Basis of Presentation**

H&E Equipment Services L.L.C. (H&E Equipment Services or the Company) is a wholly-owned subsidiary of H&E Holdings L.L.C. (H&E Holdings). H&E Holdings is principally a holding company conducting all of its operations through H&E Equipment Services. The consolidated financial statements include the results of operations of H&E Equipment Services and its wholly-owned subsidiaries H&E Finance Corp., GNE Investments, Inc. and Great Northern Equipment, Inc., collectively referred to herein as the Company.

The nature of the 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 consolidated balance sheets are presented on an unclassified basis.

**Nature of Operations**

As one of the largest integrated equipment services companies in the United States focused on heavy construction and industrial equipment, we rent, sell and provide parts and service support for four core categories of specialized equipment: (1) hi-lift or aerial platform equipment, (2) cranes, (3) earthmoving equipment and (4) industrial lift trucks. By providing equipment rental, sales, on-site parts, repair and maintenance functions under one roof, we are a one-stop provider for our customers' varied equipment needs. This full service approach provides us with multiple points of customer contact, enabling us to maintain an extremely high quality rental fleet, as well as an effective distribution channel for fleet disposal and provides cross-selling opportunities among our used and new equipment sales, rental, parts sales and service operations.

The accompanying consolidated financial statements are unaudited and, in the opinion of management, such financial statements reflect all adjustments, consisting only of normal recurring adjustments necessary to present fairly the results of the interim periods presented. Interim financial statements do not require all disclosures normally presented in year-end financial statements prepared in accordance with accounting principles generally accepted in the United States, and, accordingly, certain disclosures have been omitted. Results of operations for the three-month and nine-month periods ended September 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005. The information included in this report should be read in conjunction with the financial statements and related notes included in the Company's Form 10-K for the year ended December 31, 2004 filed with the Securities and Exchange Commission.

The Company prepares the financial statements in accordance with accounting principles generally accepted in the United States. In applying many accounting principles, management makes assumptions, estimates and /or judgments. These assumptions, estimates and/or judgments are often subjective and may change based on changing circumstances or changes in management's analysis. Material changes in these assumptions, estimates and/or judgments have the potential to materially alter the Company's results of operations.

## 2. Reclassifications and Restatements

### Reclassifications

Certain amounts in the prior-period consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current-period consolidated financial statements.

### Restatements of Previously Issued Consolidated Financial Statements

Our previously issued consolidated financial statements as of and for the years ended December 31, 2002 and 2003 have been restated to correct errors related to the treatment of deferred taxes in connection with the Company's combination with ICM Equipment Company on June 17, 2002. For further discussion regarding the restatements, see footnote 20 of our Form 10-K for the fiscal year ended December 31, 2004. Following is a summary of the effects of the restatement adjustments and reclassifications on the Company's consolidated statement of operations for the three and nine months ended September 30, 2004.

	Consolidated Statements of Operations			
	As Previously Reported	Restatement Adjustments	Reclassification Adjustments	As Restated
<b>Three Months Ended September 30, 2004</b>				
Other revenues	6,230	—	85	6,315
Total revenues	120,889	—	85	120,974
Rental depreciation	12,214	78	—	12,292
Rental expense	12,474	—	(43)	12,431
New equipment cost of revenues	25,949	—	(357)	25,592
Used equipment cost of revenues	15,810	—	357	16,167
Other cost of revenues	5,373	—	1,807	7,180
Total cost of revenues	85,749	78	1,764	87,591
Selling, general and administration expenses	26,254	(86)	(1,679)	24,489
Income from operations	8,935	8	—	8,943
Loss before income taxes	(1,215)	8	—	(1,207)
Net loss	(1,215)	8	—	(1,207)
<b>Nine Months Ended September 30, 2004</b>				
Other revenues	17,500	—	64	17,564
Total revenues	346,557	—	64	346,621
Rental depreciation	36,479	234	—	36,713
Rental expense	38,811	—	(16)	38,795
New equipment cost of revenues	72,791	—	(845)	71,946
Used equipment cost of revenues	48,889	—	845	49,734
Other cost of revenues	15,876	—	5,048	20,924
Total cost of revenues	254,251	234	5,032	259,517
Selling, general and administration expenses	78,104	(258)	(4,968)	72,878
Income from operations	14,358	24	—	14,382
Loss before income taxes	(15,383)	24	—	(15,359)
Net loss	(15,383)	24	—	(15,359)

### 3. Litigation

The Company is party to various litigation matters, in most cases (except for the legal proceeding referred to below) involving ordinary and routine claims incidental to the Company's business. The Company cannot estimate with certainty the ultimate legal and financial liability with respect to such pending matters (excluding the legal proceeding referred to below). However, management believes, based on their examination of such matters, that the Company's ultimate liability will not have a material adverse effect on its business or financial condition.

In July 2000, one of our competitors, Sunbelt Rentals, Inc., brought claims against us in the General Court of Justice, Superior Court Division, State of North Carolina, County of Mecklenburg alleging, among other things, that in connection with our hiring of former employees of the plaintiff there occurred a breach of fiduciary duty, misappropriation of trade secrets, unfair trade practices and interference with prospective advantages. In May 2003, the Court ruled in favor of the plaintiff in the amount of \$17.4 million. Consequently, we recorded a \$17.4 million loss in 2003. We subsequently appealed the judgment. In conjunction with the appeal and in accordance with the Court's ruling, we posted and filed an irrevocable standby letter of credit for \$20.1 million, representing the amount of the judgment plus \$2.7 million in anticipated statutory interest (8%) for the twenty-four months while the judgment was to be appealed. As of September 30, 2005, our fee was 250 basis points on the amount available for issuance.

On October 18, 2005, the Court of Appeals of North Carolina denied our appeal. We are currently evaluating whether to pursue any further appeals. This ruling does not cause a default or an event of acceleration under our senior secured credit facility, senior secured notes or senior subordinated notes. The payment of damages will not adversely impact our liquidity, because the payment will be funded through our senior secured credit facility and availability under the senior secured credit facility was already reduced by the amount of the letter of credit. The amount of the judgment will be reclassified from accrued liabilities to debt under our senior secured credit facility at the time the payment is actually made or the letter of credit is drawn. This does not result in a net change to total liabilities on our balance sheet. In addition, this will not adversely impact our balance sheet or statement of operations, because the judgment, including statutory interest through September 30, 2005, had already been reflected on our financial statements. We will continue to expense interest through the date of payment.

### 4. Senior Secured Credit Facility

During the first quarter of 2005, the Company entered into three amendments to its senior credit agreement dated June 17, 2002, governing its senior secured credit facility. The amendments accomplished the following:

- (a) increased the maximum annual property and equipment expenditures to \$8.5 million;
- (b) lowered interest rates according to a pricing grid based upon daily average excess availability for the immediately preceding fiscal month. We elect interest at either the Index Rate (the higher of the prime rate, as determined pursuant to the amended credit agreement, and the federal funds rate plus 50 basis points) plus the applicable revolver Index margin per annum or the applicable London Interbank Offered Rate, or LIBOR rate, plus the applicable revolver LIBOR margin per each calendar month. With daily average excess availability equal to or more than \$40 million, the LIBOR margin will be 2.25% and the Index margin will be .75%. If availability falls below \$40 million and equal to or more than \$25 million, the senior

secured credit facility bears interest at a LIBOR margin of 2.50% and the Index margin will be 1.00%. If availability is less than \$25 million, the LIBOR margin will be 2.75% and the Index margin will be 1.25%. The commitment fee equal to .5% per annum in respect to un-drawn commitments remains unchanged;

- (c) reduced the availability block on assets from \$30 million to \$15 million;
- (d) increased the advance rate on orderly liquidation value as defined in the senior secured credit agreement of rental assets from 75% to 80%; and
- (e) amended the requirement of delivery of audited financial statements for the fiscal year ended December 31, 2004 from March 31, 2005 to September 30, 2005.

On October 13, 2005, the Company entered into Amendment No. 8 to the Credit Agreement dated June 17, 2002. Principally, the amendment

- (a) increased the aggregate revolving loan commitment from \$150.0 million to \$165.0 million;
- (b) increased the block on availability of assets from \$15.0 million to \$16.5 million, based on the total borrowing base assets; and
- (c) increased the lien basket for purchase money indebtedness and conditional sale or other title retention agreements with respect to equipment, from \$90.0 million to \$125.0 million.

In connection with Amendment No. 8, we paid a loan amendment fee of \$81,250. As of September 30, 2005, we were in compliance with the financial covenants.

## 5. Segment Information

The Company has identified five reportable segments: equipment rentals, new equipment sales, used equipment sales, parts sales and service revenues. These segments are based upon how management allocates resources and assesses performance. Non-segmented revenues and non-segmented costs relate to equipment support activities including transportation, hauling, parts freight and damage-waiver charges and are not allocated to the other reportable segments. Selling, general, and administrative expenses and all other income and expense items below gross profit are not generally allocated to reportable segments. The Company does not compile discrete financial

information by its segments other than the information presented below. The following table presents unaudited information about the Company's reportable segments (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2005	2004 (Restated)	2005	2004 (Restated)
<b>Revenues:</b>				
Equipment rentals	\$ 50,409	\$ 42,076	\$ 136,576	\$ 116,722
New equipment sales	36,152	28,793	99,867	80,570
Used equipment sales	26,751	20,353	76,332	61,984
Parts sales	16,986	14,951	51,202	44,335
Service revenues	10,409	8,486	29,459	25,446
Other	7,749	6,315	21,300	17,564
<b>Total revenues</b>	<b>\$ 148,456</b>	<b>\$ 120,974</b>	<b>\$ 414,736</b>	<b>\$ 346,621</b>
<b>Gross Profit:</b>				
Equipment rentals	\$ 24,040	\$ 17,353	\$ 62,158	\$ 41,214
New equipment sales	4,369	3,201	12,064	8,624
Used equipment sales	6,426	4,186	18,289	12,250
Parts sales	5,014	4,210	15,097	12,569
Service revenues	6,429	5,298	18,486	15,807
Other	520	(865)	(400)	(3,360)
<b>Total gross profit</b>	<b>\$ 46,798</b>	<b>\$ 33,383</b>	<b>\$ 125,694</b>	<b>\$ 87,104</b>
	<b>As of September 30,</b>	<b>As of December 31,</b>		
	<b>2005</b>	<b>2004</b>		
<b>Segment Identified Assets:</b>				
Equipment sales, net	\$ 53,087	\$ 39,929		
Equipment rentals, net	296,237	243,630		
Parts sales and service revenues	20,497	16,882		
<b>Total segment identified assets</b>	<b>369,821</b>	<b>300,441</b>		
Non-segment identified assets	125,135	108,228		
<b>Total assets</b>	<b>\$ 494,956</b>	<b>\$ 408,669</b>		

The Company operates in the United States and had minimal international sales for any of the periods presented. No one customer accounted for more than 10% of the Company's annualized sales on an overall basis for any of the periods presented.

## 6. Recent Accounting Pronouncements

In December 2004, the FASB issued Statement No. 123 (revised 2004), "*Share-Based Payment*" (FAS No. 123R), which replaces FAS No. 123 and supersedes APB Opinion No. 25, "*Accounting for Stock Issued to Employees.*" FAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values

beginning with the first interim period after June 15, 2005, with early adoption encouraged. In April 2005, the SEC announced that the effective date of Statement No. 123(R) will be deferred until January 1, 2006 for calendar companies. Under FAS No. 123(R), we must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at the date of adoption. Historically, we have not used stock based awards for compensating our employees; therefore, the adoption of SFAS No. 123(R) currently would not apply to us. However, we are evaluating the effect of adoption on our financial position and results of operations which will depend in part, on the types and quantities of stock based awards that we issue to our employees under the new stock incentive plan we intend to establish upon completion of this offering. We have not yet determined the method of adoption or the effect that the adoption will have on our financial position or results of operations. The completion of the offering would also have an impact on our adoption date.

## **7. Impact of Recent Natural Disaster**

The Company has four facilities located in the area most significantly affected by Hurricanes Katrina and Rita. None of the facilities were forced to close for any extended period of time, and all of them are currently open and fully operational. Any negative financial impact of Hurricanes Katrina and Rita relating to these facilities is not expected to be material to the Company.

## **8. Consolidating Financial Information of Guarantor Subsidiaries**

All of the indebtedness of H&E Equipment Services is guaranteed by GNE Investments, Inc. and its wholly-owned subsidiary Great Northern Equipment, Inc. These guarantor subsidiaries are all wholly-owned and the guarantees are made on a joint and several basis and are full and unconditional (subject to subordination provisions and subject to a standard limitation which provides that the maximum amount guaranteed by each guarantor will not exceed the maximum amount that can be guaranteed without making the guarantee void under fraudulent conveyance laws). There are no restrictions on H&E Equipment Services' ability to obtain funds from the guarantor subsidiaries by dividend or loan.

The consolidating financial information of H&E Equipment Services and its subsidiaries are included below. The consolidating financial statements for H&E Finance Corp., the subsidiary co-issuer, is not presented because H&E Finance Corp. has no assets or operations.

**CONSOLIDATING BALANCE SHEET**

As of September 30, 2005

	<b>H&amp;E Equipment Services</b>	<b>Guarantor Subsidiaries</b>	<b>Elimination</b>	<b>Consolidated</b>
	(In thousands)			
<b>ASSETS</b>				
Cash	\$ 4,427	\$ 13	\$ —	\$ 4,440
Receivables, net	79,983	3,092	—	83,075
Inventories, net	71,448	2,136	—	73,584
Prepaid expenses and other assets	3,102	—	—	3,102
Rental equipment, net	286,835	9,402	—	296,237
Property and equipment, net	16,511	801	—	17,312
Deferred financing costs and other intangible assets, net	8,634	—	—	8,634
Investment in guarantor subsidiaries	6,220	—	(6,220)	—
Goodwill, net	8,572	—	—	8,572
<b>Total assets</b>	<b>\$ 485,732</b>	<b>\$ 15,444</b>	<b>\$ (6,220)</b>	<b>\$ 494,956</b>
<b>LIABILITIES AND MEMBERS' (DEFICIT) EQUITY</b>				
<b>Liabilities:</b>				
Amount due on senior secured credit facility	\$ 77,734	\$ 3,471	\$ —	\$ 81,205
Accounts payable	123,236	—	—	123,236
Accrued expenses payable and other liabilities	37,151	111	—	37,262
Inter-company balance	(5,642)	5,642	—	—
Accrued loss from litigation	17,434	—	—	17,434
Related party obligation	919	—	—	919
Notes payable	546	—	—	546
Senior secured notes, net of discount	198,844	—	—	198,844
Senior subordinated notes, net of discount	43,906	—	—	43,906
Capital lease obligations	—	—	—	—
Deferred compensation payable	11,434	—	—	11,434
<b>Total liabilities</b>	<b>505,562</b>	<b>9,224</b>	<b>—</b>	<b>514,786</b>
<b>Members' (deficit) equity</b>	<b>(19,830)</b>	<b>6,220</b>	<b>(6,220)</b>	<b>(19,830)</b>
<b>Total liabilities and members' (deficit) equity</b>	<b>\$ 485,732</b>	<b>\$ 15,444</b>	<b>\$ (6,220)</b>	<b>\$ 494,956</b>

**CONSOLIDATING BALANCE SHEET**

As of December 31, 2004

	<u>H&amp;E Equipment Services</u>	<u>Guarantor Subsidiaries</u>	<u>Elimination</u>	<u>Consolidated</u>
	(In thousands)			
<b>ASSETS</b>				
Cash	\$ 3,334	\$ 24	\$ —	\$ 3,358
Receivables, net	66,434	2,468	—	68,902
Inventories, net	52,641	4,170	—	56,811
Prepaid expenses and other assets	1,044	—	—	1,044
Rental equipment, net	231,330	12,300	—	243,630
Property and equipment, net	15,615	486	—	16,101
Deferred financing costs and other intangible assets, net	10,251	—	—	10,251
Investment in guarantor subsidiaries	5,238	—	(5,238)	—
Goodwill, net	8,572	—	—	8,572
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 394,459	\$ 19,448	\$ (5,238)	\$ 408,669
	<hr/>	<hr/>	<hr/>	<hr/>
<b>LIABILITIES AND MEMBERS' (DEFICIT) EQUITY</b>				
Liabilities:				
Amount due on senior secured credit facility	\$ 51,822	\$ 3,471	\$ —	\$ 55,293
Accounts payable	92,592	—	—	92,592
Accrued expenses payable and other liabilities	20,804	115	—	20,919
Intercompany balance	(10,624)	10,624	—	—
Accrued loss from litigation	17,434	—	—	17,434
Related party obligation	1,062	—	—	1,062
Notes payable	727	—	—	727
Senior secured notes, net of discount	198,761	—	—	198,761
Senior subordinated notes, net of discount	43,491	—	—	43,491
Capital lease obligations	1,120	—	—	1,120
Deferred compensation payable	10,570	—	—	10,570
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	427,759	14,210	—	441,969
	<hr/>	<hr/>	<hr/>	<hr/>
Members' (deficit) equity	(33,300)	5,238	(5,238)	(33,300)
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and members' (deficit) equity	\$ 394,459	\$ 19,448	\$ (5,238)	\$ 408,669
	<hr/>	<hr/>	<hr/>	<hr/>



**CONSOLIDATING STATEMENT OF OPERATIONS**

Three Months Ended September 30, 2005

	H&E Equipment Services	Guarantor Subsidiaries	Elimination	Consolidated
	(In thousands)			
<b>Revenues:</b>				
Equipment rentals	\$ 48,222	\$ 2,187	\$ —	\$ 50,409
New equipment sales	34,861	1,291	—	36,152
Used equipment sales	25,482	1,269	—	26,751
Parts sales	16,372	614	—	16,986
Service revenues	10,033	376	—	10,409
Other	7,427	322	—	7,749
<b>Total revenues</b>	<b>142,397</b>	<b>6,059</b>	<b>—</b>	<b>148,456</b>
<b>Cost of Revenues:</b>				
Rental depreciation	13,689	665	—	14,354
Rental expense	11,766	249	—	12,015
New equipment sales	30,656	1,127	—	31,783
Used equipment sales	19,367	958	—	20,325
Parts sales	11,549	423	—	11,972
Service revenues	3,881	99	—	3,980
Other	6,914	315	—	7,229
<b>Total cost of revenues</b>	<b>97,822</b>	<b>3,836</b>	<b>—</b>	<b>101,658</b>
<b>Gross profit</b>	<b>44,575</b>	<b>2,223</b>	<b>—</b>	<b>46,798</b>
Selling, general and administrative expenses	26,804	1,415	—	28,219
Gain on sale of property and equipment	106	12	—	118
Equity in earnings of guarantor subsidiaries	483	—	(483)	—
<b>Income from operations</b>	<b>18,360</b>	<b>820</b>	<b>(483)</b>	<b>18,697</b>
<b>Other Income (Expense):</b>				
Interest expense	(10,216)	(341)	—	(10,557)
Other, net	81	4	—	85
<b>Total other expense, net</b>	<b>(10,135)</b>	<b>(337)</b>	<b>—</b>	<b>(10,472)</b>
<b>Income before provision for income taxes</b>	<b>8,225</b>	<b>483</b>	<b>(483)</b>	<b>8,225</b>
Provision for income taxes	—	—	—	—
<b>Net income</b>	<b>\$ 8,225</b>	<b>\$ 483</b>	<b>\$ (483)</b>	<b>\$ 8,225</b>

**CONSOLIDATING STATEMENT OF OPERATIONS**

Three Months Ended September 30, 2004 (Restated)

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Elimination</u>	<u>Consolidated</u>
	(In thousands)			
<b>Revenues:</b>				
Equipment rentals	\$ 40,355	\$ 1,721	\$ —	\$ 42,076
New equipment sales	27,834	959	—	28,793
Used equipment sales	19,434	919	—	20,353
Parts sales	14,496	455	—	14,951
Service revenues	8,224	262	—	8,486
Other	6,090	225	—	6,315
<b>Total revenues</b>	<b>116,433</b>	<b>4,541</b>	<b>—</b>	<b>120,974</b>
<b>Cost of Revenues:</b>				
Rental depreciation	11,774	518	—	12,292
Rental expense	12,135	296	—	12,431
New equipment sales	24,777	815	—	25,592
Used equipment sales	15,522	645	—	16,167
Parts sales	10,434	307	—	10,741
Service revenues	3,108	80	—	3,188
Other	6,883	297	—	7,180
<b>Total cost of revenues</b>	<b>84,633</b>	<b>2,958</b>	<b>—</b>	<b>87,591</b>
<b>Gross profit</b>	<b>31,800</b>	<b>1,583</b>	<b>—</b>	<b>33,383</b>
Selling, general and administrative expenses	23,452	1,037	—	24,489
Gain on sale of property and equipment	33	16	—	49
Equity in earnings of guarantor subsidiaries	314	—	(314)	—
<b>Income from operations</b>	<b>8,695</b>	<b>562</b>	<b>(314)</b>	<b>8,943</b>
<b>Other Income (Expense):</b>				
Interest expense	(9,912)	(249)	—	(10,161)
Other, net	10	1	—	11
<b>Total other expense, net</b>	<b>(9,902)</b>	<b>(248)</b>	<b>—</b>	<b>(10,150)</b>
<b>Net (loss) income</b>	<b>\$ (1,207)</b>	<b>\$ 314</b>	<b>\$ (314)</b>	<b>\$ (1,207)</b>

**CONSOLIDATING STATEMENT OF OPERATIONS**

Nine Months Ended September 30, 2005

	<u>H&amp;E Equipment Services</u>	<u>Guarantor Subsidiaries</u>	<u>Elimination</u>	<u>Consolidated</u>
	(In thousands)			
<b>Revenues:</b>				
Equipment rentals	\$ 131,408	\$ 5,168	\$ —	\$ 136,576
New equipment sales	95,976	3,891	—	99,867
Used equipment sales	71,218	5,114	—	76,332
Parts sales	49,593	1,609	—	51,202
Service revenues	28,464	995	—	29,459
Other	20,443	857	—	21,300
<b>Total revenues</b>	<b>397,102</b>	<b>17,634</b>	<b>—</b>	<b>414,736</b>
<b>Cost of Revenues:</b>				
Rental depreciation	37,702	1,692	—	39,394
Rental expense	34,248	776	—	35,024
New equipment sales	84,485	3,318	—	87,803
Used equipment sales	54,294	3,749	—	58,043
Parts sales	34,990	1,115	—	36,105
Service revenues	10,695	278	—	10,973
Other	20,806	894	—	21,700
<b>Total cost of revenues</b>	<b>277,220</b>	<b>11,822</b>	<b>—</b>	<b>289,042</b>
<b>Gross profit</b>	<b>119,882</b>	<b>5,812</b>	<b>—</b>	<b>125,694</b>
Selling, general and administrative expenses	77,377	3,965	—	81,342
Gain (loss) on sale of property and equipment	(6)	21	—	15
Equity in earnings of guarantor subsidiaries	982	—	(982)	—
<b>Income from operations</b>	<b>43,481</b>	<b>1,868</b>	<b>(982)</b>	<b>44,367</b>
<b>Other Income (Expense):</b>				
Interest expense	(30,091)	(891)	—	(30,982)
Other, net	250	5	—	255
<b>Total other expense, net</b>	<b>(29,841)</b>	<b>(886)</b>	<b>—</b>	<b>(30,727)</b>
<b>Income before provision for income taxes</b>	<b>13,640</b>	<b>982</b>	<b>(982)</b>	<b>13,640</b>
Provision for income taxes	171	—	—	171
<b>Net income</b>	<b>\$ 13,469</b>	<b>\$ 982</b>	<b>\$ (982)</b>	<b>\$ 13,469</b>

**CONSOLIDATING STATEMENT OF OPERATIONS**

Nine Months Ended September 30, 2004 (Restated)

	<u>H&amp;E Equipment Services</u>	<u>Guarantor Subsidiaries</u>	<u>Elimination</u>	<u>Consolidated</u>
	(In thousands)			
<b>Revenues:</b>				
Equipment rentals	\$ 112,406	\$ 4,316	\$ —	\$ 116,722
New equipment sales	77,854	2,716	—	80,570
Used equipment sales	58,496	3,488	—	61,984
Parts sales	43,107	1,228	—	44,335
Service revenues	24,639	807	—	25,446
Other	17,024	540	—	17,564
<b>Total revenues</b>	<b>333,526</b>	<b>13,095</b>	<b>—</b>	<b>346,621</b>
<b>Cost of Revenues:</b>				
Rental depreciation	35,270	1,443	—	36,713
Rental expense	37,918	877	—	38,795
New equipment sales	69,606	2,340	—	71,946
Used equipment sales	47,177	2,557	—	49,734
Parts sales	30,931	835	—	31,766
Service revenues	9,391	248	—	9,639
Other	20,046	878	—	20,924
<b>Total cost of revenues</b>	<b>250,339</b>	<b>9,178</b>	<b>—</b>	<b>259,517</b>
<b>Gross profit</b>	<b>83,187</b>	<b>3,917</b>	<b>—</b>	<b>87,104</b>
Selling, general and administrative expenses	69,873	3,005	—	72,878
Gain on sale of property and equipment	131	25	—	156
Equity in earnings of guarantor subsidiaries	262	—	(262)	—
<b>Income from operations</b>	<b>13,707</b>	<b>937</b>	<b>(262)</b>	<b>14,382</b>
<b>Other Income (Expense):</b>				
Interest expense	(29,147)	(689)	—	(29,836)
Other, net	81	14	—	95
<b>Total other expense, net</b>	<b>(29,066)</b>	<b>(675)</b>	<b>—</b>	<b>(29,741)</b>
<b>Net (loss) income</b>	<b>\$ (15,359)</b>	<b>\$ 262</b>	<b>\$ (262)</b>	<b>\$ (15,359)</b>

**CONSOLIDATING STATEMENT OF CASH FLOWS**

Nine Months Ended September 30, 2005

	H&E Equipment Services	Guarantor Subsidiaries	Elimination	Consolidated
	(In thousands)			
<b>Cash flows from operating activities:</b>				
Net income	\$ 13,469	\$ 982	\$ (982)	\$ 13,469
Adjustment to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation on property and equipment	3,602	150	—	3,752
Depreciation on rental equipment	37,702	1,692	—	39,394
Amortization of loan discounts and deferred financing costs	2,044	—	—	2,044
Amortization of other intangible assets	82	—	—	82
Provision for losses on accounts receivable	997	99	—	1,096
Provision for obsolescence	30	—	—	30
(Gain) loss on sale of property and equipment	6	(21)	—	(15)
Gain on sale of rental equipment	(14,860)	(1,339)	—	(16,199)
Equity in earnings of guarantor subsidiaries	(982)	—	982	—
Changes in operating assets and liabilities:				
Receivables	(14,546)	(723)	—	(15,269)
Inventories	(36,742)	364	—	(36,378)
Prepaid expenses and other assets	(2,058)	—	—	(2,058)
Accounts payable	30,644	—	—	30,644
Accrued expenses payable and other liabilities	16,317	109	—	16,426
Intercompany balance	5,095	(5,095)	—	—
Deferred compensation payable	864	—	—	864
<b>Net cash provided by (used in) operating activities</b>	<b>41,664</b>	<b>(3,782)</b>	<b>—</b>	<b>37,882</b>
<b>Cash flows from investing activities:</b>				
Purchases of property and equipment	(5,215)	(457)	—	(5,672)
Purchases of rental equipment	(117,010)	(713)	—	(117,723)
Proceeds from sale of property and equipment	712	13	—	725
Proceeds from sale of rental equipment	56,566	4,928	—	61,494
<b>Net cash (used in) provided by investing activities:</b>	<b>(64,947)</b>	<b>3,771</b>	<b>—</b>	<b>(61,176)</b>
<b>Cash flows from financing activities:</b>				
Borrowings on senior secured credit facility	424,867	—	—	424,867
Payments on senior secured credit facility	(398,955)	—	—	(398,955)
Payment of deferred financing costs	(10)	—	—	(10)
Payments of related party obligation	(225)	—	—	(225)
Principal payments on notes payable	(181)	—	—	(181)
Payments on capital lease obligations	(1,120)	—	—	(1,120)
<b>Net cash provided by financing activities</b>	<b>24,376</b>	<b>—</b>	<b>—</b>	<b>24,376</b>
Net increase (decrease) in cash	1,093	(11)	—	1,082
Cash, beginning of period	3,334	24	—	3,358
<b>Cash, end of period</b>	<b>\$ 4,427</b>	<b>\$ 13</b>	<b>\$ —</b>	<b>\$ 4,440</b>

**CONSOLIDATING STATEMENT OF CASH FLOWS**

Nine Months Ended September 30, 2004 (Restated)

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Elimination</u>	<u>Consolidated</u>
	(In thousands)			
<b>Cash flows from operating activities:</b>				
Net (loss) income	\$ (15,359)	\$ 262	\$ (262)	\$ (15,359)
Adjustment to reconcile net loss to net cash (used in) provided by operating activities:				
Depreciation on property and equipment	2,563	109	—	2,672
Depreciation on rental equipment	35,270	1,443	—	36,713
Amortization of loan discounts and deferred financing costs	1,958	—	—	1,958
Amortization of other intangibles	191	—	—	191
Provision for losses on accounts receivable	988	49	—	1,037
Provision for obsolescence	53	—	—	53
Gain on sale of property and equipment	(131)	(25)	—	(156)
Gain on sale of rental equipment	(10,202)	(885)	—	(11,087)
Equity in earnings of guarantor subsidiaries	(262)	—	262	—
<b>Changes in operating assets and liabilities:</b>				
Receivables	(6,299)	(916)	—	(7,215)
Inventories	(15,195)	(6,638)	—	(21,833)
Prepaid expenses and other assets	(582)	—	—	(582)
Accounts payable	(3,663)	—	—	(3,663)
Accrued expenses payable and other liabilities	13,326	(80)	—	13,246
Intercompany balance	(8,363)	8,363	—	—
Accrued loss from litigation	—	—	—	—
Deferred compensation payable	(575)	—	—	(575)
Net cash (used in) provided by operating activities	<u>(6,282)</u>	<u>1,682</u>	<u>—</u>	<u>(4,600)</u>
<b>Cash flows from investing activities:</b>				
Purchases of property and equipment	(2,926)	(346)	—	(3,272)
Purchases of rental equipment	(44,959)	(3,864)	—	(48,823)
Proceeds from sale of property and equipment	269	26	—	295
Proceeds from sale of rental equipment	45,054	3,141	—	48,195
Net cash (used in) provided by investing activities:	<u>(2,562)</u>	<u>(1,043)</u>	<u>—</u>	<u>(3,605)</u>
<b>Cash flows from financing activities:</b>				
Borrowings on senior secured credit facility	350,067	—	—	350,067
Payments on senior secured credit facility	(337,666)	(620)	—	(338,286)
Payment of deferred financing costs	(887)	—	—	(887)
Payments on related party obligation	(225)	—	—	(225)
Principal payments on notes payable	(241)	—	—	(241)
Payments on capital lease obligations	(3,899)	—	—	(3,899)
Net cash provided by (used in) financing activities	<u>7,149</u>	<u>(620)</u>	<u>—</u>	<u>6,529</u>
Net (decrease) increase in cash	(1,695)	19	—	(1,676)
Cash, beginning of period	3,868	23	—	3,891
Cash, end of period	<u>\$ 2,173</u>	<u>\$ 42</u>	<u>\$ —</u>	<u>\$ 2,215</u>

**SCHEDULE II: VALUATION AND QUALIFYING ACCOUNTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002**  
(Dollars in thousands)

Description	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Recoveries (Deductions)	Impact of Acquisition	Balance at End of Year
<b>Year Ended December 31, 2004</b>					
Allowance for doubtful accounts receivable	\$ 3,188	\$ 1,395	\$ (1,851)	—	\$ 2,732
Allowance for inventory obsolescence	1,235	240	15	—	1,490
	<u>\$ 4,423</u>	<u>\$ 1,635</u>	<u>\$ (1,836)</u>	<u>\$ —</u>	<u>\$ 4,222</u>
<b>Year Ended December 31, 2003</b>					
Allowance for doubtful accounts receivable	\$ 3,609	\$ 1,269	\$ (1,690)	\$ —	\$ 3,188
Allowance for inventory obsolescence	1,139	612	(516)	—	1,235
	<u>\$ 4,748</u>	<u>\$ 1,881</u>	<u>\$ (2,206)</u>	<u>\$ —</u>	<u>\$ 4,423</u>
<b>Year Ended December 31, 2002</b>					
Allowance for doubtful accounts receivable	\$ 708	\$ 1,517	\$ (1,524)	\$ 2,908	\$ 3,609
Allowance for inventory obsolescence	533	121	(6)	491	1,139
	<u>\$ 1,241</u>	<u>\$ 1,638</u>	<u>\$ (1,530)</u>	<u>\$ 3,399</u>	<u>\$ 4,748</u>

See accompanying report of independent registered public accounting firm.

## Independent Auditor's Report

The Board of Directors  
Eagle High Reach Equipment, Inc.  
La Mirada, California

We have audited the accompanying consolidated balance sheet of Eagle High Reach Equipment, Inc. (a California corporation) and subsidiary (the "Company") as of June 30, 2005 and 2004, and the related statements of operations and comprehensive income (loss), stockholders' equity (deficit), and cash flows for each of the three years in the period ended June 30, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The consolidated financial statements of the Company for the year ended June 30, 2002, before they were restated for the matter described in Note 14 to the consolidated financial statements, were audited by other auditors whose report, dated October 23, 2002, expressed an unqualified opinion on those statements.

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

In our opinion, the consolidated financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of Eagle High Reach Equipment, Inc. as of June 30, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2005, in conformity with accounting principles generally accepted in the United States of America. We also audited the adjustments described in Note 14 that were applied to restate the 2002 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

As described in Note 14 to the consolidated financial statements, the financial statements for the year ended June 30, 2004 were restated.

/s/ Perry-Smith LLP

Sacramento, California  
August 31, 2005, except for Note 15 for  
which the date is November 21, 2005.



## EAGLE HIGH REACH EQUIPMENT, INC.

## CONSOLIDATED BALANCE SHEET

JUNE 30, 2005 AND 2004

	2005	2004
		(As Restated)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 132,301	\$ 490,936
Accounts receivable (net of allowance for doubtful accounts of \$325,899 and \$618,252 respectively)	5,566,897	5,024,569
Unbilled revenue	1,133,729	942,060
Inventories and supplies	1,549,895	1,673,089
Prepaid expenses and other current assets	509,812	275,704
	<hr/>	<hr/>
Total current assets	8,892,634	8,406,358
Rental fleet equipment, at cost, net (Note 3)	27,462,697	31,013,366
Property and equipment, at cost, net (Note 3)	3,414,040	3,601,134
Other assets:		
Due from stockholder, net of reserve of \$3,063,852 (Notes 9 and 10)		1,049,605
Other related-party receivables, long-term (Note 9)	178,498	325,836
Deposits and other assets	186,615	88,140
	<hr/>	<hr/>
Total other assets	365,113	1,463,581
	<hr/>	<hr/>
Total assets	\$ 40,134,484	\$ 44,484,439
	<hr/>	<hr/>
<b>Liabilities and Stockholders' Equity (Deficit)</b>		
Current liabilities:		
Accounts payable	\$ 1,311,610	\$ 3,093,388
Accrued interest payable	104,785	1,149,044
Other accrued expenses (Note 11)	1,862,910	2,095,379
Revolving note payable, current portion (Note 4)		43,735,268
Term note payable, current portion (Note 5)	18,325	16,604
Capital lease obligations, current portion (Note 6)	467,125	8,038
	<hr/>	<hr/>
Total current liabilities	3,764,755	50,097,721
	<hr/>	<hr/>
Long-term liabilities:		
Revolving note payable, long-term portion (Note 4)	21,533,571	
Term note payable, long-term portion (Note 5)	1,278,176	1,305,982
Capital lease obligations, long-term portion (Note 6)	1,103,923	760,300
Other noncurrent liabilities (Notes 11 and 14)	940,458	389,404
Deferred income taxes (Note 7)		300,000
	<hr/>	<hr/>
Total long-term liabilities	24,856,128	2,755,686
	<hr/>	<hr/>
Total liabilities	28,620,883	52,853,407
	<hr/>	<hr/>
Commitments and contingencies (Notes 8, 11 and 15)		
Minority interest in subsidiary (Note 2)	4,666,873	
	<hr/>	<hr/>
Stockholders' equity (deficit):		
Common stock, no par value, 100,000 shares authorized, 18,791 and 17,733 shares issued and outstanding, respectively (Note 10)	927,624	2,610,820
Paid-in capital	1,826,247	
Retained earnings (accumulated deficit) (Note 14)	4,092,857	(10,979,788)
	<hr/>	<hr/>
Total stockholders' equity (deficit)	6,846,728	(8,368,968)
	<hr/>	<hr/>
Total liabilities and stockholders' equity (deficit)	\$ 40,134,484	\$ 44,484,439
	<hr/>	<hr/>

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

EAGLE HIGH REACH EQUIPMENT, INC.

CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED JUNE 30, 2005, 2004 AND 2003

	2005	2004	2003
		(As Restated)	
Rental revenue, equipment	\$ 28,018,045	\$ 26,763,573	\$ 25,283,050
Equipment sales	2,608,955	1,925,923	2,062,923
<b>Total revenue</b>	<b>30,627,000</b>	<b>28,689,496</b>	<b>27,345,973</b>
Cost of rental revenue, equipment	8,344,412	8,693,676	7,065,768
Cost of equipment sold	1,430,003	1,202,411	1,116,403
<b>Total cost of revenue</b>	<b>9,774,415</b>	<b>9,896,087</b>	<b>8,182,171</b>
Gross profit	20,852,585	18,793,409	19,163,802
Operating expenses (Note 14)	21,537,076	21,585,170	17,756,912
<b>(Loss) income from operations</b>	<b>(684,491)</b>	<b>(2,791,761)</b>	<b>1,406,890</b>
Other income (expense):			
Interest income	581	132,638	97,231
Interest expense	(2,167,012)	(3,792,367)	(3,496,033)
Allowance for uncollectible stockholder receivable (Notes 10 and 14)		(759,839)	(2,304,014)
Interest rate swap agreements termination expense (Note 13)		(2,809,175)	
Gain on debt restructuring (Note 2)	13,491,241		
<b>Total other income (expense)</b>	<b>11,324,810</b>	<b>(7,228,743)</b>	<b>(5,702,816)</b>
Income (loss) before minority interest in net loss of subsidiary and income tax (benefit) expense	10,640,319	(10,020,504)	(4,295,926)
Minority interest in net loss of subsidiary (Note 2)	320,000		
Income (loss) before income tax (benefit) expense (Note 2)	10,960,319	(10,020,504)	(4,295,926)
Income tax (benefit) expense (Note 7)	(299,200)	106,988	(10,847)
<b>Net income (loss)</b>	<b>11,259,519</b>	<b>(10,127,492)</b>	<b>(4,285,079)</b>
Other comprehensive income (loss):			
Change in fair value of derivative financial instruments		3,410,869	(1,294,739)
<b>Comprehensive income (loss)</b>	<b>\$ 11,259,519</b>	<b>\$ (6,716,623)</b>	<b>\$ (5,579,818)</b>

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

EAGLE HIGH REACH EQUIPMENT, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)

FOR THE YEARS ENDED JUNE 30, 2005, 2004 AND 2003

	Common Stock		Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Stockholders' Equity (Deficit)
	Shares	Amount				
Balances, July 1, 2002 (as originally reported)	17,733	\$ 2,610,820		\$ 7,983,651		\$ 10,594,471
Prior period adjustments (Note 14)				(4,083,066)	\$ (2,116,130)	(6,199,196)
Balances, July 1, 2002 (as restated)	17,733	2,610,820		3,900,585	(2,116,130)	4,395,275
Distributions (Note 10)				(467,802)		(467,802)
Change in fair value of derivative financial instruments					(1,294,739)	(1,294,739)
Net loss				(4,285,079)		(4,285,079)
Balances, June 30, 2003 (as restated)	17,733	2,610,820		(852,296)	(3,410,869)	(1,652,345)
Change in fair value of derivative financial instruments (Note 13)					3,410,869	3,410,869
Net loss (Note 14)				(10,127,492)		(10,127,492)
Balances, June 30, 2004 (as restated)	17,733	2,610,820		(10,979,788)		(8,368,968)
Issuance of shares to employees (Note 10)	13,148		\$ 143,051			143,051
Return of shares to the Company under settlement agreements (Note 10)	(12,090)	(1,683,196)	1,683,196			
Sale of 50% ownership interest in subsidiary (Note 2)				3,813,126		3,813,126
Net income				11,259,519		11,259,519
Balances, June 30, 2005	18,791	\$ 927,624	\$ 1,826,247	\$ 4,092,857	\$ —	\$ 6,846,728

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

EAGLE HIGH REACH EQUIPMENT, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2005, 2004 AND 2003

	2005	2004	2003
		(As Restated)	
<b>Cash flows from operating activities:</b>			
Net income (loss) (Note 14)	\$ 11,259,519	\$ (10,127,492)	\$ (4,285,079)
Adjustments to reconcile net income (loss) to net cash and cash equivalents provided by operating activities:			
Gain (loss) on disposal of rental fleet equipment and property and equipment	255,784	491,746	(195,880)
Allowance for doubtful accounts	(292,353)	101,636	174,786
Allowance for uncollectible stockholder receivable (Notes 9 and 14)		759,839	2,304,014
Write down of parts inventories (Note 14)			876,743
Depreciation and amortization	8,468,384	9,210,815	7,218,184
Deferred income taxes (Note 7)	(300,000)	106,188	(12,447)
Debt restructuring (Note 2)	(14,253,073)		
Interest rate swap agreements termination expense (Note 13)		2,809,175	
Minority interest in net loss of subsidiary (Note 2)	(320,000)		
Common stock issued to employees and and board of directors (Note 10)	143,051		
Changes in operating assets and liabilities:			
Accounts receivable	(249,975)	150,944	(195,924)
Unbilled revenue	(191,669)	37,380	(104,243)
Inventories and supplies	123,194	448,444	(316,930)
Prepaid expenses	(234,108)	(70,195)	564,649
Other receivables	147,338		(390,404)
Deposits and other assets	(98,475)	214,329	50,582
Accounts payable	(1,781,778)	(2,798,522)	1,962,382
Accrued interest payable	(1,044,259)	799,589	73,258
Other accrued expenses	(232,469)	775,517	869,552
Other non-current liabilities	551,054	74,922	61,484
Net cash and cash equivalents provided by operating activities	1,950,165	2,984,315	8,654,727
<b>Cash flows from investing activities:</b>			
Purchases of rental fleet equipment and property and equipment	(5,491,462)	(1,983,486)	(9,292,309)
Proceeds from sales of rental fleet equipment and property and equipment	1,324,602	541,947	575,160
Advances to stockholder, net (Note 9)	1,049,605	(759,839)	(1,532,463)
Net cash and cash equivalents used in investing activities	(3,117,255)	(2,201,378)	(10,249,612)
<b>Cash flows from financing activities:</b>			
Payments on term note payable	(26,085)	(20,564)	(31,012)
Payments on capital lease obligations	(16,835)	(7,295)	(6,648)
Payments on revolving notes payable (Note 4)	(37,802,225)	(626,271)	
Proceeds from borrowings on revolving notes payable (Note 4)	38,653,600		1,877,335
Distribution to stockholder (Note 10)			(32,360)
Net cash and cash equivalents provided by (used in) financing activities	808,455	(654,130)	1,807,315
Net (decrease) increase in cash and cash equivalents	(358,635)	128,807	212,430
Cash and cash equivalents, beginning of period	490,936	362,129	149,699
Cash and cash equivalents, end of period	\$ 132,301	\$ 490,936	\$ 362,129

(Continued)

(As Restated)

## Supplemental disclosures of cash flow information:

Cash paid for interest	\$ 1,379,487	\$ 3,311,636	\$ 3,528,029
Cash paid for income taxes	\$ 800	\$ 800	\$ 1,600

## Supplemental disclosures of noncash investing and financing information:

Debt restructuring (Note 2)	\$ 8,800,000		
Minority interest (Note 2)	\$ 4,986,873		
Acquisition of rental fleet equipment under capital lease obligations (Note 6)	\$ 819,545		
Refinancing of line of credit (Note 4)		\$ 40,926,093	
Change in fair value of derivative financial instruments (Note 4 and 13)		\$ (3,410,869)	\$ 1,294,739
Acquisition of land and building under note payable			\$ 1,354,500
Distribution to stockholders used to reduce other related party receivables (Note 10)			\$ 435,442

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**1. Summary of Significant Accounting Policies****General Description**

Eagle High Reach Equipment, Inc. (the "Company") is a privately held construction and industrial equipment rental company formed in 1994. The Company's customers include both general and subcontractors on commercial projects, and residential and public work activities. The Company offers both aerial platform and general equipment rentals to southern California markets from its four facilities (three leased and one owned). The Company's corporate office is located in La Mirada, California.

**Consolidation**

The consolidated financial statements include the consolidation of the Company's wholly owned company and joint venture where the Company has been determined as the primary beneficiary. The Company is required to assess its joint venture to determine whether it is a variable interest entity, which is defined as contractual, ownership or other interests in an entity that change with changes in the entity's net asset value. The entity that will absorb the majority of the variable interest entity's expected losses or expected residual returns is considered the primary beneficiary of the variable interest entity. The primary beneficiary is required to include the variable interest entity's assets, liabilities and results of operations in its consolidated financial statements.

The Company's consolidated financial statements include the accounts of the Company and Eagle High Reach, LLC (Eagle LLC) a joint venture (Note 2). While the Company has a 50% ownership interest in Eagle LLC, the Company has consolidated the accounts of Eagle LLC because it is the primary beneficiary. The Company began consolidating Eagle LLC upon its formation in December 2004.

The consolidated financial statements include the accounts of Ideal Equipment Company (Ideal), a wholly-owned subsidiary during 2003. Effective January 1, 2004, Ideal was dissolved and the assets were transferred to the Company at historical cost.

All intercompany accounts and transactions have been eliminated in consolidation.

**Business Segment**

The Company reports the results of its operations in one business segment: rental of aerial platform and general equipment rentals. The Company serves one geographic market encompassing areas of Southern California adjacent to its four facilities.

**Minority Interest**

Minority interest represents SBN Eagle LLC's (SBN) 50% allocation of SBN's initial ownership interest on the consolidated balance sheet (Note 2), income (loss) of Eagle LLC during the fiscal year in the consolidated statement of operations and the cumulative allocation of income (loss) on the consolidated balance sheet. Minority interest is reported in the mezzanine area on the consolidated balance sheet. The Company began accounting for minority interest upon the formation of Eagle LLC in December 2004.

## Cash and Cash Equivalents

Cash and cash equivalents consist of petty cash funds, bank checking and money market accounts, and investments with original maturities of three months or less.

The Company's accounts at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. The total amount of uninsured deposits as of June 30, 2005 and 2004 was \$0 and \$601,969, respectively.

## Accounts Receivable

Accounts receivable consists of trade accounts arising in the normal course of business. Payment on invoices are generally due 30 days after receipt. Accounts for which no payments have been received for 60 days are considered delinquent and customary collection efforts are initiated. The Company uses the allowance method to provide a reserve for accounts management believes are uncollectible. Accounts receivable are reflected in the balance sheet net of such allowances.

Credit is extended to all customers based on their financial condition and, generally, collateral is not required. Credit losses are provided for in the financial statements and consistently have been within management's expectations.

The Company has estimated an allowance for uncollectible accounts based on its analysis of specifically identified problem accounts, outstanding receivables, consideration of the age of those receivables and the Company's historical collection experience. The allowance for doubtful accounts activity is as follows:

	June 30,	
	2005	2004
Beginning balance	\$ 618,252	\$ 516,616
Provision for doubtful accounts	106,892	807,230
Write-off of doubtful accounts	(399,245)	(705,594)
Ending balance	\$ 325,899	\$ 618,252

## Unbilled Revenue

Unbilled revenue represents fees earned on rental contracts for which invoices have not been presented to customers. When billed, these amounts are included in accounts receivable.

## Inventories and Supplies

Inventories and supplies are recorded at the lower of cost or market value. Cost is determined by the first-in, first-out method, and market value represents the lower of replacement cost or estimated net realizable value. Inventories and supplies consist of repair parts and supplies, swing stage parts and fuel. For the year ended June 30, 2003, the Company wrote-down parts inventories to their net realizable value by \$876,743 (Note 14).

## **Note Receivable**

The note receivable consisted of an uncollateralized promissory note, which accrued interest at 8% per annum with interest-only payments on unpaid principal and interest, and was due in January 2003. The note was repaid in December 2004. At June 30, 2004, notes receivable of \$40,875 is presented as a component of prepaid expenses and other current assets on the consolidated balance sheet.

## **Rental Fleet Equipment and Property and Equipment**

Rental fleet equipment and property and equipment are stated at cost. Assets under capital lease obligations are recorded at the present value of minimum lease payments. Major improvements and betterments are capitalized. Repairs and maintenance are expensed as incurred. Rental fleet equipment and property, plant and equipment, including such assets under capital lease obligations, are depreciated using the straight-line method over lives of three to 10 years, with the exception of the building, which is depreciated using the straight-line method over 40 years. Leasehold improvements are amortized using the lesser of the life of the improvements or the expected term of the lease, not exceeding 30 years.

## **Long-Lived Assets**

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. If such review indicates that the carrying amount of a long-lived asset exceeds the sum of its expected future cash flows on an undiscounted basis, the long-lived asset's carrying amount would be written down to fair value. At June 30, 2005 and 2004, management believes that there has been no impairment of the Company's long-lived assets.

## **Loan Fees**

The Company amortized loan fees on the straight-line method, which approximated the effective interest method, over the term of the Citicorp Dealer Finance Corporation (Citicorp) until Citicorp sold the revolving loan to Summitbridge National Investments, LLC (Summitbridge) in June 2004 (Note 4). Upon the sale of the revolving loan, the unamortized loan fees of \$163,747 were charged to expense. For both of the years ended June 30, 2004 and 2003, loan fees amortization expense totaled \$50,582.

## **Deferred Rent**

Rent expense is recognized in an amount equal to the minimum base rents plus future rental increases or decreases and is amortized on the straight-line basis over the terms of the leases. At June 30, 2005 and 2004 (as restated), deferred rent totaled \$442,038 and \$389,404 (as restated), respectively (Note 14).

## **Provision for Income Taxes**

A provision for corporate income taxes has been recorded based on current tax law. The Company, with the consent of its stockholders, has elected under the Internal Revenue Code to be taxed as an "S" corporation. Under those provisions, the Company is not obligated to pay Federal



## **Provision for Income Taxes (Continued)**

corporate income taxes on its taxable income. Instead, the stockholders are liable for individual income taxes on their respective share of the taxable income of the Company. The tax year end of the Company is maintained on a calendar year basis. State "S" corporation tax law requires taxable income to be taxed at a rate of 1.5%.

The Company accounts for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates that apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Future tax benefits are subject to a valuation allowance when management is unable to conclude that its deferred income tax assets will more likely than not be realized from the results of operations. At June 30, 2004 and 2003, management believes that it is more likely than not that the net operating loss carryforwards will be realized from the results of operations.

## **Advertising and Promotional Costs**

Advertising and promotional costs are charged to operations when incurred. For the years ended June 30, 2005, 2004 and 2003, advertising and promotional costs totaled approximately \$83,000, \$123,000 and consolidated \$81,000, respectively, and are included as a component of operating expenses in the consolidated statement of operations.

## **Derivative Financial Instruments and Hedging Transactions**

The Company accounts for derivative financial instruments required to be recorded on the balance sheet at fair value. Changes in the fair value of derivative financial instruments are recorded each period either in current results of operations or other comprehensive income (loss).

The Company accounts for its interest rate swap agreements as cash flow hedges. The Company does not hold derivative financial instruments for speculative purposes. For a derivative designated as a cash flow hedge, the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income (loss) and subsequently reclassified into results of operations when the hedged exposure affects results of operations. The ineffective portion of the gain or loss of a cash flow hedge is recognized currently in results of operations. For the purposes of the cash flow statement, cash flows from derivative financial instruments are classified with the cash flows from the hedged item. The Company is exposed to credit loss in the event of nonperformance by the other parties to these interest rate swap agreements.

## **Comprehensive Income (Loss)**

Comprehensive income (loss) is the total of net income (loss) plus all other changes in net assets arising from non-owner sources, which are referred to as other comprehensive income (loss). The interest rate swap agreements (Note 13) are the only non-owner sources of net assets. For the years ended June 30, 2004 and 2003, the Company recorded changes in the fair value of the interest rate swap agreements of \$3,410,869, of which \$2,809,175 was recorded in the consolidated statement of

operations upon termination of the interest rate swap agreements, and \$(1,294,739), respectively, in other comprehensive income (loss).

### **Use of Estimates**

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

### **Reclassifications**

Certain amounts in the financial statements for the year ended June 30, 2004 have been reclassified in order to conform with the presentation for the year ended June 30, 2005. Such reclassifications do not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

## **2. Restructuring**

### **Debt Resolution Agreement**

In December 2004, the Company executed a restructuring, whereby it transferred its principal operating assets and liabilities, including operating leases, to Eagle LLC, a newly formed subsidiary, at historical cost. Concurrent with the restructuring, the Company paid SBN Eagle, LLC (SBN), a wholly-owned subsidiary of Summitbridge \$21,000,000, which Eagle LLC borrowed from a financial institution (Note 4), and the Company transferred 50% ownership in Eagle LLC to retire its outstanding obligation of approximately \$44,053,072. The Company estimated that the fair value of the 50% interest in Eagle LLC was \$8,800,000. As a result of the sale of 50% of the ownership of Eagle LLC to SBN, the Company transferred \$4,986,873 to minority interest on the consolidated balance sheet in December 2004. As a result of the debt restructuring, the Company recorded a gain of \$13,491,241 in the consolidated statement of operations. Also, the Company incurred \$761,832 of costs related to the restructuring.

### **Eagle High Reach Equipment, LLC Operating Agreement**

Eagle LLC is a Delaware limited liability company, whereby its two members, the Company and SBN, each have a 50% interest. The Eagle LLC operating agreement addresses, among other terms, the governance of Eagle LLC and the required methodology of profit allocations and cash distributions. The Company will continue in perpetuity, unless terminated in accordance with the specific provisions of the operating agreement.

Profits and losses from operations are allocated to the members based on their percentage interests. SBN is entitled to a priority distribution of \$1,250,000 (the "Priority Amount") and, thereafter, distributions are based on the members' percentage interests. Upon the sale of the Company, SBN is entitled to the Priority Amount, if any, with the remaining balance allocated to the members based on their percentage interests.

## Eagle High Reach Equipment, LLC Operating Agreement (Continued)

If a member receives an offer to sell its interest, the Company and/or other members have the right to purchase the members' shares in accordance with the terms that are offered for sale by a third party. If the shares are not purchased by the Company or the members, the other members have the right to sell their corresponding interest in accordance with the terms of the offer. If the Company becomes entitled to repurchase the interim chief executive officer's (CEO) shares pursuant to the Equityholders Agreement, SBN has the right to require the Company to purchase all or a portion of SBN's interest in Eagle LLC at fair value.

### Equityholders Agreement

In December 2004, the Company executed an Equityholders Agreement, whereby the Company, other shareholders and/or Summitbridge (collectively, the "Internal Parties") have the right to purchase the shares owned by the officers of the Company in accordance with the terms that are offered for sale by a third party. If the shares are not purchased by the Internal Parties, SBN has the right to sell a corresponding interest in Eagle LLC in accordance with the terms of the offer. Also, upon termination of employment of the interim CEO, the Company has the right to purchase the shares held by the interim CEO at fair value.

### 3. Rental Fleet Equipment and Property and Equipment

Rental fleet equipment consisted of the following:

	June 30,	
	2005	2004
Rental fleet equipment	\$ 69,502,017	\$ 69,102,013
Less accumulated depreciation	(42,039,320)	(38,088,647)
Rental fleet equipment, net	\$ 27,462,697	\$ 31,013,366

Property and equipment consisted of the following:

	June 30,	
	2005	2004
Automobiles, tractors and trailers	\$ 2,790,616	\$ 3,644,416
Office equipment and fixtures	302,780	616,129
Service equipment	328,065	573,248
Leasehold improvements	961,872	1,082,476
Land	1,084,910	1,084,910
Building and improvements	1,454,219	1,448,507
	6,922,462	8,449,686
Less accumulated depreciation	(3,508,422)	(4,848,552)
Property and equipment, net	\$ 3,414,040	\$ 3,601,134

#### **4. Revolving Note Payable**

##### **Financial Institutions Loan**

In December 2004, Eagle LLC executed a loan and security agreement (the "Loan Agreement") with a financial institution (the "Lender"), whereby the Lender provides a revolving credit facility for loans and/or letters of credit up to \$30,000,000, with the letter of credit sub-facility comprising up to \$5,000,000, subject to borrowing base limitations, as defined in the Loan Agreement. The Company used \$21,000,000 of the line of credit to repay Summitbridge in connection with the restructuring (Note 2). The Loan Agreement bears interest at either the London Interbank Offering Rate (LIBOR), or the greater of the financial institutions prime rate or the federal funds rate plus 0.50%, plus the applicable margin, which ranges from zero to 3.00% based on the outstanding principle balance, as defined in the Loan Agreement, as determined by the Company, per annum. The Loan Agreement is collateralized by principally all of the assets of Eagle LLC. At June 30, 2005, the Company's weighted average interest rate was 5.71%. The Loan Agreement expires in December 2007 and all borrowings outstanding, plus accrued interest, are due in full.

The Loan Agreement includes a fee of 0.125% on the face amount of a letter of credit upon issuance or extension. The Loan Agreement also includes a fee of 0.25% on the unused balance of available loans. At June 30, 2005, the Company had a letter of credit issued of \$90,000 in connection with its workers' compensation insurance policy.

The Loan Agreement includes various covenants which, among other things, require the Company to maintain minimum levels of earnings before interest, taxes, depreciation and amortization (EBITDA) and rental fleet equipment utilization, limits distributions and requires minimum and maximum levels of capital expenditures. The Company was in compliance with these covenants at June 30, 2005.

##### **Summitbridge National Investments, LLC Loan**

In June 2004, the Company's line of credit administered by Citicorp and the interest rate swap liability (Note 13) were sold to Summitbridge. The Summitbridge credit facility interest rate was 6% on \$27,000,000 and LIBOR plus 3.50% on the remaining balance of \$16,738,268. The Company paid Summitbridge \$21,000,000 plus accrued interest, in December 2004, pursuant to the Debt Resolution Agreement. At June 30, 2004, the entire balance of the line of credit and the interest rate swap liability have been classified as short-term as these items were included in the restructuring in December 2004 (Note 2).

##### **Citicorp Dealer Finance Corporation Loan**

The Company had a revolving credit note agreement with various lenders administered by Citicorp for a maximum amount of \$42,000,000 that was sold to Summitbridge in June 2004. Interest on the obligation was based upon the 30-day floating LIBOR rate plus 3.50%.

Upon termination of the line of credit, the Company had the option of amortizing the outstanding loan balance over a 60-month period.

## 5. Term Note Payable

The term note payable consists of the following:

	June 30,	
	2005	2004
Note to finance company, payable in monthly principal and interest payments of \$12,353, with interest at 9.05% per annum. Collateralized by land and building, maturing in April 2028	\$ 1,296,501	\$ 1,322,586
Less current portion	(18,325)	(16,604)
<b>Total long-term portion</b>	<b>\$ 1,278,176</b>	<b>\$ 1,305,982</b>

A summary of future minimum payments is as follows at June 30, 2005:

Year Ending June 30,	
2006	\$ 18,325
2007	20,224
2008	22,319
2009	24,631
2010	27,184
Thereafter	1,183,818
	<b>\$ 1,296,501</b>

## 6. Capital Lease Obligations

The Company leases a building under a capital lease expiring in March 2029. During April and June 2005, the Company executed agreements with H&E Equipment Services L.L.C. (H&E), whose chairman is the interim CEO of the Company (Notes 9 and 15), whereby the Company purchases rental fleet equipment from H&E with extended payment terms of 1% of total cost over 13 months and a balloon payment due in the 14th month. In April and June 2005, the Company purchased rental fleet equipment totaling \$819,545 from H&E. At June 30, 2005, the Company had a payable to H&E totaling \$810,748, of which \$352,464 is long term.

The following is a summary of building and rental fleet equipment held under capital lease obligations:

	June 30,	
	2005	2004
Building and rental fleet equipment held under capital lease obligations	\$ 1,619,545	\$ 800,000
Less accumulated depreciation	(136,731)	(105,000)
<b>Building and rental fleet equipment held under capital lease obligations, net</b>	<b>\$ 1,482,814</b>	<b>\$ 695,000</b>

Depreciation expense on building and rental fleet equipment under capital lease obligations totaled \$31,731, \$20,000 and \$20,000 for the years ended June 30, 2005, 2004 and 2003, respectively.

Minimum future lease payments under the capital lease obligations are as follows at June 30, 2005:

Year Ending June 30,	
2006	\$ 539,368
2007	433,548
2008	81,084
2009	81,084
2010	81,084
Thereafter	1,519,853
Net minimum lease payments	2,736,021
Less amount representing interest	(1,164,973)
Present value of future minimum lease payments	1,571,048
Less current portion	(467,125)
Total long-term portion	\$ 1,103,923

## 7. Income Taxes

Income tax (benefit) expense consisted of the following:

	For the Year Ended June 30,		
	2005	2004	2003
State of California:			
Current	\$ 800	\$ 800	\$ 1,600
Deferred	(300,000)	106,188	(12,447)
	\$ (299,200)	\$ 106,988	\$ (10,847)

Deferred income tax assets (liabilities) consisted of the following at June 30:

	2004
Deferred income tax asset, long-term:	
Net operating loss carryforward	\$ 57,550
Deferred income tax liability, long-term:	
Depreciation	(357,550)
Net deferred income tax liability	\$ (300,000)

At June 30, 2005, there are no deferred income taxes. At June 30, 2004 and 2003, the Company's effective income tax rate is different than what would be expected if the state statutory rate were applied to income (loss) from operations primarily due to depreciation expense deductible for tax reporting purposes and the availability of net operating losses.

At June 30, 2005 and 2004, for California State tax purposes, a net operating loss carryforward is available totaling approximately \$0 and \$3,837,000, respectively, and expires in various years through December 2013. In connection with the restructuring (Note 2), the Company's net operating loss carryforward was eliminated.

## 8. Operating Lease Commitments

The Company leases its operating facilities, rental fleet equipment and vehicles under operating leases that expire from January 2007 through March 2029. The Company has a 30-year lease on its La Mirada, California location, whereby the building portion of the lease is accounted for as a capital lease (Note 6) and the land as an operating lease.

For the years ended June 30, 2005, 2004 and 2003, rental expense totaled \$266,965, \$290,937 and \$218,695, respectively, net of sub-lease revenues (Note 9). The Company had a sub-lease agreement for a portion of its Bakersfield operating facility that expired in May 2003. Revenues under this sub-lease totaled \$32,400 for the year ended June 30, 2003.

Future minimum operating lease payments, exclusive of sub-lease revenues, are as follows as of June 30, 2005:

Year Ending June 30,	
2006	\$ 511,805
2007	471,329
2008	308,056
2009	289,023
2010	247,086
Thereafter	5,492,955
	<u>\$ 7,320,254</u>

## 9. Related Party Transactions and Balances

### Stockholder Note Receivable

At June 30, 2005 and 2004, the Company had a related party receivable due from a major stockholder of the Company totaling \$0 (Note 10) and \$4,113,457, respectively, including accrued interest, a portion of which was reflected in a promissory demand note of \$1,329,062 at June 30, 2004. The promissory demand note had an 8.25% interest rate and interest income under the note totaled \$0, \$127,460 and \$97,231 for the years ended June 30, 2005, 2004 and 2003, respectively.

The major stockholder note was settled in September 2004 (Note 10).

### Summitbridge National Investments Management Fee

Upon the closing of the Loan Agreement (Note 4), the Company paid Summitbridge a management fee of \$240,000 covering the period January through December 2005. The Company has recorded \$120,000 of management fee as a component of prepaid expenses on the consolidated balance sheet at June 30, 2005, and \$120,000 as a component of operating expenses on the consolidated statement of operations for the year ended June 30, 2005.

### H&E Equipment Services L.L.C.

For the years ended June 30, 2005 and 2004, the Company incurred consulting fees of \$240,000 and \$90,000, respectively, for interim CEO services. The consultant is also the chairman of H&E, which is in negotiations to acquire the Company (Note 15). In addition, another executive of H&E is also a shareholder and board member of the Company.

## **Wacon, Inc. Note Receivable**

In December 2004, the Company executed a \$75,000 promissory note with Wacon, Inc., a company owned by the interim Chief Financial Officer, bearing interest at the federal rate with principle and interest due in December 2007. If the Company is sold with gross proceeds in excess of \$50,000,000, the debt and interest will be forgiven (Note 15). At June 30, 2005, the Company had a note receivable from Wacon, Inc. of \$33,333.

## **Other Related Party Receivable**

The Company has a sub-lease agreement with an entity that is partially owned by several stockholders of the Company (Note 10), including the interim CEO. At June 30, 2005 and 2004, total accrued sub-lease revenue due from a related party totaled \$178,498 and \$325,836, respectively. These amounts represent unpaid accrued rents and property taxes from October 1999 through June 20, 2003, and have been included in the consolidated balance sheet as other related-party receivables, long-term. For the years ended June 30, 2005 and 2004, the related party is making rental payments when due. For each of the years ended June 30, 2005, 2004 and 2003, sub-lease revenues from the related party totaled \$120,000.

## **10. Common Stock**

### **Issuances of Common Stock**

In July 2004, the Company issued 1,459 shares of common stock to certain key officers as incentive compensation and 2,939 shares to the interim CEO under a consulting agreement. In November 2004, the Company issued 7,050 shares to certain key employees as incentive compensation. In December 2004, the Company issued 1,700 shares to the Board of Directors as incentive compensation. For the year ended June 30, 2005, compensation expense of \$143,051 was recognized as a component of operating expenses.

### **Settlement Agreements**

In September 2004, the Company and the major stockholder executed a settlement agreement, whereby Summitbridge received proceeds totaling \$1,123,000 from a personal asset sale by the then major stockholder (Note 4), which reduced the Company's obligation to Summitbridge in the same amount. The major stockholder also transferred 6,846 shares of common stock back to the Company. The Company and the major stockholder mutually released one another from any further liability and the major stockholder executed a two-year non-compete agreement. The shares of common stock were retired and \$736,984 was transferred from common stock to paid-in capital, which represented 100% of the ownership of the major stockholder.

In October 2004, the Company executed agreements with two stockholders, which provided for the return of 5,244 shares of common stock back to the Company. One agreement provides for the Company to pay \$250,000 to one of the stockholders in the event the Company is sold with gross proceeds in excess of \$50,000,000 within a two-year period, commencing with the effective date of the Agreement. Further, the agreement provides for the Company to reimburse that stockholder for up to \$200,000 in legal fees that may be incurred in the event a third party brings suit against the stockholder. The shares of common stock were retired and the Company transferred \$946,212 from common stock to paid-in capital, which represented the ownership interest portions of the stockholders.



## **Other Stockholder Agreement**

In June 2003, the Company entered into an agreement with its existing stockholders for the right of ownership in the related party that the Company has a sub-lease agreement (Note 9). The majority stockholder of the Company relinquished a portion of his ownership interest for those stockholders that participated in the ownership of the related party. As a result, those stockholders that participated were allocated a distribution, which represented their individual initial capital contribution to the related party, for which the Company reduced the Company's note receivable from the related party. The Stockholder that did not participate was paid a cash distribution. As a result of this agreement, the Company recorded distributions totaling \$467,802, of which \$32,360 was cash paid to the non-participating stockholder.

## **11. Commitments and Contingencies**

### **Insurance**

The Company had a \$32,000,000 term life insurance policy on a major stockholder. In the event of death, \$21,000,000 of the insurance proceeds were to be used to pay down the line of credit agreement (Note 4), with the remaining proceeds to be paid to the Company. In October 2004, concurrent with the execution of a settlement agreement with the major stockholder (Note 10), the Company cancelled the life insurance policy. For the years ended June 30, 2005, 2004 and 2003, the Company made annual premium payments of \$32,324, \$124,850 and \$124,850, respectively.

### **Property Tax Audits**

The Company's audit for its property taxes for the years ended June 30, 2001 through 2004 was concluded in August 2005, which resulted in an assessment of \$1,034,019. At June 30, 2005 and 2004, the Company recorded its best estimate of the property tax liability of approximately \$1,012,000 and \$920,000, respectively. The Company has agreed to make these payments over a 5 year period. The Company is appealing the assessment.

### **Sales Tax Settlement**

During June 2002 through December 2003, the Company underpaid the California Board of Equalization (BOE) for sales taxes collected that were required to be remitted to the California BOE. In November 2004, the Company reached an agreement with the California BOE, whereby it will repay the California BOE \$24,500 per month through February 2008. The obligation bears interest at 6.00% per annum. At June 30, 2005 and 2004, the Company reported a sales tax liability of approximately \$712,000 and \$790,000, of which approximately \$256,000 and \$790,000 is current, respectively.

### **Contingencies**

The Company is subject to other claims in the normal course of its business. Management, after consultation with legal counsel, believes that liabilities, if any, resulting from such claims will not materially effect the Company's financial position, liquidity or results of operations.

## 12. Employee Benefit Plan

The Company sponsors a qualified 401(k) and profit sharing plan for all eligible employees. Employees may contribute up to 8% of their yearly compensation, with the employer matching 100% of the employees' contribution up to \$1,000. The plan provides for annual contributions, at the discretion of the Company, not to exceed the annual amounts deductible under Internal Revenue Service regulations. For the years ended June 30, 2005, 2004 and 2003, employer matching contributions totaled \$69,726, \$80,529 and \$64,867, respectively.

## 13. Derivative Financial Instruments

The Company uses variable rate-debt to finance its operations, which exposes the Company to variability in interest payments due to changes in interest rates. For the years ended June 30, 2004 and 2003, the Company's objective was to limit the impact of interest rate changes on earnings and cash flows. The Company achieved this by entering into interest rate swap agreements to convert a percentage of its debt from variable to fixed rates to reduce the impact of changes in interest rates on its floating rate line of credit (Note 4).

At July 1, 2003, the Company had three interest swap agreements outstanding with a notional amount totaling \$35,000,000 as follows:

<u>Amount</u>	<u>Fixed Rate</u>	<u>Maturity Date</u>
\$22,000,000	5.821%	April 20, 2006
\$ 3,000,000	6.670%	June 14, 2006
\$10,000,000	4.740%	June 10, 2004

The Company was unable to make the required contractual payments under the interest rate swap agreements during the year ended June 30, 2004. Accordingly, the Company defaulted under the interest rate swap agreements and they were terminated early. Breakage fees and other early termination costs related to the interest rate swap agreements totaled \$2,809,175 and is included as part of the outstanding line of credit balance at June 30, 2004 (Note 4).

#### 14. Prior Period Adjustments

The Company determined that prior period adjustments were required at June 30, 2004 and 2002. The prior period adjustments consisted of the following at June 30, 2004 and 2002:

	June 30, 2004		
	(As Originally Reported)	Adjustments	(As Restated)
<b>Balance sheet:</b>			
<b>Liabilities:</b>			
Other noncurrent liabilities		\$ 389,404	\$ 389,404
<b>Stockholder's deficit:</b>			
Beginning retained earnings (accumulated deficit)	\$ 8,375,412	(9,227,708)	(852,296)
Ending accumulated deficit	(10,590,384)	(389,404)	(10,979,788)
<b>Income statement:</b>			
Operating expenses	19,021,178	2,563,992	21,585,170
Other income (expense)	(18,631,039)	11,402,296	(7,228,743)
	June 30, 2002		
	(As Originally Reported)	Adjustments	(As Restated)
<b>Balance sheet:</b>			
Property and equipment, net	\$ 43,390,198	\$ (3,514,021)	\$ 39,876,177
<b>Liabilities:</b>			
Accrued liabilities	134,263	316,047	450,310
Other noncurrent liabilities		252,998	252,998
Derivative financial instruments		2,116,130	2,116,130
<b>Stockholder's deficit:</b>			
Ending accumulated deficit	7,983,651	(4,083,066)	3,900,585
Accumulated other comprehensive loss		(2,116,130)	(2,116,130)

#### June 30, 2004 Adjustments

At June 30, 2004, the Company had deferred rent that was not recorded on the consolidated balance sheet. Accordingly, the Company recorded a prior period adjustment to other non-current liabilities and retained earnings of \$389,404, including an adjustment to operating expense of \$74,918 related to rent expense for the year ended June 30, 2004, to properly present deferred rent at June 30, 2004.

For the year ended June 30, 2004, the Company incorrectly presented rental fleet write-down of \$7,098,282 and write-off of parts inventory of \$2,000,000 as components of other income (expense) on the consolidated statement of operations. Accordingly, the Company recorded prior period adjustments to reclassify these amounts to operating expenses for the year ended June 30, 2004.

For the year ended June 30, 2004, the Company incorrectly presented rental fleet write-down, inventory write-offs, and property tax and sales tax expense on the consolidated statement of operations. Accordingly, the Company recorded a prior period adjustment of \$4,770,130 to reverse the portion of the write-down of such rental fleet that related to the year ended June 30, 2003. The Company recorded a prior period adjustment of \$876,743 to reverse the portion of the write-off of such inventories to their net realizable value that related to the year ended June 30, 2003. The Company recorded prior period adjustments of \$512,682 and \$449,653 to reverse the portion of property tax expenses and sales tax expenses, respectively, that related to the year ended June 30, 2003.

For the year ended June 30, 2004, the Company incorrectly presented allowance for uncollectible stockholder receivable in the consolidated statement of operations. Accordingly, the Company recorded a prior period adjustment of \$2,304,014 to other income (expense) to reverse the portion of such allowance that related to the year ended June 30, 2003.

#### **June 30, 2002 Adjustments**

At June 30, 2002, property tax and sales tax liabilities, and deferred rent had not been recorded on the consolidated balance sheet. Accordingly, the Company recorded prior period adjustments of \$250,047 and \$61,000 to other accrued expenses and retained earnings to adjust the property tax liability and sales tax liability, respectively, and a prior period adjustment of \$252,998 to other noncurrent liabilities and retained earnings to adjust deferred rent, at June 30, 2002.

At June 30, 2002, the Company had interest rate swap agreements outstanding that were not recorded at fair value on the consolidated balance sheet. Accordingly, the Company recorded a prior period adjustment of \$2,116,130 to adjust the derivative financial instruments liability and accumulated other comprehensive income (loss) at June 30, 2002.

At June 30, 2002, the Company incorrectly presented property and equipment, net, on the consolidated balance sheet. Accordingly, the Company recorded a prior period adjustment of \$3,514,021 to adjust property and equipment, net, and retained earnings at June 30, 2002.

#### **15. Subsequent Events**

##### **H&E Equipment, LLC Purchase Commitments**

During July and August 2005, the Company has purchased approximately \$250,000 of rental fleet equipment from, and has purchase orders of approximately \$1,250,000 with, H&E (Note 6).

##### **H&E Equipment, LLC Letter of Intent**

In September 2005, the Company entered into a non-binding exclusive letter of intent (the "Letter"), whereby H&E will acquire the stock of the Company and SBN's 50% ownership interest in Eagle LLC. The purchase price is based on a multiplier of EBITDA, with certain adjustments as defined in the Letter, which is estimated to be in excess of \$50,000,000. The Company and H&E are continuing to negotiate a definitive agreement.

	September 30, 2005	June 30, 2005
	(Unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 32,310	\$ 132,301
Accounts receivable, net of allowance for doubtful accounts of \$336,118 and \$325,899, respectively	5,649,207	5,566,897
Unbilled revenue	1,133,729	1,133,729
Inventories and supplies	1,595,898	1,549,895
Prepaid expenses and other current assets	925,792	509,812
Total current assets	9,336,936	8,892,634
Rental fleet equipment, at cost, net	27,774,897	27,462,697
Property and equipment, at cost, net	3,432,074	3,414,040
Other assets:		
Other related-party receivables, long-term	178,498	178,498
Deposits and other assets	185,136	186,615
Total other assets	363,634	365,113
Total assets	\$ 40,907,541	\$ 40,134,484

**LIABILITIES AND  
STOCKHOLDERS' EQUITY**

Current liabilities:		
Book overdraft	\$ 159,246	—
Accounts payable	1,619,874	\$ 1,311,610
Accrued interest payable	114,107	104,785
Other accrued expenses	880,192	1,862,910
Term note payable, current portion	18,800	18,325
Capital lease obligations, current portion	47,773	467,125
Total current liabilities	2,839,992	3,764,755
Long-term liabilities:		
Revolving note payable, long-term portion	21,624,523	21,533,571
Term note payable, long-term portion	1,270,957	1,278,176
Capital lease obligations, long-term portion	1,008,305	1,103,923
Other noncurrent liabilities	1,637,775	940,458
Total long-term liabilities	25,541,560	24,856,128
Total liabilities	28,381,552	28,620,883
Commitments and contingencies		
Minority interest in subsidiary	5,190,866	4,666,873
Stockholders' equity:		
Common stock, no par value, 100,000 shares authorized, 18,791 shares issued and outstanding	927,624	927,624
Paid-in capital	1,826,247	1,826,247
Retained earnings	4,581,252	4,092,857
Total stockholders' equity	7,335,123	6,846,728
Total liabilities and stockholders' equity	\$ 40,907,541	\$ 40,134,484

## EAGLE HIGH REACH EQUIPMENT, INC.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

For the Three Months Ended September 30, 2005 and 2004

	2005	2004
Rental revenue, equipment	\$ 7,792,327	\$ 6,977,708
Equipment sales	959,402	353,803
<b>Total revenue</b>	<b>8,751,729</b>	<b>7,331,511</b>
Cost of rental revenue, equipment	1,973,406	2,035,651
Cost of equipment sold	580,790	297,798
<b>Total cost of revenue</b>	<b>2,554,196</b>	<b>2,333,449</b>
<b>Gross profit</b>	<b>6,197,533</b>	<b>4,998,062</b>
Operating expenses	4,790,631	5,517,481
<b>Income (loss) from operations</b>	<b>1,406,902</b>	<b>(519,419)</b>
Other expense:		
Interest expense	(394,514)	(462,926)
<b>Income (loss) before minority interest in net income of subsidiary and income tax benefit</b>	<b>1,012,388</b>	<b>(982,345)</b>
Minority interest in net income of subsidiary	(523,993)	—
<b>Income (loss) before income tax benefit</b>	<b>488,395</b>	<b>(982,345)</b>
Income tax benefit	—	75,000
<b>Net income (loss)</b>	<b>488,395</b>	<b>(907,345)</b>

## EAGLE HIGH REACH EQUIPMENT, INC.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Three Months Ended September 30, 2005 and 2004

	2005	2004
Cash flows from operating activities:		
Net income (loss)	\$ 488,395	\$ (907,345)
Adjustments to reconcile net income (loss) to net cash and cash equivalents provided by operating activities:		
(Gain) loss on disposal of rental fleet equipment and property and equipment	(276,208)	46,930
Allowance for doubtful accounts	10,219	—
Depreciation and amortization	1,964,244	2,110,975
Deferred income taxes		(75,000)
Minority interest in net income of subsidiary	523,993	
Common stock issued to employees and board of directors	—	48,750
Changes in operating assets and liabilities:		
Accounts receivable	(92,529)	(287,282)
Inventories and supplies	(46,003)	
Prepaid expenses	(415,980)	(92,680)
Deposits and other assets	1,479	(35,000)
Accounts payable	308,264	(407,068)
Accrued interest payable	9,322	
Other accrued expenses	(155,502)	208,434
Other non-current liabilities	(129,899)	13,454
Net cash and cash equivalents provided by operating activities	2,189,795	624,168
Cash flows from investing activities:		
Purchases of rental fleet equipment and property and equipment	(2,142,946)	(1,061,595)
Proceeds from sales of rental fleet equipment and property and equipment	438,957	131,438
Net cash and cash equivalents used in investing activities	(1,703,989)	(930,157)
Cash flows from financing activities:		
Increase in book overdraft	159,246	—
Payments on term note payable	(6,744)	(5,814)
Payments on capital lease obligations	(829,251)	(1,938)
Payments on revolving notes payable		
Proceeds from borrowings on revolving notes payable	90,952	—
Net cash and cash equivalents used in financing activities	(585,797)	(7,752)
Net decrease in cash and cash equivalents	(99,991)	(313,741)
Cash and cash equivalents, beginning of period	132,301	490,936
Cash and cash equivalents, end of period	\$ 32,310	\$ 177,195
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 463,191	\$ 383,710
Supplemental disclosures of noncash investing and financing information:		
Acquisition of rental fleet equipment under capital lease obligations	\$ 314,281	—

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**1. Summary of Significant Accounting Policies****General Description**

Eagle High Reach Equipment, Inc. (the Company) is a privately held construction and industrial equipment rental company formed in 1994. The Company's customers include both general and subcontractors on commercial projects, and residential and public work activities. The Company offers both aerial platform and general equipment rentals to southern California markets from its four facilities (three leased and one owned). The Company's corporate office is located in La Mirada, California.

**Basis of Presentation**

In the opinion of management, the unaudited condensed consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the Company's financial position at September 30, 2005 and June 30, 2005 and the results of its operations and cash flows for the three months ended September 30, 2005 and 2004.

Certain disclosures normally presented in the notes to the annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. These interim condensed consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements and notes thereto included elsewhere in this registration statement. The interim consolidated financial statements included herein have been prepared on a basis consistent with the accounting principles and policies reflected in the Company's annual consolidated financial statements for the year ended June 30, 2005. The results of operations and cash flows for the three months ended September 30, 2005 and 2004 may not necessarily be indicative of future operating results.

In preparing such consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the periods reported. Actual results could differ significantly from those estimates.

**Consolidation**

The consolidated financial statements include the consolidation of the Company's wholly owned company and joint venture where the Company has been determined as the primary beneficiary. The Company is required to assess its joint venture to determine whether it is a variable interest entity, which is defined as contractual, ownership or other interests in an entity that change with changes in the entity's net asset value. The entity that will absorb the majority of the variable interest entity's expected losses or expected residual returns is considered the primary beneficiary of the variable interest entity. The primary beneficiary is required to include the variable interest entity's assets, liabilities and results of operations in its consolidated financial statements.

The Company's consolidated financial statements include the accounts of the Company and Eagle High Reach, LLC (Eagle LLC) a joint venture (Note 2). While the Company has a 50% ownership interest in Eagle LLC, the Company has consolidated the accounts of Eagle LLC because it is the primary beneficiary. The Company began consolidating Eagle LLC upon its formation in December 2004.



All intercompany accounts and transactions have been eliminated in consolidation.

### **Business Segment**

The Company reports the results of its operations in one business segment: rental of aerial platform and general equipment rentals. The Company serves one geographic market encompassing areas of Southern California adjacent to its four facilities.

### **Minority Interest**

Minority interest represents SBN Eagle LLC's (SBN) 50% allocation of SBN's initial ownership interest on the consolidated balance sheet (Note 2), income (loss) of Eagle LLC during the fiscal year in the consolidated statement of operations and the cumulative allocation of income (loss) on the consolidated balance sheet. Minority interest is reported in the mezzanine area on the consolidated balance sheet. The Company began accounting for SBN's minority interest upon the formation of Eagle LLC in December 2004.

### **Provision for Income Taxes**

A provision for corporate income taxes has been recorded based on current tax law. The Company, with the consent of its stockholders, has elected under the Internal Revenue Code to be taxed as an "S" corporation. Under those provisions, the Company is not obligated to pay Federal corporate income taxes on its taxable income. Instead, the stockholders are liable for individual income taxes on their respective share of the taxable income of the Company. The tax year end of the Company is maintained on a calendar year basis. State "S" corporation tax law requires taxable income to be taxed at a rate of 1.5%.

## **2. Related Party Transactions and Balances**

### **Summitbridge National Investments Management Fee**

Upon the closing of the Loan Agreement (Note 4), the Company paid Summitbridge a management fee of \$240,000 covering the period January through December 2005. The Company has recorded \$80,000 of management fees as a component of prepaid expenses on the consolidated balance sheet at September 30, 2005, and \$40,000 as a component of operating expenses on the consolidated statement of operations for the three months ended September 30, 2005.

### **H&E Equipment Services, LLC**

In September 2005, the Company entered into a non-binding exclusive letter of intent (the Letter) whereby H&E will acquire the stock of the Company and SBN's 50% ownership interest in Eagle LLC. The purchase price is based on a multiplier of EBITDA, with certain adjustments as defined in the Letter, which is estimated to be in excess of \$50,000,000. The letter of intent expired on October 31, 2005. The Company and H&E are continuing to negotiate a definitive agreement.

For each of the three months ended September 30, 2005 and 2004, the Company incurred consulting fees of \$60,000 for interim CEO services. The consultant is also the chairman of H&E,

which is in negotiations to acquire the Company (Note 15). In addition, another executive of H&E is also a shareholder and board member of the Company.

During the three months ended September 30, 2005, the Company executed agreements with H&E Equipment Services, LLC (H&E), whereby the Company purchases rental fleet equipment from H&E with extended payment terms of 1% of total cost over 13 months and a balloon payment due in the 14th month. During the three months ended September 30, 2005, the Company purchased rental fleet equipment totaling \$314,281 from H&E. At September 30, 2005, the Company had a payable to H&E totaling \$319,366.

### **3. Common Stock**

#### **Issuances of Common Stock**

In July 2004, the Company issued 1,459 shares of common stock to certain key officers as incentive compensation and 2,939 shares to the interim CEO under a consulting agreement. In November 2004, the Company issued 7,050 shares to certain key employees as incentive compensation. In December 2004, the Company issued 1,700 shares to the Board of Directors as incentive compensation. For the three months ended September 30, 2004, compensation expense of \$48,750 was recognized as a component of operating expenses.

#### **Settlement Agreements**

In September 2004, the Company and the major stockholder executed a settlement agreement, whereby Summitbridge received proceeds totaling \$1,123,000 from a personal asset sale by the then major stockholder (Note 4), which reduced the Company's obligation to Summitbridge in the same amount. The major stockholder also transferred 6,846 shares of common stock back to the Company. The Company and the major stockholder mutually released one another from any further liability and the major stockholder executed a two-year non-compete agreement. The shares of common stock were retired and \$736,984 was transferred from common stock to paid-in capital, which represented 100% of the ownership of the major stockholder.

In October 2004, the Company executed agreements with two stockholders, which provided for the return of 5,244 shares of common stock back to the Company. One agreement provides for the Company to pay \$250,000 to one of the stockholders in the event the Company is sold with gross proceeds in excess of \$50,000,000 within a two-year period, commencing with the effective date of the agreement. Further, the agreement provides for the Company to reimburse that stockholder for up to \$200,000 in legal fees that may be incurred in the event a third party brings suit against the stockholder. The shares of common stock were retired and the Company transferred \$946,212 from common stock to paid-in capital, which represented the ownership interest portions of the stockholders.

### **4. Settlements**

#### **Property Tax Settlement**

The Company's audit for its property taxes for the years ended June 30, 2001 through 2004 was concluded in August 2005, which resulted in an assessment of \$1,034,019. The Company had previously recorded its best estimate of the property tax liability of approximately \$1,000,000. The Company has

agreed to make these payments over a 5 year period, of which the first payment has been made, but is appealing the assessment.

#### **Sales Tax Settlement**

During June 2002 through December 2003, the Company underpaid the California Board of Equalization (BOE) for sales taxes collected that were required to be remitted to the California BOE. In November 2004, the Company reached an agreement with the California BOE, whereby it will repay the California BOE \$24,500 per month through February 2008. The obligation bears interest at 6.00% per annum. The Company had previously reported a sales tax liability of approximately \$700,000.



**PART II**

**INFORMATION NOT REQUIRED IN PROSPECTUS**

**ITEM 13. Other Expenses of Issuance and Distribution.**

The following table sets forth all expenses other than the underwriting discount, payable by the Registrant in connection with the sale of the common shares being registered. All amounts shown are estimates except for the SEC registration fee.

SEC registration fee	\$ 23,700
NASD fee	\$ 20,625
Legal fees and expenses	\$ *
Printing and engraving expenses	\$ *
Blue sky fees	\$ *
Nasdaq fees	\$ *
Transfer agent fees	\$ *
Accounting fees and expenses	\$ *
Miscellaneous	\$ *
Total	\$ *

\* To be provided by amendment.

**ITEM 14. Indemnification of Officers and Directors.**

Section 145 of the Delaware General Corporation Law provides that a corporation may indemnify directors and officers as well as other employees and individuals against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any threatened, pending or completed actions, suits or proceedings in which such person is made a party by reason of such person being or having been a director, officer, employee of or agent to the Registrant. The statute provides that it is not exclusive of other rights to which those seeking indemnification may be entitled under any by-law, agreement, vote of stockholders or disinterested directors or otherwise.

As permitted by the DGCL, our certificate of incorporation includes a provision that eliminates the personal liability of our directors for monetary damages for breach of fiduciary duty as a director, except for liability (1) for any breach of the director's duty of loyalty to us or our stockholders; (2) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of the law; (3) under Section 174 of the DGCL regarding unlawful dividends and stock purchases; or (4) arising as a result of any transaction from which the director derived an improper personal benefit.

As permitted by the DGCL, our bylaws provide that (1) we are required to indemnify our directors and officers to the fullest extent permitted by applicable law; (2) we are permitted to indemnify our other employees to the extent permitted by applicable statutory law; (3) we are required to advance expenses to our directors and officers in connection with any legal proceeding, subject to the provisions of applicable statutory law; and (4) the rights conferred in our bylaws are not exclusive.

At present, we are not aware of any pending or threatened litigation or proceeding involving any of our directors, officers, employees or agents in which indemnification would be required or permitted. We believe that our charter provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers.

**Item 15. Recent Sales of Unregistered Securities.**

None.

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**Item 16. Exhibits and Financial Statement Schedules.****(a) Exhibits**

<b>Exhibit Number</b>	<b>Description</b>
1.1	Form of Underwriting Agreement†
3.2	Amended and Restated Articles of Organization of Gulf Wide Industries, L.L.C. (incorporated by reference to Exhibit 3.2 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
3.3	Amended Articles of Organization of Gulf Wide Industries, L.L.C., Changing Its Name To H&E Equipment Services L.L.C. (incorporated by reference to Exhibit 3.3 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
3.4	Certificate of Incorporation of H&E Equipment Services, Inc.†
3.5	Bylaws of H&E Equipment Services, Inc.†
3.6	Certificate of Incorporation of H&E Finance Corp. (incorporated by reference to Exhibit 3.4 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
3.7	Certificate of Incorporation of Great Northern Equipment, Inc. (incorporated by reference to Exhibit 3.5 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
3.8	Articles of Incorporation of Williams Bros. Construction, Inc. (incorporated by reference to Exhibit 3.6 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
3.9	Articles of Amendment to Articles of Incorporation of Williams Bros. Construction, Inc. Changing its Name to GNE Investments, Inc. (incorporated by reference to Exhibit 3.7 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
3.10	Amended and Restated Operating Agreement of H&E Equipment Services L.L.C. (incorporated by reference to Exhibit 3.8 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
3.11	Bylaws of H&E Finance Corp. (incorporated by reference to Exhibit 3.9 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
3.12	Bylaws of Great Northern Equipment, Inc. (incorporated by reference to Exhibit 3.10 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
3.13	Bylaws of Williams Bros. Construction, Inc. (incorporated by reference to Exhibit 3.11 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
4.1	Indenture, among H&E Equipment Services L.L.C., H&E Finance Corp., the guarantors party thereto and The Bank of New York, dated as of June 17, 2002 (incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).

- 4.1a Indenture, among H&E Equipment Services L.L.C., H&E Finance Corp., the guarantors party thereto and The Bank of New York, dated as of June 17, 2002 (incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99587), filed on September 13, 2002).
- 4.2 Registration Rights Agreement, among H&E Equipment Services L.L.C., H&E Finance Corp., the guarantors party thereto and Credit Suisse First Boston Corporation, dated as of June 17, 2002 (incorporated by reference to Exhibit 4.2 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 5.1 Opinion of Dechert LLP†
- 10.1 Credit Agreement among H&E Equipment Services L.L.C., Great Northern Equipment, Inc., H&E Holdings, L.L.C., GNE Investments, Inc., H&E Finance Corp., General Electric Capital Corporation, and the Lenders party thereto dated as of June 17, 2002.\*
- 10.1a Amendment No. 1 to Credit Agreement among H&E Equipment Services L.L.C., Great Northern Equipment, Inc., H&E Holdings, L.L.C., GNE Investments, Inc., H&E Finance Corp., General Electric Capital Corporation and the Lenders party thereto dated as of March 31, 2003 (incorporated by reference to Exhibit 10.1 to Quarterly Report on Form 10-Q of H&E Equipment Services L.L.C. for the quarter ended March 31, 2003 (File No. 333-99587), filed November 14, 2003).
- 10.1b Amendment No. 2 to Credit Agreement among H&E Equipment Services L.L.C., Great Northern Equipment, Inc., H&E Holdings, L.L.C., GNE Investments, Inc., H&E Finance Corp., General Electric Capital Corporation and the Lenders party thereto dated as of May 14, 2003 (incorporated by reference to Exhibit 10.1 to Quarterly Report on Form 10-Q of H&E Equipment Services L.L.C. for the quarter ended September 30, 2003 (File No. 333-99587), filed November 14, 2003).
- 10.1c Amendment No. 3 to Credit Agreement among H&E Equipment Services L.L.C., Great Northern Equipment, Inc., H&E Holdings, L.L.C., GNE Investments, Inc., H&E Finance Corp., General Electric Capital Corporation and the Lenders party thereto dated as of February 10, 2004 (incorporated by reference to Exhibit 10.1(c) to Current Report on Form 8-K of H&E Equipment Services L.L.C. (File No. 333-99587), filed February 11, 2004).
- 10.1d Amendment No. 4 to Credit Agreement among H&E Equipment Services L.L.C., Great Northern Equipment, Inc., H&E Holdings, L.L.C., GNE Investments, Inc., H&E Finance Corp., General Electric Capital Corporation and the Lenders party thereto dated as of October 26, 2004 (incorporated by reference to Exhibit 10.1d to Registration Statement on Form S-1 of H&E Equipment Services, Inc. (File No. 333-128996), filed October 14, 2005).
- 10.1e Amendment No. 5 to Credit Agreement among H&E Equipment Services L.L.C., Great Northern Equipment, Inc., H&E Holdings, L.L.C., GNE Investments, Inc., H&E Finance Corp., General Electric Capital Corporation and the Lenders party thereto dated as of January 13, 2005 (incorporated by reference to Exhibit 10.1e to Registration Statement on Form S-1 of H&E Equipment Services, Inc. (File No. 333-128996), filed October 14, 2005).
- 10.1f Amendment No. 6 to Credit Agreement among H&E Equipment Services L.L.C., Great Northern Equipment, Inc., H&E Holdings, L.L.C., GNE Investments, Inc., H&E Finance Corp., General Electric Capital Corporation and the Lenders party thereto dated as of March 11, 2005 (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K of H&E Equipment Services L.L.C. (File No. 333-99587), filed March 14, 2005).

- 10.1g Amendment No. 7 to Credit Agreement among H&E Equipment Services L.L.C., Great Northern Equipment, Inc., H&E Holdings, L.L.C., GNE Investments, Inc., H&E Finance Corp., General Electric Capital Corporation and the Lenders party thereto dated as of March 29, 2005.\*
- 10.1h Amendment No. 8 to Credit Agreement among H&E Equipment Services, L.L.C., Great Northern Equipment, Inc., H&E Holdings, L.L.C., GNE Investments, Inc., H&E Finance Corp., General Electric Capital Corporation and the Lenders party thereto dated as of October 13, 2005 (incorporated by reference to Exhibit 10.1(h) to Form 8-K of H&E Equipment Services L.L.C. (File No. 333-99587), filed October 18, 2005).
- 10.1i Amendment No. 9 to Credit Credit Agreement among H&E Equipment Services, L.L.C., Great Northern Equipment, Inc., H&E Holdings, L.L.C., GNE Investments, Inc., H&E Finance Corp., General Electric Capital Corporation and the Lenders party thereto dated as of November 16, 2005 (incorporated by reference to Exhibit 10.1(i) to Form 8-K of H&E Equipment Services L.L.C. (File No. 333-99587), filed November 18, 2005).
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- 10.3 Securityholders Agreement, dated as of June 17, 2002, by and among H&E Holdings L.L.C., BRSEC Co-Investment, LLC, BRSEC Co-Investment II, LLC, certain members of management and other members of H&E Holdings LLC (incorporated by reference to Exhibit 10.3 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.4 Registration Rights Agreement, dated as of June 17, 2002, by and among H&E Holdings L.L.C., BRSEC Co-Investment, LLC, BRSEC Co-Investment II, LLC, certain members of management and other members of H&E Holdings L.L.C. (incorporated by reference to Exhibit 10.4 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.7 First Amended and Restated Management Agreement, dated as of June 17, 2002, Bruckmann, Rosser, Sherrill & Co., Inc., Bruckmann, Rosser, Sherrill & Co., L.L.C., H&E Holdings L.L.C. and H&E Equipment Services, L.L.C. (incorporated by reference to Exhibit 10.7 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.8 Employment Agreement, dated as of June 29, 1999, by and between Gulf Wide Industries, L.L.C., and John M. Engquist (incorporated by reference to Exhibit 10.8 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.9 First Amendment to the Employment Agreement, dated as of August 10, 2001, by and among Gulf Wide Industries, L.L.C. and John M. Engquist (incorporated by reference to Exhibit 10.9 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.10 Employment Agreement, dated as of February 4, 1998, by and between ICM Equipment Company L.L.C., and Gary Bagley (incorporated by reference to Exhibit 10.10 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).



- 10.11 First Amendment to the Employment Agreement, dated as of May 26, 1999, by and between ICM Equipment Company L.L.C., and Gary Bagley (incorporated by reference to Exhibit 10.11 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.12 Second Amendment to the Employment Agreement, dated as of December 6, 1999, by and between ICM Equipment Company L.L.C., and Gary Bagley (incorporated by reference to Exhibit 10.12 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.13 Third Amendment to the Employment Agreement, dated as of June 14, 2002, by and between ICM Equipment Company L.L.C., and Gary Bagley (incorporated by reference to Exhibit 10.13 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.14 Employment Agreement, dated as of February 4, 1998, by and between ICM Equipment Company L.L.C. and Kenneth R. Sharp, Jr. (incorporated by reference to Exhibit 10.14 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.15 First Amendment to the Employment Agreement, dated as of May 26, 1999, between ICM Equipment Company L.L.C. and Kenneth R. Sharp, Jr. (incorporated by reference to Exhibit 10.15 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.16 Second Amendment to the Employment Agreement, dated as of December 6, 1999, between ICM Equipment Company L.L.C. and Kenneth Sharp, Jr. (incorporated by reference to Exhibit 10.16 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.17 Third Amendment to the Employment Agreement, dated as of June 14, 2002, between ICM Equipment Company L.L.C. and Kenneth Sharp, Jr. (incorporated by reference to Exhibit 10.17 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.18 Deferred Compensation Agreement made and entered into as of June 17, 2002, by and between Gary Bagley and H&E Holdings L.L.C. (incorporated by reference to Exhibit 10.18 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.19 Deferred Compensation Agreement made and entered into as of June 17, 2002, by and between Kenneth Sharp, Jr. and H&E Holdings, L.L.C. (incorporated by reference to Exhibit 10.19 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.20 Consulting and Noncompetition Agreement, dated as of June 29, 1999, between Head & Engquist Equipment, L.L.C. and Thomas R. Engquist (incorporated by reference to Exhibit 10.20 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.21 Purchase Agreement by and among H&E Equipment Services L.L.C., H&E Finance Corp., the guarantors party thereto and Credit Suisse First Boston Corporation, dated June 3, 2002 (incorporated by reference to Exhibit 10.21 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99587), filed September 13, 2002).

- 10.21a Purchase Agreement, among H&E Equipment Services L.L.C., H&E Finance Corp., H&E Holdings L.L.C., the guarantors party thereto and Credit Suisse First Boston Corporation, dated June 17, 2002 (incorporated by reference to Exhibit 10.21 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.22 Investor Rights Agreement by and among H&E Holdings, L.L.C., BRSEC Co-Investment, LLC, BRSEC Co-Investment II, LLC and Credit Suisse First Boston Corporation, dated as of June 17, 2002 (incorporated by reference to Exhibit 10.22 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.24 Security Agreement, dated June 17, 2002, between H&E Equipment Services L.L.C. and The Bank of New York (incorporated by reference to Exhibit 10.24 to Annual Report on Form 10-K of H&E Equipment Services L.L.C. for the year ended December 31, 2002 (File No. 333-99587), filed April 14, 2003).
- 10.25 Pledge Agreement, dated June 17, 2002, between H&E Equipment Services L.L.C. and The Bank of New York (incorporated by reference to Exhibit 10.25 to Annual Report on Form 10-K of H&E Equipment Services L.L.C. for the year ended December 31, 2002 (File No. 333-99587), filed April 14, 2003).
- 10.26 Trademark Security Agreement, dated June 17, 2002, between H&E Equipment Services L.L.C. and The Bank of New York (incorporated by reference to Exhibit 10.26 to Annual Report on Form 10-K of H&E Equipment Services L.L.C. for the year ended December 31, 2002 (File No. 333-99587), filed April 14, 2003).
- 10.27 Security Agreement, dated June 17, 2002, between H&E Finance Corp. and The Bank of New York (incorporated by reference to Exhibit 10.27 to Annual Report on Form 10-K of H&E Equipment Services L.L.C. for the year ended December 31, 2002 (File No. 333-99587), filed April 14, 2003).
- 10.28 Security Agreement, dated June 17, 2002, between GNE Investments, Inc. and The Bank of New York (incorporated by reference to Exhibit 10.28 to Annual Report on Form 10-K of H&E Equipment Services L.L.C. for the year ended December 31, 2002 (File No. 333-99587), filed April 14, 2003).
- 10.29 Pledge Agreement, dated June 17, 2002, between GNE Investments, Inc. and The Bank of New York (incorporated by reference to Exhibit 10.29 to Annual Report on Form 10-K of H&E Equipment Services L.L.C. for the year ended December 31, 2002 (File No. 333-99587), filed April 14, 2003).
- 10.30 Security Agreement, dated June 17, 2002, between Great Northern Equipment, Inc. and The Bank of New York (incorporated by reference to Exhibit 10.30 to Annual Report on Form 10-K of H&E Equipment Services L.L.C. for the year ended December 31, 2002 (File No. 333-99587), filed April 14, 2003).
- 10.31 Trademark Security Agreement, dated June 17, 2002, between Great Northern Equipment, Inc. and The Bank of New York (incorporated by reference to Exhibit 10.31 to Annual Report on Form 10-K of H&E Equipment Services L.L.C. for the year ended December 31, 2002 (File No. 333-99587), filed April 14, 2003).
- 10.32 Patent Security Agreement, dated June 17, 2002, between Great Northern Equipment, Inc. and The Bank of New York (incorporated by reference to Exhibit 10.32 to Annual Report on Form 10-K of H&E Equipment Services L.L.C. for the year ended December 31, 2002 (File No. 333-99587), filed April 14, 2003).

- 21.1 Subsidiaries of the registrant.\*
- 23.1 Consent of BDO Seidman, LLP.\*
- 23.2 Consent of Perry-Smith LLP.\*
- 23.4 Consent of Dechert LLP (included in Exhibit 5.1).†
- 24a Power of Attorney (incorporated by reference to Exhibit 24 to Registration Statement on Form S-1 of H&E Equipment Services, Inc. (File No. 333-128996), filed October 14, 2005).
- 24b Power of Attorney.\*

\* Filed herewith.

† To be filed by amendment.

(b) Financial Statement Schedules

	Page
Schedule II—Valuation and Qualifying Accounts For The Years Ended December 31, 2004, 2003 and 2002	F-60

Schedules other than that noted above are omitted because of an absence of other conditions under which they are required or because the information required to be disclosed is presented in the financial statements or notes thereto.

**Item 17. Undertakings.**

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by a director, officer, or controlling person of us 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, we will, unless in the opinion of 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 Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

We hereby undertake that:

(i) 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.

(ii) for purposes 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 bonafide offering thereof.

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-1 and has duly caused this Amendment No. 1 to the Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Baton Rouge, State of Louisiana on November 23, 2005.

H&E EQUIPMENT SERVICES, INC.

By: /s/ JOHN M. ENGQUIST

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John M. Engquist, President and Chief  
Executive Officer and Director (Principal  
Executive Officer)

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement on Form S-1 has been signed below by the following persons on behalf of H&E Equipment Services, Inc. and in the capacities and on the dates indicated:

Signature	Title	Date
*	Chairman of the Board of Directors and Director	November 23, 2005
Gary W. Bagley		
/s/ JOHN M. ENGQUIST	President, Chief Executive Officer and Director (Principal Executive Officer)	November 23, 2005
John M. Engquist		
/s/ LESLIE S. MAGEE	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	November 23, 2005
Leslie S. Magee		
*	Director	November 23, 2005
Keith E. Alessi		
*	Director	November 23, 2005
Bruce C. Bruckmann		
*	Director	November 23, 2005
Lawrence C. Karlson		
*	Director	November 23, 2005
John T. Sawyer		
*By: /s/ JOHN M. ENGQUIST		
Attorney-in-fact		

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- 10.2 Contribution Agreement and Plan of Reorganization, dated as of June 14, 2002, by and among H&E Holdings L.L.C., BRSEC Co-Investment II, LLC (incorporated by reference to Exhibit 10.2 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.3 Securityholders Agreement, dated as of June 17, 2002, by and among H&E Holdings L.L.C., BRSEC Co-Investment, LLC, BRSEC Co-Investment II, LLC, certain members of management and other members of H&E Holdings LLC (incorporated by reference to Exhibit 10.3 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.4 Registration Rights Agreement, dated as of June 17, 2002, by and among H&E Holdings L.L.C., BRSEC Co-Investment, LLC, BRSEC Co-Investment II, LLC, certain members of management and other members of H&E Holdings L.L.C. (incorporated by reference to Exhibit 10.4 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.7 First Amended and Restated Management Agreement, dated as of June 17, 2002, Bruckmann, Rosser, Sherrill & Co., Inc., Bruckmann, Rosser, Sherrill & Co., L.L.C., H&E Holdings L.L.C. and H&E Equipment Services, L.L.C. (incorporated by reference to Exhibit 10.7 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.8 Employment Agreement, dated as of June 29, 1999, by and between Gulf Wide Industries, L.L.C., and John M. Engquist (incorporated by reference to Exhibit 10.8 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.9 First Amendment to the Employment Agreement, dated as of August 10, 2001, by and among Gulf Wide Industries, L.L.C. and John M. Engquist (incorporated by reference to Exhibit 10.9 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.10 Employment Agreement, dated as of February 4, 1998, by and between ICM Equipment Company L.L.C., and Gary Bagley (incorporated by reference to Exhibit 10.10 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.11 First Amendment to the Employment Agreement, dated as of May 26, 1999, by and between ICM Equipment Company L.L.C., and Gary Bagley (incorporated by reference to Exhibit 10.11 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).

- 10.12 Second Amendment to the Employment Agreement, dated as of December 6, 1999, by and between ICM Equipment Company L.L.C., and Gary Bagley (incorporated by reference to Exhibit 10.12 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.13 Third Amendment to the Employment Agreement, dated as of June 14, 2002, by and between ICM Equipment Company L.L.C., and Gary Bagley (incorporated by reference to Exhibit 10.13 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.14 Employment Agreement, dated as of February 4, 1998, by and between ICM Equipment Company L.L.C. and Kenneth R. Sharp, Jr. (incorporated by reference to Exhibit 10.14 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.15 First Amendment to the Employment Agreement, dated as of May 26, 1999, between ICM Equipment Company L.L.C. and Kenneth R. Sharp, Jr. (incorporated by reference to Exhibit 10.15 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.16 Second Amendment to the Employment Agreement, dated as of December 6, 1999, between ICM Equipment Company L.L.C. and Kenneth Sharp, Jr. (incorporated by reference to Exhibit 10.16 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.17 Third Amendment to the Employment Agreement, dated as of June 14, 2002, between ICM Equipment Company L.L.C. and Kenneth Sharp, Jr. (incorporated by reference to Exhibit 10.17 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.18 Deferred Compensation Agreement made and entered into as of June 17, 2002, by and between Gary Bagley and H&E Holdings L.L.C. (incorporated by reference to Exhibit 10.18 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.19 Deferred Compensation Agreement made and entered into as of June 17, 2002, by and between Kenneth Sharp, Jr. and H&E Holdings, L.L.C. (incorporated by reference to Exhibit 10.19 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.20 Consulting and Noncompetition Agreement, dated as of June 29, 1999, between Head & Engquist Equipment, L.L.C. and Thomas R. Engquist (incorporated by reference to Exhibit 10.20 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.21 Purchase Agreement by and among H&E Equipment Services L.L.C., H&E Finance Corp., the guarantors party thereto and Credit Suisse First Boston Corporation, dated June 3, 2002 (incorporated by reference to Exhibit 10.21 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99587), filed September 13, 2002).
- 10.21a Purchase Agreement, among H&E Equipment Services L.L.C., H&E Finance Corp., H&E Holdings L.L.C., the guarantors party thereto and Credit Suisse First Boston Corporation, dated June 17, 2002 (incorporated by reference to Exhibit 10.21 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).



- 10.22 Investor Rights Agreement by and among H&E Holdings, L.L.C., BRSEC Co-Investment, LLC, BRSEC Co-Investment II, LLC and Credit Suisse First Boston Corporation, dated as of June 17, 2002 (incorporated by reference to Exhibit 10.22 to Registration Statement on Form S-4 of H&E Equipment Services L.L.C. (File No. 333-99589), filed September 13, 2002).
- 10.24 Security Agreement, dated June 17, 2002, between H&E Equipment Services L.L.C. and The Bank of New York (incorporated by reference to Exhibit 10.24 to Annual Report on Form 10-K of H&E Equipment Services L.L.C. for the year ended December 31, 2002 (File No. 333-99587), filed April 14, 2003).
- 10.25 Pledge Agreement, dated June 17, 2002, between H&E Equipment Services L.L.C. and The Bank of New York (incorporated by reference to Exhibit 10.25 to Annual Report on Form 10-K of H&E Equipment Services L.L.C. for the year ended December 31, 2002 (File No. 333-99587), filed April 14, 2003).
- 10.26 Trademark Security Agreement, dated June 17, 2002, between H&E Equipment Services L.L.C. and The Bank of New York (incorporated by reference to Exhibit 10.26 to Annual Report on Form 10-K of H&E Equipment Services L.L.C. for the year ended December 31, 2002 (File No. 333-99587), filed April 14, 2003).
- 10.27 Security Agreement, dated June 17, 2002, between H&E Finance Corp. and The Bank of New York (incorporated by reference to Exhibit 10.27 to Annual Report on Form 10-K of H&E Equipment Services L.L.C. for the year ended December 31, 2002 (File No. 333-99587), filed April 14, 2003).
- 10.28 Security Agreement, dated June 17, 2002, between GNE Investments, Inc. and The Bank of New York (incorporated by reference to Exhibit 10.28 to Annual Report on Form 10-K of H&E Equipment Services L.L.C. for the year ended December 31, 2002 (File No. 333-99587), filed April 14, 2003).
- 10.29 Pledge Agreement, dated June 17, 2002, between GNE Investments, Inc. and The Bank of New York (incorporated by reference to Exhibit 10.29 to Annual Report on Form 10-K of H&E Equipment Services L.L.C. for the year ended December 31, 2002 (File No. 333-99587), filed April 14, 2003).
- 10.30 Security Agreement, dated June 17, 2002, between Great Northern Equipment, Inc. and The Bank of New York (incorporated by reference to Exhibit 10.30 to Annual Report on Form 10-K of H&E Equipment Services L.L.C. for the year ended December 31, 2002 (File No. 333-99587), filed April 14, 2003).
- 10.31 Trademark Security Agreement, dated June 17, 2002, between Great Northern Equipment, Inc. and The Bank of New York (incorporated by reference to Exhibit 10.31 to Annual Report on Form 10-K of H&E Equipment Services L.L.C. for the year ended December 31, 2002 (File No. 333-99587), filed April 14, 2003).

- 10.32 Patent Security Agreement, dated June 17, 2002, between Great Northern Equipment, Inc. and The Bank of New York (incorporated by reference to Exhibit 10.32 to Annual Report on Form 10-K of H&E Equipment Services L.L.C. for the year ended December 31, 2002 (File No. 333-99587), filed April 14, 2003).
  - 21.1 Subsidiaries of the registrant.\*
  - 23.1 Consent of BDO Seidman, LLP.\*
  - 23.2 Consent of Perry-Smith LLP.\*
  - 23.4 Consent of Dechert LLP (included in Exhibit 5.1).†
  - 24a Power of Attorney (incorporated by reference to Exhibit 24 to Registration Statement on Form S-1 of H&E Equipment Services, Inc. (File No. 333-128996), filed October 14, 2005).
  - 24b Power of Attorney.\*
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\* Filed herewith.

† To be filed by amendment.

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Loan Agreement - GECC  
June 2002**

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Execution Copy

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and

GREAT NORTHERN EQUIPMENT, INC.,  
as Borrowers,

THE OTHER CREDIT PARTIES SIGNATORY HERETO,  
as Credit Parties,

THE LENDERS SIGNATORY HERETO  
FROM TIME TO TIME,  
as Lenders

GENERAL ELECTRIC CAPITAL CORPORATION,  
as Arranger

BANK OF AMERICA, N.A.,  
as Syndication Agent

FLEET CAPITAL CORPORATION,  
as Documentation Agent

and

GENERAL ELECTRIC CAPITAL CORPORATION,  
as Administrative Agent

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CREDIT AGREEMENT  
Dated as of June 17, 2002

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**CREDIT AGREEMENT**, dated as of June 17, 2002 (this “**Credit Agreement**”), among GREAT NORTHERN EQUIPMENT, INC., a Montana corporation (“**Great Northern**”), H&E EQUIPMENT SERVICES L.L.C., a Louisiana limited liability company (f/k/a/ Gulf Wide Industries, L.L.C., a Louisiana limited liability company (“**Gulf Wide**”)) (“**H&E**” and together with Great Northern, each individually, a “**Borrower**”, and collectively and jointly and severally, the “**Borrowers**”), the other Credit Parties signatory hereto, GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation (in its individual capacity, “**GE Capital**”), for itself as Lender, as Administrative Agent for the Lenders and the other Lenders signatory hereto from time to time, GENERAL ELECTRIC CAPITAL CORPORATION, as Arranger (“**Arranger**”), BANK OF AMERICA, N.A., as Syndication Agent (“**Syndication Agent**”) and FLEET CAPITAL CORPORATION, as Documentation Agent (“**Documentation Agent**”).

**WHEREAS:**

- (A) ICM Equipment Company, L.L.C., a Delaware limited liability company (“**ICM**”), owns all of the outstanding shares of capital stock of GNE Investments, Inc., a Washington corporation (“**GNE Investments**”);
- (B) GNE Investments owns all of the outstanding shares of capital stock of Great Northern;
- (C) H&E, owns all of the outstanding membership interests of Head & Engquist Equipment L.L.C, a Louisiana limited liability company (“**Head & Engquist Equipment**”);
- (D) Pursuant to that certain Contribution Agreement and Plan of Reorganization dated as of June 14, 2002 (the “**Contribution Agreement and Plan of Reorganization**”) among H&E Holdings L.L.C., a Delaware limited liability company (“**H&E Holdings**”), H&E, Head & Engquist Equipment, ICM and the equity holders of ICM and H&E, all common and preferred equity of ICM and H&E will be contributed to H&E Holdings (the “**H&E Contribution**”) in exchange for membership interests in H&E Holdings so that H&E Holdings will own all of the outstanding membership interests of ICM and H&E;
- (E) As provided in the Contribution Agreement and Plan of Reorganization, immediately following the H&E Contribution, H&E Holdings will contribute all of the membership interests in ICM to H&E so that H&E will own all of the outstanding membership interests of ICM, and immediately prior to the execution of this Credit Agreement, Head & Engquist Equipment and ICM will merge with and into H&E (the “**Mergers**”);
- (F) Upon consummation of the Mergers, H&E will own all of the outstanding shares of capital stock of (i) GNE Investments, which will hold all of the outstanding shares of capital stock of Great Northern and (ii) H&E Finance Corp., a Delaware corporation (“**H&E Finance**”), which is being

organized prior to the execution of this Credit Agreement for the purpose of entering into and consummating the transactions under the Senior Note Indenture and Senior Subordinated Note Indenture (as each such term is defined below);

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- (G) Borrowers have requested that Lenders extend a revolving credit facility to Borrowers of up to One Hundred Fifty Million Dollars (\$150,000,000) in aggregate principal amount for the purpose of refinancing certain indebtedness of Borrowers and to provide (a) working capital financing for Borrowers, (b) funds for other general corporate purposes of Borrowers and (c) funds for other purposes permitted hereunder, and for these purposes, Lenders are willing to make certain loans and other extensions of credit to Borrowers of up to such amount upon the terms and conditions set forth herein;
- (H) H&E and H&E Finance have agreed to finance certain of its indebtedness through the issuance of (i) \$200,000,000 of senior secured notes (together with any other senior notes issued pursuant to the Senior Note Indenture, as amended, modified or supplemented from time to time in accordance with their terms and the terms hereof, the “**Senior Notes**”) pursuant to an Indenture dated as of the date hereof (as amended, modified or supplemented from time to time in accordance with its terms and the terms hereof, the “**Senior Note Indenture**”) among H&E, H&E Finance and Bank of New York, as trustee and (ii) \$50,000,000 of senior unsecured subordinated notes (together with any other senior unsecured subordinated notes issued pursuant to the Senior Subordinated Note Indenture, as amended, modified or supplemented from time to time in accordance with their terms and the terms hereof, the “**Senior Subordinated Notes**”) pursuant to an Indenture dated as of the date hereof (as amended, modified or supplemented from time to time in accordance with its terms and the terms hereof, the “**Senior Subordinated Note Indenture**”) among H&E, H&E Finance and Bank of New York, as trustee;
- (I) Borrowers have agreed to secure all of their obligations under the Loan Documents by granting to Agent, for the benefit of Agent and Lenders, a security interest in and lien upon all of their existing and after-acquired personal and real property;
- (J) GNE Investments, H&E Holdings and H&E Finance are willing to guarantee all of the obligations of Borrowers to Agent and Lenders under the Loan Documents and (i) H&E Holdings is willing to pledge to Agent, for the benefit of Agent and Lenders, all of the membership interests of H&E to secure such guaranty and all Obligations (as defined in Annex A), (ii) H&E is willing to pledge to Agent, for the benefit of Agent and Lenders, all of the Stock of H&E Finance and GNE Investments to secure such guaranty and all Obligations, and (iii) GNE Investments is willing to pledge to Agent, for the benefit of Agent and Lenders, all of the Stock of Great Northern to secure the Obligations; and
- (K) Capitalized terms used in this Agreement have the meanings ascribed to them in Annex A and, for purposes of this Agreement and the other Loan Documents, the rules of construction set forth in Annex A shall govern. All Annexes, Disclosures Schedules, Exhibits and other attachments (collectively, “**Appendices**”) hereto, or expressly identified to this Agreement, are incorporated herein by reference, and taken together with this Agreement, shall constitute but a single agreement. These Recitals shall be construed as part of the Agreement.
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**NOW, THEREFORE**, IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS HEREINAFTER CONTAINED, AND FOR OTHER GOOD AND VALUABLE CONSIDERATION, THE PARTIES HERETO AGREE AS FOLLOWS:

## 1. AMOUNT AND TERMS OF CREDIT

### 1.1 Credit Facilities

- (a) Revolving Credit Facility
- (i) Subject to the terms and conditions hereof and to the last sentence of Section 1.1(c), each Revolving Lender agrees to make available to Borrowers from time to time until the Commitment Termination Date its Pro Rata Share of advances (each, a “**Revolving Credit Advance**”). The Pro Rata Share of the Revolving Loan of any Revolving Lender shall not at any time exceed its separate Revolving Loan Commitment. The obligations of each Revolving Lender hereunder shall be several and not joint. Until the Commitment Termination Date, Borrowers may borrow, repay and reborrow under this Section 1.1(a); *provided*, that the amount of any Revolving Credit Advance to be made to any Borrower at any time shall not exceed Borrowing Availability of such Borrower at such time or, cause the Borrowing Availability of all Borrowers to be exceeded. Moreover, the sum of the Revolving Loan and Swing Line Loan outstanding to any Borrower shall not exceed at any time that Borrower’s separate Borrowing Base, *provided*, that in the case of any Revolving Advances or Swingline Advances that constitute H&E/Great Northern Advances included in such sum, “that Borrower’s separate Borrowing Base” shall mean the Great Northern Borrowing Base. Each Revolving Credit Advance shall be made on notice by Borrower Representative on behalf of the applicable Borrower to the representative of Agent identified in Schedule 1.1 at the address specified therein. Any such notice must be given no later than (1) noon (New York time) on the Business Day of the proposed Revolving Credit Advance, in the case of an Index Rate Loan, or (2) noon (New York time) on the date which is three (3) Business Days prior to the proposed Revolving Credit Advance, in the case of a LIBOR Loan. Each such notice (a “**Notice of Revolving Credit Advance**”) must be given in writing (by telecopy or overnight courier) substantially in the form of Exhibit 1.1(a)(i), and shall include the information required in such Exhibit and such other administrative information as may be reasonably required by Agent. If any Borrower desires to have the Revolving Credit Advances bear interest by reference to a LIBOR Rate, Borrower Representative must comply with Section 1.5(e).
- (ii) Upon the request of any Revolving Lender, each Borrower shall execute and deliver to such Revolving Lender a note to evidence the Revolving Loan Commitment of that Revolving Lender. Each such note shall be in the maximum

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principal amount of the Revolving Loan Commitment of the applicable Revolving Lender, dated the Closing Date and substantially in the form of Exhibit 1.1(a)(ii) (each as amended or replaced from time to time, a “**Revolving Note**” and, collectively, the “**Revolving Notes**”). Each Revolving Note shall represent the obligation of the applicable Borrower to pay the amount of the



applicable Revolving Lender's Revolving Loan Commitment or, if less, such Revolving Lender's Pro Rata Share of the aggregate unpaid principal amount of all Revolving Credit Advances to such Borrower together with interest thereon as prescribed in Section 1.5. The entire unpaid balance of the aggregate Revolving Loan and all other noncontingent Obligations shall be immediately due and payable in full in immediately available funds on the Commitment Termination Date.

(b) Swing Line Facility

- (i) Agent shall notify the Swing Line Lender upon Agent's receipt of any Notice of Revolving Credit Advance. Subject to the terms and conditions hereof, the Swing Line Lender may, in its discretion, make available from time to time until the Commitment Termination Date advances (each, a "**Swing Line Advance**") in accordance with any such notice. The provisions of this Section 1.1(b) shall not relieve Revolving Lenders of their obligations to make Revolving Credit Advances under Section 1.1(a); *provided*, that if the Swing Line Lender makes a Swing Line Advance pursuant to any such notice, such Swing Line Advance shall be in lieu of any Revolving Credit Advance that otherwise may be made by Revolving Credit Lenders pursuant to such notice. The aggregate amount of Swing Line Advances outstanding shall not exceed at any time the lesser of (A) the Swing Line Commitment and (B) the lesser of (x) the Maximum Amount and (y) the Aggregate Borrowing Base in each case, less the outstanding balance of the Revolving Loan at such time ("**Swing Line Availability**"). Moreover, the Swing Line Loan outstanding to any Borrower shall not exceed at any time such Borrower's separate Borrowing Base less the Revolving Loan outstanding to such Borrower, *provided*, that in the case of any H&E/Great Northern Advance, "such Borrower's separate Borrowing Base" shall mean the Great Northern Borrowing Base. Until the Commitment Termination Date, Borrowers may from time to time borrow, repay and reborrow under this Section 1.1(b). Each Swing Line Advance shall be made on the day requested pursuant to a Notice of Revolving Credit Advance delivered to Agent by Borrower Representative on behalf of the applicable Borrower requesting a Swing Line Advance in accordance with Section 1.1(a). Any such notice must be given no later than noon (New York time) on the Business Day of the proposed Swing Line Advance. Unless the Swing Line Lender has received at least one Business Day's prior written notice from Majority Revolving Lenders instructing it not to make a Swing Line Advance, the Swing Line Lender shall, notwithstanding the failure of any

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condition precedent set forth in Section 2.2, except in the case of a Prohibited Swing Line Advance, be entitled to fund that Swing Line Advance, and to have each Revolving Lender make Revolving Credit Advances in accordance with Section 1.1(b)(iii) or purchase participating interests in accordance with Section 1.1(b)(iv). Notwithstanding any other provision of this Agreement or the other Loan Documents, the Swing Line Loan shall constitute an Index Rate Loan. Borrowers shall repay the aggregate outstanding principal amount of the Swing Line Loan upon demand therefor by Agent.

- (ii) Upon the request of the Swing Line Lender, each Borrower shall execute and deliver to the Swing Line Lender a promissory note to evidence the Swing Line Commitment. If a promissory note is requested, each such note shall be in the principal amount of the Swing Line Commitment of the Swing Line Lender, dated the Closing Date and substantially in the form of Exhibit 1.1(b)(ii) (each as amended or replaced from time to time, a "**Swing Line Note**" and, collectively, the "**Swing Line Notes**"). Each Swing Line Note shall represent the obligation of the applicable Borrower to pay the amount of the Swing Line Commitment or, if less, the aggregate unpaid principal amount of all Swing Line Advances made to such Borrower together with interest thereon as prescribed in Section 1.5. The entire unpaid balance of the Swing Line Loan and all other non contingent Obligations shall be immediately due and payable in full in immediately available funds on the Commitment Termination Date if not sooner paid in full.
- (iii) The Swing Line Lender shall at any time and from time to time in its sole and absolute discretion, but not less frequently than on each Settlement Date on behalf of any Borrower (and each Borrower hereby irrevocably authorizes the Swing Line Lender to so act on its behalf), request each Revolving Lender (including the Swing Line Lender) to make a Revolving Credit Advance to such Borrower (which shall be an Index Rate Loan) in an amount equal to such Revolving Lender's Pro Rata Share of the principal amount of such Borrower's Swing Line Loan (the "**Refunded Swing Line Loan**") outstanding on the date such notice is given. Unless any of the events described in Sections 8.1(h) or (i) has occurred (in which event the procedures of Section 1.1(b)(iv) shall apply) and regardless of whether the conditions precedent set forth in this Agreement to the making of a Revolving Credit Advance are then satisfied, each Revolving Lender shall disburse directly to Agent, its Pro Rata Share of a Revolving Credit Advance on behalf of the Swing Line Lender, prior to 3:00 p.m. (New York time), in immediately available funds on the Business Day next succeeding the date such notice is given. The proceeds of such Revolving Credit Advances shall be immediately paid to the Swing Line Lender and applied to repay the Refunded Swing Line Loan of the applicable Borrower.

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- (iv) If, prior to refunding a Swing Line Loan with a Revolving Credit Advance pursuant to Section 1.1(b)(iii), one of the events described in Sections 8.1(h) or (i) has occurred, then, subject to the provisions of Section 1.1(b)(v) below, each Revolving Lender shall, on the date such Revolving Credit Advance was to have been made for the benefit of the applicable Borrower, purchase from the Swing Line Lender an undivided participation interest in the Swing Line Loan to such Borrower in an amount equal to its Pro Rata Share of such Swing Line Loan. Upon request, each Revolving Lender shall promptly transfer to the Swing Line Lender, in immediately available funds, the amount of its participation interest.

- (v) Each Revolving Lender's obligation to make Revolving Credit Advances in accordance with Section 1.1(b)(iii) and to purchase participation interests in accordance with Section 1.1(b)(iv) shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right that such Revolving Lender may have against the Swing Line Lender, any Borrower or any other Person for any reason whatsoever; (B) the occurrence or continuance of any Default or Event of Default; (C) any inability of any Borrower to satisfy the conditions precedent to borrowing set forth in this Agreement at any time; or (D) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing. If any Revolving Lender does not make available to Agent or the Swing Line Lender, as applicable, the amount required pursuant to Section 1.1(b)(iii) or 1.1(b)(iv), as the case may be, the Swing Line Lender shall be entitled to recover such amount on demand from such Revolving Lender, together with interest thereon for each day from the date of non-payment until such amount is paid in full at the Federal Funds Rate for the first two Business Days and at the Index Rate thereafter.

(c) Reliance on Notices; Appointment of Borrower Representative

Agent shall be entitled to rely upon, and shall be fully protected in relying upon, any Notice of Revolving Credit Advance, Notice of Conversion/Continuation or similar notice believed by Agent to be genuine. Agent may assume that each Person executing and delivering any such notice in accordance herewith was duly authorized, unless the responsible individual acting thereon for Agent has actual knowledge to the contrary. Each Borrower, and to the extent applicable, each other Credit Party, hereby designates H&E as its representative and agent on its behalf for the purposes of issuing Notices of Revolving Credit Advances and Notices of Conversion/Continuation, giving instructions with respect to the disbursement of the proceeds of the Loans, selecting interest rate options, requesting Letters of Credit, giving and receiving all other notices and consents hereunder or under any of the other Loan Documents and taking all other actions (including in respect of compliance with covenants) on behalf of any Credit Party or Credit Parties under the Loan Documents. Borrower Representative hereby accepts such

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appointment. Agent and each Lender may regard any notice or other communication pursuant to any Loan Document from Borrower Representative as a notice or communication from all Credit Parties, and may give any notice or communication required or permitted to be given to any Credit Party or Credit Parties hereunder to Borrower Representative on behalf of such Credit Party or Credit Parties. Each Credit Party agrees that each notice, election, representation and warranty, covenant, agreement and undertaking made on its behalf by Borrower Representative shall be deemed for all purposes to have been made by such Credit Party and shall be binding upon and enforceable against such Credit Party to the same extent as if the same had been made directly by such Credit Party. Notwithstanding anything to the contrary contained herein, unless the Requisite Lenders shall otherwise agree in writing, the Borrower Representative shall not make any request for an Advance on behalf of Great Northern and Great Northern shall not be entitled to borrow from Lenders hereunder, *provided*, that subject to the terms hereof, H&E may make requests for and Lenders shall make H&E/Great Northern Advances.

1.2 Letters of Credit

Subject to and in accordance with the terms and conditions contained herein and in Annex B, Borrower Representative, on behalf of any Borrower, shall have the right to request, and Revolving Lenders agree to incur, or purchase participations in, Letter of Credit Obligations in respect of such Borrower.

1.3 Prepayments

(a) Voluntary Prepayments; Reductions in Revolving Loan Commitments

Any Borrower may at any time voluntarily prepay all or part of the Revolving Credit Advances made to such Borrower at any time or from time to time without premium or penalty. Borrowers may at any time on at least ten (10) days' prior written notice by Borrower Representative to Agent permanently reduce (but not terminate) the Revolving Loan Commitment; *provided*, that (A) any such reductions shall be in a minimum amount of \$5,000,000 and integral multiples of \$250,000 in excess of such amount, (B) the Revolving Loan Commitment shall not be reduced to an amount less than the amount of the Revolving Loan plus the Swingline Loan then outstanding, and (C) after giving effect to such reductions, Borrowers shall comply with Section 1.3(b)(i). In addition, Borrowers may at any time on at least 10 days' prior written notice by Borrower Representative to Agent terminate the Revolving Loan Commitment; *provided*, that upon such termination, all Loans and other Obligations shall be immediately due and payable in full and all Letter of Credit Obligations shall be cash collateralized or otherwise satisfied in accordance with Annex B. Any such payment resulting from termination of the Revolving Loan Commitment must be accompanied by payment of all accrued and unpaid interest on the Loans and other Obligations and any LIBOR funding breakage costs in accordance with Section 1.13(b). Upon any such reduction or termination of the

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Revolving Loan Commitment, each Borrower's right to request Revolving Credit Advances, or request that Letter of Credit Obligations be incurred on its behalf, or request Swing Line Advances, shall simultaneously be permanently reduced or terminated, as the case may be; *provided*, that a permanent reduction of the Revolving Loan Commitment shall not require a corresponding *pro rata* reduction in the L/C Sublimit. Each notice of partial prepayment shall designate the Borrower whose Revolving Credit Advances are to be repaid and identify the particular Revolving Credit Advances to be repaid.

(b) Mandatory Prepayments

(i) If at any time the aggregate outstanding balances of the Revolving Loan exceeds the lesser of (A) the Maximum Amount less the aggregate outstanding Swing Line Loan at such time and (B) the Aggregate Borrowing Base less the aggregate outstanding Swing Line Loan at such time, Borrowers shall immediately repay the aggregate outstanding Revolving Credit Advances to the extent required to eliminate such excess. If any such excess remains after repayment in full of the aggregate outstanding Revolving Credit Advances, Borrowers shall provide cash collateral for the Letter of Credit Obligations in the manner set forth in Annex B to the extent required to eliminate such excess. Furthermore, if, at any time, the outstanding balance of the Revolving Loan to any Borrower exceeds such Borrower's separate Borrowing Base less the outstanding balance of the Swing Line Loan to such Borrower, the applicable Borrower shall immediately repay its Revolving Credit Advances in the amount of such excess (and, to the extent necessary, provide cash collateral for its Letter of Credit Obligations as described above), *provided*, that as to any Revolving Advances consisting of H&E Great Northern Advances included in such Revolving Loan balance, "such Borrower's separate Borrowing Base" shall mean the Great Northern Borrowing Base.

(ii) Immediately upon receipt by any Credit Party of proceeds of any asset disposition (excluding proceeds of dispositions of Equipment Inventory and P&E permitted by Section 6.8 having an aggregate Net Book Value in any one Fiscal Year, not exceeding \$500,000) or any sale of Stock of any Subsidiary of such Credit Party, Borrowers shall prepay the Loans in an amount equal to all such proceeds, net of (A) commissions and other reasonable and customary transaction costs, fees and expenses properly attributable to such transaction and payable by any Credit Party in connection therewith (in each case, paid to non-

Affiliates), (B) amounts payable to holders of senior Liens (to the extent such Liens constitute Permitted Encumbrances hereunder), if any, on the assets so disposed and (C) transfer taxes plus an appropriate reserve for income taxes in accordance with GAAP in connection therewith. Any such prepayment shall, subject to Section 1.3(b)(iv), be applied in accordance with Section 1.3(c).

- (iii) If any Credit Party issues Stock or any Indebtedness (other than Indebtedness permitted by Section 6.3) in excess of \$1,000,000 in the aggregate of such Stock

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and such Indebtedness, no later than the Business Day following the date of receipt of the cash proceeds thereof, the issuing Credit Party shall prepay the Loans in an amount equal to all such proceeds, net of underwriting discounts and commissions and other reasonable costs paid to non-Affiliates in connection therewith; *provided*, that no such prepayment shall be required, so long as no Event of Default has occurred and is continuing, from the proceeds of any issuance of Stock by a Credit Party (i) to any director, officer or other employee of such Credit Party, the total proceeds of which do not exceed \$5,000,000 in the aggregate, (ii) in connection with the Related Transactions, (iii) as consideration for any Person (other than any Affiliate of a Credit Party) providing permitted Indebtedness under Section 6.3, (iv) to any other Credit Party or (v) as consideration to any Person (other than an Affiliate) selling assets in any Permitted Acquisition. Any such prepayment shall, subject to Section 1.3(b)(iv), be applied in accordance with Section 1.3(c).

- (iv) In the event that Section 1.3(b)(i), (ii) or (iii) shall require any prepayment to be made on a day other than an Interest Payment Date, then upon receipt of such prepayment and to the extent requested by any Borrower, Agent shall hold such amount as cash collateral (provided that the Borrower delivering the same shall have executed and delivered such documents as Agent shall have requested in connection with such cash collateral) and, so long as no Default or Event of Default shall have occurred and be continuing, shall not apply such cash collateral to the prepayment under the applicable paragraph of this Section 1.3 until the next succeeding Interest Payment Date. Such cash collateral shall be invested in Cash Equivalents as directed by such Borrower in accordance with such documents. Interest earned on such cash collateral shall accrue for the account of the Borrower providing the same, shall constitute additional cash collateral and (assuming no Default or Event of Default shall be continuing) shall be, to the extent remaining, applied to such prepayment on such next succeeding Interest Payment Date.

(c) Application of Certain Mandatory Prepayments

Any prepayments made by any Borrower or Credit Party pursuant to Section 1.3(b)(ii) or (iii) shall be applied as follows: *first*, to Fees and reimbursable expenses of Agent then due and payable pursuant to any of the Loan Documents; *second*, to Fees and any other fees and reimbursable expenses of Lenders then due and payable pursuant to any of the Loan Documents; *third*, to interest then due and payable on the Swing Line Loan; *fourth*, to the principal balance of the Swing Line Loan until the same has been repaid in full; *fifth*, to interest then due and payable on the Revolving Credit Advances; *sixth*, to the outstanding principal balance of the Revolving Credit Advances until the same has been paid in full; *seventh*, to any Letter of Credit Obligations, to provide cash collateral therefor in the manner set forth in Annex B and *last* to any other Obligations, So long as

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no Event of Default is outstanding, the Borrowers may direct that any such prepayments be applied to Index Rate Loans to the extent outstanding, rather than LIBOR Loans. Neither the Revolving Loan Commitment nor the Swing Line Commitment shall be permanently reduced by the amount of any such prepayments; *provided*, that any prepayment made by any Borrower pursuant to Section 1.3(b)(iii) in connection with the issuance of Indebtedness shall also permanently reduce the Revolving Loan Commitment by the amount of such prepayment.

(d) Application of Prepayments from Insurance and Condemnation Proceeds

Prepayments from insurance or condemnation proceeds in accordance with Section 5.4 shall be applied first to the Swing Line Loans and second to the Revolving Credit Advances of the applicable Borrower. Neither the Revolving Loan Commitment nor the Swing Line Loan Commitment shall be permanently reduced by the amount of any such prepayments. So long as no Event of Default is outstanding, the Borrower Representative may direct that any such prepayments be applied to Index Rate Loans to the extent outstanding, rather than LIBOR Loans. If the insurance or condemnation proceeds received as to a particular Borrower exceed the Loans outstanding to such Borrower, such excess proceeds shall be applied to the Loans outstanding to other Borrowers.

(e) No Implied Consent

Nothing in this Section 1.3 shall be construed to constitute Agent's or any Lender's consent to any transaction referred to in Sections 1.3(b)(ii) and 1.3(b)(iii) which is not permitted by other provisions of this Agreement or the other Loan Documents.

1.4 Use of Proceeds

Borrowers shall utilize the proceeds of the Revolving Loan and the Swing Line Loan solely for the Refinancing (and to pay any related transaction expenses), and for the financing of Borrowers' ordinary working capital and general corporate needs. Disclosure Schedule (1.4) contains a description of Borrowers' sources and uses of funds as of the Closing Date, including Revolving Credit Advances and Letter of Credit Obligations to be made or incurred on that date, and a funds flow memorandum detailing how funds from each source are to be transferred to particular uses.

1.5 Interest and Applicable Margins

- (a) Borrowers shall pay interest to Agent, for the ratable benefit of Lenders in accordance with the various Revolving Credit Advances and Swing Line Loans being made by each Lender, and in respect of all unreimbursed Letters of Credit Obligations, in arrears on each applicable Interest Payment Date, at the following rates: (i) with respect to the Revolving Credit Advances and unreimbursed Letter of

Representative, the applicable LIBOR Rate plus the Applicable Revolver LIBOR Margin per annum, based on the aggregate Revolving Credit Advances outstanding from time to time; and (ii) with respect to the Swing Line Loan, the Index Rate plus the Applicable Revolver Index Margin per annum, based on the aggregate amount of the Swing Line Loan outstanding from time to time.

The Applicable Margins, on a per annum basis, are as follows:

<u>Applicable Margin</u>	<u>Amount</u>
Applicable Revolver Index Margin	1.50%
Applicable Revolver LIBOR Margin	3.00%
Applicable L/C Margin	3.00%
Applicable Unused Line Fee Margin	0.50%

- (b) If any payment on any Loan becomes due and payable on a day other than a Business Day, the maturity thereof will be extended to the next succeeding Business Day (except as set forth in the definition of LIBOR Period) and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.
- (c) All computations of Fees calculated on a per annum basis and interest shall be made by Agent on the basis of a three hundred sixty (360) day year, in each case for the actual number of days occurring in the period for which such interest and Fees are payable. The Index Rate is a floating rate determined for each day. Each determination by Agent of an interest rate and Fees hereunder shall be final, binding and conclusive on Borrowers, absent manifest error.
- (d) So long as an Event of Default has occurred and is continuing, and at the election of Agent (or upon the written request of Requisite Lenders) confirmed by written notice from Agent to Borrower Representative, the interest rates applicable to the Loans and the Letter of Credit Fees shall be increased by two percentage points (2%) per annum above the rates of interest or the rate of such Fees otherwise applicable hereunder (“**Default Rate**”), and all outstanding Obligations shall bear interest at the Default Rate applicable to such Obligations. Interest and Letter of Credit Fees at the Default Rate shall accrue from the initial date of such Event of Default until that Event of Default is cured or waived and shall be payable upon demand.
- (e) So long as no Event of Default has occurred and is continuing, Borrower Representative - shall have the option to (i) request that any Revolving Credit Advance be made as a LIBOR Loan, (ii) convert at any time all or any part of outstanding Loans (other than the Swing Line Loan) from Index Rate Loans to LIBOR Loans, (iii) convert any LIBOR Loan to an Index Rate Loan, subject to payment of LIBOR breakage costs in accordance with Section 1.13(b) if such conversion is made prior to the expiration of the LIBOR

Period applicable thereto, or (iv) continue all or any portion of any Loan (other than the Swing Line Loan) as a LIBOR Loan upon the expiration of the applicable LIBOR Period and the succeeding LIBOR Period of that continued Loan shall commence on the first day after the last day of the LIBOR Period of the Loan to be continued. Any Loan or group of Loans having the same proposed LIBOR Period to be made or continued as, or converted into, a LIBOR Loan must be in a minimum amount of \$1,000,000 and integral multiples of \$100,000 in excess of such amount. Any such election must be made by noon (New York time) on the third (3rd) Business Day prior to (1) the date of any proposed Advance which is to bear interest at the LIBOR Rate, (2) the end of each LIBOR Period with respect to any LIBOR Loans to be continued as such, or (3) the date on which the applicable Borrower wishes to convert any Index Rate Loan to a LIBOR Loan for a LIBOR Period designated by Borrower Representative in such election. If no election is received with respect to a LIBOR Loan by noon (New York time) on the third (3rd) Business Day prior to the end of the LIBOR Period with respect thereto (or if an Event of Default has occurred and is continuing), that LIBOR Loan shall be converted to an Index Rate Loan at the end of its LIBOR Period. Borrower Representative must make such election by notice to Agent in writing, by telecopy or overnight courier. In the case of any conversion or continuation, such election must be made pursuant to a written notice (a “**Notice of Conversion/Continuation**”) in the form of Exhibit 1.5(e). No Loan may be made as or converted into a LIBOR Loan until the earlier of (i) forty-five (45) days after the Closing Date or (ii) completion of primary syndication as determined by Agent.

- (f) Notwithstanding anything to the contrary set forth in this Section 1.5, if a court of competent jurisdiction determines in a final order that the rate of interest payable hereunder exceeds the highest rate of interest permissible under law (the “**Maximum Lawful Rate**”), then so long as the Maximum Lawful Rate would be so exceeded, the rate of interest payable hereunder shall be equal to the Maximum Lawful Rate; *provided*, that if at any time thereafter the rate of interest payable hereunder is less than the Maximum Lawful Rate, Borrowers shall continue to pay interest hereunder at the Maximum Lawful Rate until such time as the total interest received by Agent, on behalf of Lenders, is equal to the total interest that would have been received had the interest rate payable hereunder been (but for the operation of this paragraph) the interest rate payable since the Closing Date as otherwise provided in this Agreement. Thereafter, interest hereunder shall be paid at the rate(s) of interest and in the manner provided in Sections 1.5(a) through (e) above, unless and until the rate of interest again exceeds the Maximum Lawful Rate, and at that time this paragraph shall again apply. In no event shall the total interest received by any Lender pursuant to the terms hereof exceed the amount that such Lender could lawfully have received had the interest due hereunder been calculated for the full term hereof at the Maximum Lawful Rate. If the Maximum Lawful Rate is calculated pursuant to this paragraph, such interest shall be calculated at a daily rate equal to the Maximum Lawful Rate divided by the number of days in the year in which such calculation is made. If, notwithstanding the provisions of this

Section 1.5(f), a court of competent jurisdiction shall finally determine that a Lender has received interest hereunder in excess of the Maximum Lawful Rate, Agent shall, to the extent permitted by applicable law, promptly apply such excess in the order specified in Section 1.11 and thereafter shall refund any excess to Borrowers or as a court of competent jurisdiction may otherwise order.

## 1.6 Eligible Accounts

All of the Accounts owned by any Borrower and reflected in the most recent Borrowing Base Certificate delivered by such Borrower to Agent shall be “**Eligible Accounts**” for purposes of this Agreement, except any Account to which any of the exclusionary criteria set forth below applies. In addition, Agent reserves the right, at any time and from time to time after the Closing Date, to adjust any of the criteria set forth below, to establish new criteria and to adjust advance rates with respect to Eligible Accounts, in its reasonable credit judgment exercised in good faith; *provided*, that (i) any increase of any advance rate above its Original Advance Rate is subject to the approval of all Lenders and (ii) any adjustment by Agent to any criterion set forth below that results in such criterion being less restrictive than as in effect on the Closing Date shall be subject to approval of Requisite Lenders. Eligible Accounts shall not include any Account of any Borrower:

- (a) which does not arise from the sale of goods or the performance of services by such Borrower in the ordinary course of its business;
  - (b) upon which (i) such Borrower’s right to receive payment is contingent upon the fulfillment of any condition by such Borrower or (ii) such Borrower is not able to bring suit or otherwise enforce its remedies against the Account Debtor through judicial process;
  - (c) to the extent that any defense, counterclaim, setoff or dispute is asserted as to such Account;
  - (d) if the Account represents a progress billing consisting of an invoice for goods sold or used or services rendered pursuant to a contract under which the Account Debtor’s obligation to pay that invoice is subject to such Borrower’s completion of further performance under such contract;
  - (e) that is not a true and correct statement of bona fide indebtedness incurred in the amount of the Account for merchandise sold to or services rendered and accepted by the applicable Account Debtor;
  - (f) with respect to which an invoice, that is not unacceptable to Agent (in its reasonable judgment) in form and substance, has not been sent to the applicable Account Debtor;
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- (g) (i) that is not owned by such Borrower or (ii) to the extent it is subject to any right, claim, security interest or other interest of any other Person, other than Liens in favor of Agent, on behalf of itself and Lenders, and Trustee, on behalf of the holders of Senior Notes;
  - (h) that arises from a sale to any director, officer, other employee or Affiliate of any Credit Party, or to any entity that has any common officer or director with any Credit Party; *provided, however*, that a sale to any Person that is an Affiliate or such an entity shall not be excluded under this paragraph (h) if such Person is an Affiliate or such an entity solely because it is controlled by BRS or a fund managed by BRS;
  - (i) that is the obligation of an Account Debtor that is the United States or Canadian government or a political subdivision thereof, or any state, county, province or municipality or department, agency or instrumentality thereof unless Agent, in its sole discretion, has agreed to the contrary in writing and such Borrower, if necessary or desirable, has complied with the Federal Assignment of Claims Act of 1940, any Canadian equivalent thereof, or any applicable state, county or municipal law restricting assignment thereof, with respect to such obligation; *provided*, so long as no Default or Event of Default shall have occurred and be continuing, Accounts described in this Section 1.6(i) and identified to the Agent pursuant to Section 5.10 shall be deemed Eligible Accounts to the extent such Accounts in the aggregate outstanding at any time do not exceed \$1,500,000 and otherwise meet the eligibility criteria set forth in this Section 1.6;
  - (j) that is the obligation of an Account Debtor located in a foreign country other than Canada (excluding the provinces of Newfoundland, the Northwest Territories and the Territory of Nunavut), unless payment thereof is assured by a letter of credit assigned and delivered to Agent, reasonably satisfactory to Agent as to form, amount and issuer;
  - (k) to the extent such Borrower or any Subsidiary thereof is liable for goods sold or services rendered by the applicable Account Debtor to such Borrower or any Subsidiary thereof but only to the extent of the potential offset;
  - (l) that arises with respect to goods that are delivered on a bill-and-hold, cash-on-delivery basis or placed on consignment, guaranteed sale or other terms by reason of which the payment by the Account Debtor is or may be conditional;
  - (m) that is in default; *provided*, that, without limiting the generality of the foregoing, an Account shall be deemed in default upon the occurrence of any of the following:
    - (i) the Account is not paid within the earlier of: sixty (60) days following its due date or ninety (90) days following its original invoice date;
    - (ii) the Account Debtor obligated upon such Account suspends business, makes a general assignment for the benefit of creditors or fails to pay its debts generally as they come due; or
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- (iii) a petition is filed by or against any Account Debtor obligated upon such Account under any bankruptcy law or any other federal, state or foreign (including any provincial) receivership, insolvency relief or other law or laws for the relief of debtors;

- (n) that is the obligation of an Account Debtor if fifty percent (50%) or more of the Dollar amount of all Accounts owing by that Account Debtor are ineligible under the other criteria set forth in paragraph (m) of this Section 1.6;
- (o) as to which Agent's Lien thereon, on behalf of itself and Lenders, is not a first priority perfected Lien;
- (p) as to which any of the representations or warranties in the Loan Documents are untrue;
- (q) to the extent such Account is evidenced by a judgment;
- (r) to the extent such Account exceeds any credit limit established by Agent, in its reasonable credit judgment;
- (s) that is payable in any currency other than Dollars; or
- (t) that is otherwise unacceptable to Agent in its reasonable credit judgment.

#### 1.6A Eligible Rolling Stock

All of the P&E owned by any Borrower and reflected in the most recent Borrowing Base Certificate delivered by such Borrower to Agent shall be "**Eligible Rolling Stock**" for purposes of this Agreement, except any P&E to which any of the exclusionary criteria set forth below applies. In addition, Agent reserves the right, at any time and from time to time after the Closing Date, to adjust any of the criteria set forth below, to establish new criteria and to adjust advance rates with respect to Eligible Rolling Stock in its reasonable credit judgment; *provided*, that (i) any increase of any advance rate above its Original Advance Rate is subject to the approval of all Lenders and (ii) any adjustment by Agent to any criterion set forth below that results in such criterion being less restrictive than as in effect on the Closing Date shall be subject to approval of Requisite Lenders. Eligible Rolling Stock shall not include any P&E of any Borrower:

- (a) that is not owned by such Borrower free and clear of all Liens and rights of any other person, except the Liens in favor of Agent, on behalf of itself and Lenders, and Collateral Agent on behalf of the holders of Senior Notes, and the rights of a lessee pursuant to any permitted lease of such P&E or Permitted Encumbrances;
- (b) if such P&E (i) is not stored on premises owned, leased or rented by such Borrower and set forth in Disclosure Schedule (3.2), or (ii) following thirty (30) days after the Closing Date, is stored at a leased location in respect of which Agent has requested a landlord waiver, unless a reasonably satisfactory landlord waiver has been delivered to Agent, *provided* that Agent may, following thirty (30) days after the Closing Date, treat any such

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P&E at any such location as Eligible Rolling Stock and, in lieu of imposing the exclusionary criterion in this paragraph (b) to such P&E, impose a Reserve (without duplicating any Reserve established for other eligible collateral at such location as a consequence of the failure to obtain such landlord's waiver) in an amount not less than six month's rent for all such P&E stored at such location in respect of which such a landlord waiver has not been delivered, or (iii) is stored with a bailee or warehouseman unless a reasonably satisfactory, acknowledged bailee letter has been received by Agent and Reserves reasonably satisfactory to Agent have been established with respect thereto, (iv) is stored at an owned location subject to a mortgage in favor of a lender other than Agent unless a reasonably satisfactory mortgage waiver requested by Agent has been delivered to Agent or (v) is anything other than automotive equipment, a trailer, a truck, a forklift, a motor vehicle or other rolling stock;

- (c) that is covered by a certificate of title unless the interest of Agent in the P&E has been noted on such certificate of title in accordance with applicable law;
- (d) that is excess, obsolete or damaged;
- (e) that is held for sale or lease in the ordinary course of such Borrower's business;
- (f) that is not subject to a first priority Lien in favor of Agent on behalf of itself and Lenders;
- (g) as to which any of the representations or warranties pertaining to P&E set forth in the Loan Documents are untrue;
- (h) that is not covered by casualty insurance as to which Agent is listed as loss payee in accordance with Section 5.4(c); or
- (i) that is otherwise unacceptable to Agent in its reasonable credit judgment.

#### 1.6B Eligible Rentals

All of the Rentals of each Borrower and reflected in the most recent Borrowing Base Certificate delivered by such Borrower to Agent shall be "**Eligible Rentals**" for purposes of this Agreement, except any Rental to which any of the exclusionary criteria set forth below applies. In addition, Agent reserves the right, at any time and from time to time after the Closing Date to adjust any such criteria and to establish new criteria with respect to Eligible Rentals in its reasonable credit judgment, *provided*, that (i) any increase of any advance rate above its Original Advance Rate is subject to the approval of all Lenders and (ii) any adjustment by Agent of any criteria set forth below that results in such criteria being less restrictive than as in effect on the Closing Date shall be subject to the approval of Requisite Lenders. Eligible Rentals shall not include any Rental of any Borrower;

- (a) not subject to a written lease agreement in the form attached as Exhibit 1.6B(a) or otherwise in form and substance acceptable to Agent;
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- (b) not subject to a first priority security interest of Agent on behalf of Lenders, perfected by possession of all Chattel Paper related to such Rental by possession or by the stamping of notice of Agent's security interest thereon;
  - (c) not due within ninety (90) days of the applicable date of determination;
  - (d) upon which such Borrower is not able to bring suit or otherwise enforce its remedies against the relevant lessee through judicial process;
  - (e) that (i) is not owned by such Borrower, (ii) is subject to any right, claim, security interest or other interest of any other Person, other than Liens in favor of Agent, on behalf of itself and Lenders or (iii) is subject to any counterclaim, dispute, offset or defense;
  - (f) that is the obligation of a lessee that is the United States or Canadian government or a political subdivision thereof, or any state, county, province or municipality or department, agency or instrumentality thereof unless Agent, in its sole discretion, has agreed to the contrary in writing and such Borrower, if necessary or desirable, has complied with the Federal Assignment of Claims Act of 1940, and any amendments thereto, its Canadian equivalent or any applicable state, county or municipal law restricting assignment thereof, with respect to such obligation;
  - (g) that is the obligation of a lessee located in a foreign country other than Canada (excluding the province of Newfoundland, the Northwest Territories and the Territory of Nunavit), unless payment thereof is assured by a letter of credit, reasonably satisfactory to Agent as to form, amount and issuer;
  - (h) that is in default, or is due under a lease which is in default;
  - (i) if any lessee obligated upon such Rental suspends business, makes a general assignment for the benefit of creditors or fails to pay its debts generally as they come due;
  - (j) if any petition is filed by or against any lessee obligated upon such Rental under any bankruptcy law or any other federal, state or foreign (including any provincial) receivership, insolvency relief or other law or laws for the relief of debtors;
  - (k) that is the obligation of a lessee if fifty percent (50%) or more of the Dollar amount of all Rentals owing by that lessee are ineligible under the other criteria set forth in this Section 1.6B;
  - (l) as to which any of the representations or warranties in the Loan Documents are untrue;
  - (m) to the extent such Rental exceeds any credit limit established by Agent, in its reasonable credit judgment;
  - (n) that is payable in any currency other than Dollars; or
  - (o) that is otherwise unacceptable to Agent in its reasonable credit judgment.
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## 1.7 Eligible Parts and Tools Inventory

All of the Parts and Tools Inventory owned by any Borrower and reflected in the most recent Borrowing Base Certificate delivered by such Borrower to Agent shall be "**Eligible Parts and Tools Inventory**" for purposes of this Agreement, except any Parts and Tools Inventory to which any of the exclusionary criteria set forth below applies. In addition, Agent reserves the right, at any time and from time to time after the Closing Date, to adjust any of the criteria set forth below, to establish new criteria and to adjust advance rates with respect to Eligible Parts and Tools Inventory in its reasonable credit judgment; *provided*, that (i) any increase of any advance rate above its Original Advance Rate is subject to the approval of all Lenders and (ii) any adjustment by Agent to any criterion set forth below that results in such criterion being less restrictive than as in effect on the Closing Date shall be subject to approval of Requisite Lenders. Eligible Parts and Tools Inventory shall not include any Parts and Tools Inventory of any Borrower;

- (a) that (i) is not owned by such Borrower free and clear of all Liens and rights of any other Person (including the rights of a purchaser that has made progress payments and the rights of a surety that has issued a bond to assure such Borrower's performance with respect to that Parts and Tools Inventory), except the Liens in favor of Agent, on behalf of itself and Lenders, and Collateral Agent, on behalf of the holders of Senior Notes, and Permitted Encumbrances in favor of landlords and bailees to the extent permitted in Section 5.9 hereof (subject to Reserves established by Agent in accordance with Section 5.9 hereof);
  - (b) (i) that is not located on premises owned, leased or rented by such Borrower and set forth in Disclosure Schedule (3.2), or (ii) following thirty (30) days after the Closing Date, is stored at a leased location in respect of which Agent has requested a landlord waiver, unless a reasonably satisfactory landlord waiver has been delivered to Agent, *provided* that Agent may, following thirty (30) days after the Closing Date, treat any such Parts and Tools Inventory at any such location as Eligible Parts and Tools Inventory and, in lieu of imposing the exclusionary criterion in this paragraph (b) to such Parts and Tools Inventory, impose a Reserve (without duplicating any Reserve established for other eligible collateral at such location as a consequence of the failure to obtain such landlord's waiver) in an amount not less than six month's rent for all Parts and Tools Inventory stored at such location in respect of which such a landlord waiver has not been delivered, or (iii) is stored with a bailee or warehouseman unless a reasonably satisfactory, acknowledged bailee letter has been received by Agent and Reserves reasonably satisfactory to Agent have been established with respect thereto, or (iv) is located at an owned location subject to a mortgage in favor of a lender other than Agent unless a reasonably satisfactory mortgagee waiver requested by Agent has been delivered to Agent, or (v) is located at any site if the aggregate book value of Parts and Tools Inventory at any such location is less than \$25,000;
  - (c) that is placed on consignment or is in transit;
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- (d) that is covered by a negotiable document of title, unless such document has been delivered to Agent with all necessary endorsements, free and clear of all Liens except those in favor of Agent and Lenders;
- (e) that is excess, obsolete, unsalable or damaged;
- (f) that consists of display items or packing or shipping materials, manufacturing supplies or work-in-process Inventory;
- (g) that is not held for sale in the ordinary course of such Borrower's business;
- (h) that is not subject to a first priority Lien in favor of Agent on behalf of itself and Lenders;
- (i) as to which any of the representations or warranties pertaining to Parts and Tools Inventory set forth in the Loan Documents are untrue;
- (j) that consists of Hazardous Materials or goods that can be transported or sold only with licenses that are not readily available;
- (k) that is not covered by casualty insurance as to which Agent is listed as loss payee in accordance with Section 5.4(c); or
- (l) that is otherwise unacceptable to Agent in its reasonable credit judgment.

1.7A Eligible Equipment Inventory

All of the Equipment Inventory owned by any Borrower and reflected in the most recent Borrowing Base Certificate delivered by such Borrower to Agent shall be "**Eligible Equipment Inventory**" for purposes of this Agreement, except any Equipment Inventory to which any of the exclusionary criteria set forth below applies. In addition, Agent reserves the right, at any time and from time to time after the Closing Date, to adjust any of the criteria set forth below, to establish new criteria and to adjust advance rates with respect to Eligible Equipment Inventory in its reasonable credit judgment; *provided*, that (i) any increase of any advance rate above its Original Advance Rate is subject to the approval of all Lenders and (ii) any adjustment by Agent to any criterion set forth below that results in such criterion being less restrictive than as in effect on the Closing Date shall be subject to approval of Requisite Lenders. Eligible Equipment Inventory shall not include any Equipment Inventory of any Borrower:

- (a) that is not owned by such Borrower free and clear of all Liens and rights of any other person (including the rights of a purchaser that has made progress payments and the rights of a surety that has issued a bond to assure such Borrower's performance with respect to that Equipment Inventory), except the Liens in favor of Agent, on behalf of itself and Lenders, and Collateral Agent, on behalf of the holders of Senior Notes, and the

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rights of a lessee pursuant to any permitted lease of such Equipment Inventory or Permitted Encumbrances;

- (b) that (i) is not located on premises owned, leased or rented by such Borrower and set forth in Disclosure Schedule (3.2), or (ii) following thirty (30) days after the Closing Date, is stored at a leased location in respect of which Agent has requested a landlord waiver, unless a reasonably satisfactory landlord waiver has been delivered to Agent, *provided* that Agent may, following thirty (30) days after the Closing Date, treat any such Equipment Inventory stored at any such location as Eligible Equipment Inventory and, in lieu of imposing the exclusionary criterion in this paragraph (b) to such Equipment Inventory, impose a Reserve (without duplicating any Reserve established for other eligible collateral at such location as a consequence of the failure to obtain such landlord's waiver) in an amount not less than six month's rent for all Equipment Inventory stored at such location in respect of which such a landlord waiver has not been delivered, or (iii) is stored with a bailee or warehouseman unless a reasonably satisfactory, acknowledged bailee letter has been received by Agent and Reserves reasonably satisfactory to Agent have been established with respect thereto, or (iv) is located at an owned location subject to a mortgage in favor of a lender other than Agent unless a reasonably satisfactory mortgagee waiver requested by Agent has been delivered to Agent, or (v) is leased to a lessee other than pursuant to a lease entered into in the ordinary course of business of such Equipment Inventory and is located at a site that is in the United States or Canada (excluding the provinces of Newfoundland, the Northwest Territories and the Territory of Nunavut);
  - (c) that is placed on consignment;
  - (d) that is covered by a negotiable document of title or a certificate of title unless such negotiable document has been delivered to Agent with all necessary endorsements free and clear of all Liens except those in favor of Agent and Lenders, or where it is required to perfect the security interest of Agent in the Equipment Inventory such certificate of title has been noted in such certificate of title in accordance with applicable law;
  - (e) that is obsolete, unsalable or damaged beyond repair;
  - (f) that is not held for sale or lease in the ordinary course of such Borrower's business;
  - (g) that is not subject to a first priority Lien in favor of Agent on behalf of itself and Lenders;
  - (h) as to which any of the representations or warranties pertaining to Equipment Inventory set forth in the Loan Documents are untrue;
  - (i) that is not covered by casualty insurance as to which Agent is listed as loss payee in accordance with Section 5.4(c); or
  - (j) that is otherwise unacceptable to Agent in its reasonable credit judgment.
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## 1.8 Cash Management Systems

On or prior to the Closing Date, each Borrower will establish and will maintain until the Termination Date, the cash management systems described in Annex C (the “Cash Management Systems”).

## 1.9 Fees

- (a) Borrowers shall pay to GE Capital, individually, the Fees specified in that certain fee letter of even date herewith among Borrowers and GE Capital (the “GE Capital Fee Letter”), at the times specified for payment therein which shall include the annual Administrative Agent’s fee, which will be due and payable on the Closing Date and on each anniversary thereof.
  - (b) As additional compensation for the Revolving Lenders, Borrowers agree to pay to Agent, for the ratable benefit of such Lenders, in arrears, on the first Business Day of each month prior to the Commitment Termination Date and on the Commitment Termination Date, a Fee for Borrowers’ non-use of available funds in an amount equal to the Applicable Unused Line Fee Margin per annum (calculated on the basis of a 360 day year for actual days elapsed) multiplied by the difference between (x) the Maximum Amount (as it may be reduced from time to time) and (y) the average for the period of the daily closing balances of the aggregate Revolving Loan and the Swing Line Loan outstanding during the period for which such Fee is due.
  - (c) As additional compensation for the Agent, Borrowers agrees to pay to the L/C Issuer with respect to any Letter of Credit, at the time such Letter of Credit is issued or extended, a fronting fee in an amount equal to one quarter of one percent (0.25%) of the face amount of such Letter of Credit.
  - (d) Borrowers shall pay to Agent, for the ratable benefit of Revolving Lenders, the Letter of Credit Fee as provided in Annex B.
  - (e) In addition, and in addition to the costs of Equipment Inventory Appraisals, P&E Appraisals and Inspections, Borrowers agree to pay to Agent, which are due and payable as incurred, all out of pocket costs (including reasonable fees and expenses) paid by Agent to third party auditors, or a fee of \$700 per audit day per in-house auditor, plus out of pocket expenses; *provided*, that Borrowers only agree to pay such costs and expenses in relation to (unless an Event of Default has occurred and is continuing) not more than four (4) audits in the first twelve months following the Closing Date and not more than three (3) audits in any subsequent year (each such audit to be conducted, while no Event of Default is continuing, during an Inspection).
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## 1.10 Receipt of Payments

Borrowers shall make each payment under this Agreement not later than 2:00 p.m. (New York time) on the day when due in immediately available funds in Dollars to the Collection Account. For purposes of computing interest and Fees and determining Borrowing Availability as of any date, all payments shall be deemed received on the Business Day on which immediately available funds therefor are received in the Collection Account prior to 2:00 p.m. New York time. Payments received after 2:00 p.m. New York time on any Business Day or on a day that is not a Business Day shall be deemed to have been received on the following Business Day.

## 1.11 Application and Allocation of Payments

- (a) So long as no Event of Default has occurred and is continuing, (i) payments consisting of proceeds of Accounts received in the ordinary course of business shall be applied, first, to the Swing Line Loan and, second, to the Revolving Loan; (ii) voluntary prepayments shall be applied as determined by Borrower Representative, subject to the provisions of Section 1.3(a); and (iii) mandatory prepayments shall be applied as set forth in Section 1.3. As to any other payment, and as to all payments made when an Event of Default has occurred and is continuing or following the Commitment Termination Date, each Borrower hereby irrevocably waives the right to direct the application of any and all payments received from or on behalf of such Borrower, and each Borrower hereby irrevocably agrees that Agent shall have the continuing exclusive right to apply any and all such payments against the Obligations as Agent may deem advisable notwithstanding any previous entry by Agent in the Loan Account or any other books and records. In the absence of a specific determination by Agent with respect thereto, payments from any Borrower shall be applied to amounts then due and payable in the following order: *first*, to Fees and reimbursable expenses then due and payable to Agent pursuant to any of the Loan Documents; *second*, to Fees and any other fees and reimbursable expenses of Lenders then due and payable to Lenders pursuant to any of the Loan Documents; *third*, to interest then due and payable on the Swing Line Loan; *fourth*, to the principal balance of the Swing Line Loan until the same has been repaid in full; *fifth*, to interest then due and payable on the Revolving Credit Advances; *sixth*, to the outstanding principal balance of the Revolving Credit Advances until the same has been paid in full; *seventh*, to any Letter of Credit Obligations, to provide cash collateral therefor in the manner set forth in Annex B; and *last* to all other Obligations not described in clauses *first* through *seventh*, *pro rata* to the Agent and Lenders. Notwithstanding the foregoing, if, at the time of any application of any such payment the Commitment Termination Date has occurred, amounts then due under Hedging Agreements from any Borrower shall share (i) on a *pro rata* basis in applications referred to in clauses *sixth* and *seventh*, until all Revolving Credit Advances have been paid in full, all Letter of Credit Obligations have been fully cash collateralized in the manner set forth in Annex B and all obligations of such Borrower under its Hedging Agreements have been paid in full.
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- (b) Agent is authorized to, and at its sole election may, charge to the Revolving Loan balance on behalf of each Borrower and cause to be paid all Fees, expenses, Charges, costs (including insurance premiums in accordance with Section 5.4(a)) and interest and principal, other than principal of the Revolving Credit Advances, due and owing by Borrowers under this Agreement or any of the other Loan Documents if and to the extent Borrowers fail to pay promptly any such amounts as and when due, even if the amount of such charges would exceed Borrowing Availability at such time or would cause the aggregate balance of the Revolving Loan and the Swing Line Loan of any Borrower to exceed such Borrower’s separate Borrowing Base after giving effect to such charges. At Agent’s option and to the extent permitted by law, any charges so made shall constitute part of the Revolving Loan hereunder.

## 1.12 Loan Account and Accounting

Agent, as agent of each Borrower solely for purposes of this Section 1.12, shall maintain and update from time to time a loan account (the “**Loan Account**”) on its books to record: (a) all Advances, including principal thereof and interest thereon, (b) all payments made by Borrowers and other Credit Parties, and (c) all other debits and credits as provided in this Agreement with respect to the Loans or any other Obligations. All entries in the Loan Account shall be made in accordance with Agent’s customary accounting practices as in effect from time to time. The balance in the Loan Account, as recorded on Agent’s most recent printout or other written statement, shall, absent manifest error, be presumptive evidence of the amounts due and owing to Agent and Lenders by each Borrower; *provided*, that any failure to so record or any error in so recording shall not limit or otherwise affect any Borrower’s duty to pay the Obligations. Agent shall render to Borrower Representative a monthly accounting of transactions with respect to the Loans setting forth the balance of the Loan Account (including the principal of each Advance and interest thereon) as to each Borrower for the immediately preceding month. Unless Borrower Representative notifies Agent in writing of any objection to any such accounting (specifically describing the basis for such objection), within thirty (30) days after the date thereof, each and every such accounting shall (absent manifest error) be deemed final, binding and conclusive on Borrowers in all respects as to all matters reflected therein. Only those items expressly objected to in such notice shall be deemed to be disputed by Borrowers.

## 1.13 Indemnity

- (a) Each Credit Party shall jointly and severally indemnify and hold harmless each of Agent, Arranger, Lenders and their respective Affiliates, and each such Person’s respective officers, directors, employees, attorneys, agents and representatives (each, an “**Indemnified Person**”), from and against any and all suits, actions, proceedings, claims, damages, losses, liabilities and expenses (including reasonable attorneys’ fees and disbursements and other costs of investigation or defense, including those incurred upon any appeal) that may be instituted or asserted against or incurred by any such Indemnified Person as the result of credit having been extended, suspended or terminated under this Agreement and the other Loan Documents and the administration of such credit, and in

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connection with or arising out of the transactions contemplated hereunder and thereunder and any actions or failures to act in connection therewith, including any and all Environmental Liabilities and legal costs and expenses arising out of or incurred in connection with disputes between or among any parties to any of the Loan Documents (collectively, “**Indemnified Liabilities**”); *provided*, that no Credit Party shall be liable for any indemnification to an Indemnified Person to the extent that any such suit, action, proceeding, claim, damage, loss, liability or expense results solely from that Indemnified Person’s gross negligence or willful misconduct. NO INDEMNIFIED PERSON SHALL BE RESPONSIBLE OR LIABLE TO ANY OTHER PARTY TO ANY LOAN DOCUMENT, ANY SUCCESSOR, ASSIGNEE OR THIRD PARTY BENEFICIARY OF SUCH PERSON OR ANY OTHER PERSON ASSERTING CLAIMS DERIVATIVELY THROUGH SUCH PARTY, FOR INDIRECT, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES WHICH MAY BE ALLEGED AS A RESULT OF CREDIT HAVING BEEN EXTENDED, SUSPENDED OR TERMINATED UNDER ANY LOAN DOCUMENT OR AS A RESULT OF ANY OTHER TRANSACTION CONTEMPLATED HEREUNDER OR THEREUNDER.

- (b) To induce Lenders to provide the LIBOR Rate option on the terms provided herein, if (i) any LIBOR Loans are repaid in whole or in part prior to the last day of any applicable LIBOR Period (whether that repayment is made pursuant to any provision of this Agreement or any other Loan Document or occurs as the result of acceleration, by operation of law or otherwise), subject to Section 1.3(b)(iv); (ii) any Borrower shall default in payment when due of the principal amount of or interest on any LIBOR Loan; (iii) any Borrower shall refuse to accept any borrowing of, or shall request a termination of, any borrowing of, conversion into or continuation of, LIBOR Loans after Borrower has given notice requesting the same in accordance herewith; or (iv) any Borrower shall fail to make any prepayment of a LIBOR Loan after Borrower has given a notice thereof in accordance herewith, then Borrowers shall jointly and severally indemnify and hold harmless each Lender from and against all losses, costs and expenses resulting from or arising from any of the foregoing. Such indemnification shall include any loss (including loss of margin) or expense arising from the reemployment of funds obtained by it or from fees payable to terminate deposits from which such funds were obtained. For the purpose of calculating amounts payable to a Lender under this subsection, each Lender shall be deemed to have actually funded its relevant LIBOR Loan through the purchase of a deposit bearing interest at the LIBOR Rate in an amount equal to the amount of that LIBOR Loan and having a maturity comparable to the relevant LIBOR Period; *provided*, that each Lender may fund each of its LIBOR Loans in any manner it sees fit, and the foregoing assumption shall be utilized only for the calculation of amounts payable under this subsection. This covenant shall survive the termination of this Agreement and the payment of the Notes and all other amounts payable hereunder. As promptly as practicable under the circumstances, each Lender shall provide the applicable Borrower with its written calculation of all amounts payable pursuant to this Section 1.13(b), and such calculation shall be binding on the parties hereto unless Borrower Representative

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shall object in writing within 10 Business Days of receipt thereof, specifying the basis for such objection in detail.

## 1.14 Access

Each Credit Party shall, during normal business hours, from time to time upon reasonable advance notice as frequently as Agent reasonably determines to be appropriate: (a) provide Agent and any of its officers, employees and agents access to its properties, facilities, advisors and employees (including officers) of such Credit Party and to the Collateral, (b) permit Agent, and any of its officers, employees and agents, to inspect, audit and make extracts from such Credit Party’s books and records, and (c) permit Agent, and its officers, employees and agents, to inspect, review, evaluate and make test verifications and counts of the Accounts, Inventory and other Collateral of such Credit Party (clauses (a), (b) and (c) collectively, “**Inspections**”). Borrower agrees to pay to Agent, which are due and payable as incurred, all out of pocket costs (including fees and expenses) incurred by Agent in relation to any Inspections; *provided*, that in addition to paying for Equipment Inventory Appraisals and P&E Appraisals, Borrowers only agree to pay such costs and expenses in relation to (unless an Event of Default has occurred and is continuing) not more than four (4) Inspections in the first twelve months following the Closing Date and not more than three (3) Inspections in any subsequent year. If an Event of Default has occurred and is continuing or if action is necessary to preserve or protect the Collateral as determined by Agent, each Credit Party shall provide such access to Agent and to each Lender at all times and without advance notice. Furthermore, so long as any Event of Default has occurred and is continuing, each Borrower shall provide Agent and each Lender with access to its suppliers and customers. Each Credit Party

shall make available to Agent and its counsel, as quickly as is possible under the circumstances, originals or copies of all books and records that Agent may reasonably request. Each Credit Party shall deliver any document or instrument necessary for Agent, as it may from time to time reasonably request, to obtain records from any service bureau or other Person that maintains records for such Credit Party, and shall maintain duplicate records or supporting documentation on media consistent with reasonable commercial standards, including computer tapes and discs owned by such Credit Party. Agent will give Lenders at least five (5) days' prior written notice of regularly scheduled Inspections. Representatives of other Lenders may accompany Agent's representatives on regularly scheduled audits at no charge to any Credit Party.

#### 1.15 Taxes

- (a) Any and all payments by each Credit Party hereunder (including any payments made pursuant to Section 12) or under the Notes shall be made, in accordance with this Section 1.15, free and clear of and without deduction for any and all present or future Taxes, unless required by law. If any Credit Party shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder (including any sum payable pursuant to Section 12) or under the Notes, (i) the sum payable shall be increased as much as shall be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 1.15) Agent or

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Lenders, as applicable, receive an amount equal to the sum they would have received had no such deductions been made, (ii) such Credit Party shall make such deductions, and (iii) such Credit Party shall pay the full amount deducted to the relevant taxing or other authority in accordance with applicable law. Within thirty (30) days after the date of any payment of Taxes, Borrower Representative shall furnish to Agent the original or a certified copy of a receipt evidencing payment thereof. Agent and Lenders shall not be obligated to return or refund any amounts received pursuant to this Section, except that in the event a Lender or Agent receives a refund of, or credit with respect to, any Taxes paid (directly or indirectly) by a Credit Party pursuant to Section 1.15(a) or Section 1.15(b), such Lender or Agent, as applicable, shall pay the amount of such refund or credit to such Credit Party within thirty (30) days of receipt of such refund or application of such credit; *provided* that the calculation of such refund or credit shall be determined solely by such Lender or Agent, as applicable.

- (b) Each Credit Party shall jointly and severally indemnify and, within ten (10) days of demand therefor, pay Agent and each Lender for the full amount of Taxes (including any Taxes imposed by any jurisdiction on amounts payable under this Section 1.15) paid by Agent or such Lender, as appropriate, and any liability (including penalties and interest, neither of which are the result of gross negligence by Agent or such Lender, and reasonable expenses) arising therefrom or with respect thereto.
- (c) Each Lender organized under the laws of a jurisdiction outside the United States (a **"Foreign Lender"**) as to which payments to be made under this Agreement or under the Notes are exempt from United States withholding tax under an applicable statute or tax treaty shall provide to Borrower Representative and Agent, at the time such Foreign Lender becomes a party to this Agreement, a properly completed and executed IRS Form W-8ECI or Form W-8BEN or other applicable form, certificate or document prescribed by the IRS or the United States certifying as to such Foreign Lender's entitlement to such exemption (a **"Certificate of Exemption"**). Any foreign Person that seeks to become a Lender under this Agreement shall provide a Certificate of Exemption to Borrower Representative and Agent prior to becoming a Lender hereunder, and each Foreign Lender shall complete all further documentation reasonably requested by Borrower Representative or the Agent required to establish and maintain such withholding exemption. No foreign Person may become a Lender hereunder if such Person fails to deliver a Certificate of Exemption in advance of becoming a Lender.

#### 1.16 Capital Adequacy; Increased Costs; Illegality

- (a) If any Lender shall have determined in good faith that any law, treaty, governmental (or quasi-governmental) rule, regulation, guideline or order regarding capital adequacy, reserve requirements or similar requirements or compliance by any Lender with any request or directive regarding capital adequacy, reserve requirements or similar requirements (whether or not having the force of law), in each case adopted after the Closing Date, from any central bank or other Governmental Authority increases or would

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have the effect of increasing the amount of capital, reserves or other funds required to be maintained by such Lender and thereby reducing the rate of return on such Lender's capital as a consequence of its obligations hereunder, then Borrowers shall from time to time upon written demand by such Lender (with a copy of such demand to Agent) pay to Agent, for the account of such Lender, additional amounts sufficient to compensate such Lender for such reduction. A certificate as to the amount of that reduction and showing the basis of the computation thereof submitted by such Lender to Borrower Representative and to Agent shall, absent manifest error, be final, conclusive and binding for all purposes.

- (b) If, due to either (i) the introduction of or any change in any law or regulation (or any change in the interpretation thereof) or (ii) the compliance with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law), in each case adopted after the Closing Date, there shall be any increase in the cost to any Lender of agreeing to make or making, funding or maintaining any Loan (excluding for purposes of this Section 1.16(b) Taxes, as to which Section 1.15 shall govern), then Borrowers shall from time to time, upon written demand by such Lender (with a copy of such demand to Agent), pay to Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost. A certificate as to the amount of such increased cost, submitted to Borrower Representative and to Agent by such Lender, shall be conclusive and binding on Borrowers for all purposes, absent manifest error. Each Lender agrees that, as promptly as practicable after it becomes aware of any circumstances referred to above which would result in any such increased cost, the affected Lender shall, to the extent not inconsistent with such Lender's internal policies of general application, use reasonable commercial efforts to minimize costs and expenses incurred by it and payable to it by Borrowers pursuant to this Section 1.16(b).
- (c) Notwithstanding anything to the contrary contained herein, if the introduction of or any change in any law or regulation (or any change in the interpretation thereof) shall make it unlawful, or any central bank or other Governmental Authority shall assert that it is unlawful, for any Lender to agree to make or to make or to continue to fund or maintain any LIBOR Loan, then, unless that Lender is able to make or to continue to fund or to maintain such LIBOR Loan at another branch or office of that Lender without, in that Lender's good faith opinion, adversely affecting it or its Loans or the income obtained therefrom, on written notice thereof and written demand therefor by such Lender

to Borrower Representative through Agent, (i) the obligation of such Lender to agree to make or to make or to continue to fund or maintain LIBOR Loans shall terminate and (ii) each Borrower shall forthwith prepay in full all outstanding LIBOR Loans owing by such Borrower to such Lender, together with interest accrued thereon, unless such Borrower, within five (5) Business Days after the delivery of such notice and demand, converts all LIBOR Loans into Index Rate Loans.

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- (d) Within fifteen (15) days after receipt by Borrower Representative of written notice and demand from any Lender (an “**Affected Lender**”) for payment of additional amounts, increased costs or reserve costs as provided in Section 1.15(a), 1.15(b), 1.16(a), 1.16(b) or 1.16(c), Borrower Representative may, at its option, notify Agent and such Affected Lender of its intention to replace the Affected Lender. So long as no Default or Event of Default has occurred and is continuing, Borrower Representative, with the consent of Agent not to be unreasonably withheld, may obtain, at Borrowers’ expense, a replacement Lender (“**Replacement Lender**”) for the Affected Lender, which Replacement Lender must be reasonably satisfactory to Agent. If Borrower Representative obtains a Replacement Lender within ninety (90) days following notice of its intention to do so, the Affected Lender must sell and assign (in accordance with the register requirements for assignments in Section 9.1) its Loans and Commitments to such Replacement Lender for an amount equal to the principal balance of all Loans held by the Affected Lender and all accrued interest and Fees with respect thereto through the date of such sale, *provided*, that Borrowers shall have reimbursed such Affected Lender for the additional amounts or increased costs that it is entitled to receive under this Agreement through the date of such sale and assignment. Notwithstanding the foregoing, Borrowers shall not have the right to obtain a Replacement Lender if the Affected Lender rescinds its demand for increased costs or additional amounts within fifteen (15) days following its receipt of Borrower Representative’s notice of intention to replace such Affected Lender. Furthermore, if Borrower Representative gives a notice of intention to replace and does not so replace such Affected Lender within ninety (90) days thereafter, Borrowers’ rights under this Section 1.16(d) shall terminate and Borrowers shall promptly pay all increased costs or additional amounts demanded by such Affected Lender pursuant to Sections 1.15(a), 1.16(a) and 1.16(b).
- (e) Notwithstanding the provisions of Section 1.16(a) and (b), if any Lender fails to notify Borrower Representative of any event or circumstance which will entitle such Lender to compensation pursuant to Section 1.16(a) or (b) within 180 days after such Lender becomes aware of such event or occurrence, then such Lender shall not be entitled to compensation from Borrowers for any amount arising prior to the date which is 180 days before the date of such notice to Borrower Representative.

#### 1.17 Single Loan

All Loans to each Borrower and all of the other Obligations of each Borrower arising under this Agreement and the other Loan Documents shall constitute one general obligation of that Borrower secured, until the Termination Date, by all of the Collateral.

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## 2. CONDITIONS PRECEDENT

### 2.1 Conditions to the Initial Loans

No Lender shall be obligated to make any Loan to, or incur any Letter of Credit Obligations on the Closing Date, or to take, fulfill or perform any other action hereunder, until the following conditions have been satisfied or provided for in a manner satisfactory to Agent, or waived in writing by Agent and Lenders:

(a) Credit Agreement; Loan Documents

This Agreement or counterparts hereof shall have been duly executed by, and delivered to, each Credit Party, Agent and Lenders; and Agent shall have received such documents, instruments, agreements and legal opinions as Agent shall reasonably request in connection with the transactions contemplated by this Agreement and the other Loan Documents, including all those listed in the Closing Checklist attached hereto as Annex D, each in form and substance reasonably satisfactory to Agent.

(b) Repayment of Prior Obligations; Satisfaction of Outstanding L/Cs

- (i) Agent shall have received fully executed originals of pay-off letters reasonably satisfactory to Agent confirming that all of the Prior Obligations will be repaid in full from the proceeds of the initial Revolving Credit Advance and all Liens upon any of the property of Borrowers or any of their Subsidiaries in favor of any Prior Lender shall be terminated by such Prior Lender immediately upon such payment; and
- (ii) all letters of credit issued or guaranteed by such Prior Lender shall have been terminated, cash collateralized, supported by a guaranty of Agent or supported by a Letter of Credit issued pursuant to Annex B, as mutually agreed upon by Agent, Borrowers and such Prior Lender.

(c) Approvals

Agent shall have received (i) reasonably satisfactory evidence that each Credit Party has obtained all required consents and approvals of all Persons including all requisite Governmental Authorities, to the execution, delivery and performance of this Agreement and the other Loan Documents and the consummation of the Related Transactions or (ii) a certificate of an Authorized Officer in form and substance reasonably satisfactory to Agent affirming that no such consents or approvals are required.

(d) Opening Availability

The Eligible Accounts, Eligible Rentals, Eligible Parts and Tools Inventory, Eligible Rolling Stock and Eligible Equipment Inventory supporting the initial Revolving Credit Advance and the initial Letter of Credit Obligations incurred and the amount of the

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Reserves to be established on the Closing Date shall be sufficient in value, as determined by Agent, to provide Borrowers, collectively, with Borrowing Availability, after giving effect to the initial Revolving Credit Advance made to each Borrower, the incurrence of any initial Letter of Credit Obligations and the consummation of the Related Transactions (on a *pro forma* basis, with trade payables being paid currently, and expenses and liabilities being paid in the ordinary course of business and without acceleration of sales) of at least \$50,000,000.

(e) Payment of Fees

Borrowers shall have paid the Fees required to be paid on the Closing Date in the respective amounts specified in Section 1.9 (including the Fees specified in the GE Capital Fee Letter), and shall have reimbursed Agent for all fees, costs and expenses of closing presented as of the Closing Date in accordance with Section 11.3.

(f) Capital Structure: Other Indebtedness

The organizational documents, terms of equity interests, capital structure of each Credit Party and the terms and conditions of all Indebtedness of each Credit Party shall be reasonably acceptable to Agent.

(g) Due Diligence

Agent shall have completed its business and legal due diligence with results reasonably satisfactory to Agent.

(h) Funding of Senior Debt

Agent shall have received (i) evidence satisfactory to it that Borrowers shall have received not less than (x) \$200,000,000 (less discounts and commissions) in cash in consideration of the issuance of Senior Notes pursuant to the Senior Note Indenture and - (y) \$50,000,000 (less discounts and commissions) in cash in consideration of the issuance of Senior Subordinated Notes pursuant to the Senior Subordinated Note Indenture, (ii) fully executed copies of the Senior Note Indenture and Senior Subordinated Note Indenture in form and substance reasonably satisfactory to it and (iii) the Intercreditor Agreement, executed and delivered on behalf of the Collateral Agent.

(i) Consummation of Related Transactions

Agent shall have received fully executed copies of the Contribution Agreement and Plan of Reorganization and each of the other Related Transactions Documents, each of which shall be in form and substance reasonably satisfactory to Agent and its counsel. The Mergers and the other Related Transactions shall have been consummated in accordance with the terms of the Contribution Agreement and Plan of Reorganization and the other Related Transaction Documents.

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## 2.2 Further Conditions to Each Loan

Except as otherwise expressly provided herein, no Lender shall be obligated to fund any Advance, convert or continue any Loan as a LIBOR Loan or incur any Letter of Credit Obligation, if, as of the date thereof:

- (a) (i) any representation or warranty by any Credit Party contained herein or in any other Loan Document is untrue or incorrect as of such date in any material respect, except to the extent that such representation or warranty expressly relates to an earlier date and except for changes therein expressly permitted or expressly contemplated by this Agreement and (ii) Agent or Requisite Lenders have determined not to make such Advance, convert or continue any Loan as a LIBOR Loan or incur such Letter of Credit Obligation as a result of the fact that such warranty or representation is untrue or incorrect; or
- (b) (i) any event or circumstance having a Material Adverse Effect has occurred since the date hereof as determined by the Requisite Lenders and (ii) Agent or Requisite Lenders have determined not to make such Advance, convert or continue any Loan as a LIBOR Loan or incur such Letter of Credit Obligation as a result of the fact that such event or circumstance has occurred; or
- (c) (i) any Default or Event of Default has occurred and is continuing or would result after giving effect to any Advance (or the incurrence of any Letter of Credit Obligation), and (ii) Agent or Requisite Lenders shall have determined not to make any Advance, convert or continue any Loan as a LIBOR Loan or incur any Letter of Credit Obligation as a result of such Default or Event of Default; or
- (d) after giving effect to any Advance (or the incurrence of any Letter of Credit Obligations), (i) the outstanding principal amount of the aggregate Revolving Loan would exceed the lesser of the Aggregate Borrowing Base and the Maximum Amount, in each case, less the aggregate outstanding Swing Line Loan at such time, or (ii) the outstanding principal amount of the Revolving Loan to the applicable Borrower would exceed such Borrower's separate Borrowing Base less the aggregate outstanding Swing Line Loan at such time, to that Borrower; or
- (e) after giving effect to any Swing Line Advance, the outstanding principal amount of the Swing Line Loan would exceed Swing Line Availability.

The request and acceptance by any Borrower of the proceeds of any Advance, the incurrence of any Letter of Credit Obligations or the conversion or continuation of any Loan into, or as, a LIBOR Loan, shall be deemed to constitute, as of the date thereof, (i) a representation and warranty by such Borrower that the conditions in this Section 2.2 have been satisfied and (ii) a reaffirmation by such Borrower of the cross-guaranty provisions set forth in Section 12 and of the granting and continuance of Agent's Liens, on behalf of itself and Lenders, pursuant to the Collateral Documents.

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### 3. REPRESENTATIONS AND WARRANTIES

To induce Lenders to make the Loans and to incur Letter of Credit Obligations, each Credit Party, jointly and severally, makes the following representations and warranties to Agent and each Lender, with respect to all Credit Parties, each and all of which shall survive the execution and delivery of this Agreement.

#### 3.1 Corporate or Limited Liability Company Existence; Compliance with Law

Each Credit Party (a) is a limited liability company or corporation, as applicable, duly organized, validly existing and in good standing under the laws of its respective jurisdiction of organization or incorporation set forth in Disclosure Schedule (3.1); (b) is duly qualified to conduct business and is in good standing in each other jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification, except where the failure to be so qualified would not result in exposure to losses, damages or liabilities in excess of \$50,000; (c) has the requisite corporate or limited liability company, as applicable, power and authority and the legal right to own, pledge, mortgage or otherwise encumber and operate its properties, to lease the property it operates under lease and to conduct its business as is now, heretofore and is proposed to be conducted; (d) has all material licenses, permits, consents or approvals from or by, and has made all material filings with, and has given all material notices to, all Governmental Authorities having jurisdiction, to the extent required for such ownership, operation and conduct; (e) is in compliance with its charter and bylaws or certificate of formation and operating agreement, as applicable; and (f) subject to specific representations set forth herein regarding ERISA, Environmental Laws, tax and other laws, is in compliance with all applicable provisions of law; except in the case of clauses (b), (d) and (f) of this Section 3.1, where the failure to comply, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

#### 3.2 Executive Offices; Collateral Locations; FEIN

As of the Closing Date, the current location of each Credit Party's chief executive office and the warehouses and premises at which any Collateral is located are set forth in Disclosure Schedule (3.2), and none of such locations has changed within the 12 months preceding the Closing Date. In addition, Disclosure Schedule (3.2) lists the jurisdiction of organization, organizational identification number, if any, and federal employer identification number of each Credit Party.

#### 3.3 Corporate or Limited Liability Company Power, Authorization, Enforceable Obligations

The execution, delivery and performance by each Credit Party of the Loan Documents to which it is a party and the creation of all Liens provided for therein: (a) are within such Credit Party's corporate or limited liability company, as applicable, power; (b) have been duly authorized by all necessary corporate, limited liability company, shareholder and member action, as applicable; (c) do not contravene any provision of such Credit Party's certificate of formation, operating agreement, charter or by-laws, as applicable; (d) do not violate any law or regulation, or any order

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or decree of any court or Governmental Authority; (e) do not conflict with or result in the breach or termination of, constitute a default under or accelerate or permit the acceleration of any performance required by, any indenture, mortgage, deed of trust, lease, agreement or other instrument to which such Credit Party is a party or by which such Credit Party or any of its property is bound that alone or in the aggregate could reasonably be expected to have a Material Adverse Effect; (f) do not result in the creation or imposition of any Lien upon any of the property of such Credit Party other than Permitted Encumbrances or those in favor of Agent, on behalf of itself and Lenders, pursuant to the Loan Documents; and (g) do not require the consent or approval of any Governmental Authority or any other Person, except those referred to in Section 2.1(c), all of which will have been duly obtained, made or complied with prior to the Closing Date. Each of the Loan Documents shall be duly executed and delivered by each Credit Party that is a party thereto and each such Loan Document shall constitute a legal, valid and binding obligation of such Credit Party enforceable against it in accordance with its terms, subject to any applicable bankruptcy, insolvency, moratorium or similar laws affecting creditors' rights generally and to general principles of equity.

#### 3.4 Financial Statements and Projections

Except for the Projections, the Fair Salable Balance Sheet and the Financial Statements referenced in items (a)(iii) and (a)(iv) below, all Financial Statements concerning any Credit Party and its Subsidiaries that are referred to below have been prepared in accordance with GAAP consistently applied throughout the periods covered (except as disclosed therein and except, with respect to unaudited Financial Statements, for the absence of footnotes and normal year-end audit adjustments) and present fairly in all material respects the financial position of the Persons covered thereby as at the dates thereof and the results of their operations and cash flows for the periods then ended.

##### (a) Financial Statements

The following Financial Statements attached hereto as Disclosure Schedule (3.4(a)) have been delivered on the date hereof:

- (i) The audited consolidated and consolidating balance sheets at December 31, 2001 and the related statements of income and cash flows of ICM and its Subsidiaries for the Fiscal Year then ended certified by KPMG Peat Marwick LLP.
  - (ii) The audited consolidated and consolidating balance sheets as of December 31, 2001 and the related statements of income and cash flows of Gulf Wide and its Subsidiaries for the Fiscal Year then ended, certified by KPMG Peat Marwick LLP.
  - (iii) The unaudited balance sheets as of March 31, 2002 and the related statements of income and cash flows of ICM and its Subsidiaries for the Fiscal Quarter then ended.
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(iv) The unaudited balance sheets as of March 31, 2002 and the related statements of income and cash flows of Gulf Wide and its Subsidiaries for the Fiscal Quarter then ended.

(b) Pro Forma

The Pro Forma delivered on or prior to the date hereof and attached hereto as Disclosure Schedule (3.4(b)) was prepared by Borrowers giving *pro forma* effect to the Related Transactions, was based on the unaudited consolidated and consolidating balance sheets of ICM and its Subsidiaries dated March 31, 2002, Head & Engquist Equipment and its Subsidiaries dated March 31, 2002 and Gulf Wide and its Subsidiaries dated March 31, 2002 and was prepared in accordance with GAAP, with only such adjustments thereto as would be required in accordance with GAAP.

(c) Projections

The Projections delivered on or prior to the date hereof and attached hereto as Disclosure Schedule (3.4(c)) have been prepared by Borrowers in light of the past operations of their businesses, but including future payments of known contingent liabilities reflected on the Fair Salable Balance Sheet, and reflect projections for the five (5) year period beginning on January 1, 2002 on a quarter by quarter basis for the first year and on a year by year basis thereafter. The Projections are based upon estimates and assumptions stated therein, all of which Borrowers believe to be reasonable and fair in light of current conditions and current facts known to Borrowers and, as of the Closing Date, reflect Borrowers' good faith and reasonable estimates of the future financial performance of Borrowers and of the other information projected therein for the period set forth therein.

(d) Fair Salable Balance Sheet

The Fair Salable Balance Sheet delivered on or prior to the date hereof and attached hereto as Disclosure Schedule (3.4(d)) was prepared by Borrowers on the same basis as the Projections, except that Borrowers' assets are set forth therein at their fair salable values on a going concern basis and the liabilities set forth therein include all contingent liabilities of Borrowers stated at the reasonably estimated present values thereof.

3.5 Material Adverse Effect

Between December 31, 2001 and the Closing Date: (a) none of the Credit Parties has incurred any obligations, contingent or noncontingent liabilities, liabilities for Charges, long-term leases or unusual forward or long-term commitments that are not reflected in the Pro Forma and that, alone or in the aggregate, could reasonably be expected to have a Material Adverse Effect, (b) no contract, lease or other agreement or instrument has been entered into by any Credit Party or has become binding upon any Credit Party's assets and no law or regulation applicable to any Credit Party has been adopted that has had or could reasonably be expected to have a Material Adverse Effect, and (c) no Credit Party is in default and to the best of any Credit Party's knowledge no

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third party is in default under any material contract, lease or other agreement or instrument, that alone or in the aggregate could reasonably be expected to have a Material Adverse Effect. Between December 31, 2001 and the Closing Date no event has occurred, that alone or together with other events, could reasonably be expected to have a Material Adverse Effect. For all purposes of this Section 3.5, the entering into of the Related Transaction Documents and the consummation of the Related Transactions shall be deemed not to have a Material Adverse Effect.

3.6 Ownership of Property; Liens

(a) As of the Closing Date, the real estate (together with any real property acquired by any Borrower or Guarantor after the Closing Date, "**Real Estate**") designated as such and listed in Disclosure Schedule (3.6) constitutes all of the real property owned, leased, subleased, or operated by any Credit Party. Except as disclosed in Disclosure Schedule (3.6), each Credit Party owns good and marketable fee simple title to all of its owned Real Estate, and valid and marketable leasehold interests in all of its leased Real Estate, all as more particularly described on such schedule, and copies of all such leases or a summary of terms thereof reasonably satisfactory to Agent have been delivered to Agent. Disclosure Schedule (3.6) further describes any Real Estate with respect to which any Credit Party is a lessor, sublessor or assignor as of the Closing Date. Each Credit Party also has good and marketable title to, or valid leasehold interests in, all of its personal properties and assets, including, without limitation, those titled vehicles described in Disclosure Schedule (3.6) (the "**Titled Vehicles**"). As of the Closing Date, none of the properties and assets of any Credit Party are subject to any Liens other than Permitted Encumbrances, and there are no facts, circumstances or conditions known to any Credit Party that may result in any Liens (including Liens arising under Environmental Laws) other than Permitted Encumbrances. Except as described in Disclosure Schedule (3.6), each Credit Party has received all deeds, certificates of title, assignments, waivers, consents, nondisturbance and attornment or similar agreements, bills of sale and other documents, and has duly effected all recordings, filings and other actions necessary to establish, protect and perfect such Credit Party's right, title and interest in and to all such Real Estate and other properties and assets including, without limitation, the Titled Vehicles. Disclosure Schedule (3.6) also describes any purchase options, rights of first refusal or other similar contractual rights pertaining to any Real Estate. No portion of any Credit Party's Real Estate has suffered any material damage by fire or other casualty loss that has not heretofore been repaired and restored in all material respects to its original condition or otherwise remedied. All material permits required to have been issued or appropriate to enable the Real Estate to be lawfully occupied and used for all of the purposes for which it is currently occupied and used have been lawfully issued and are in full force and effect.

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3.7 Labor Matters

As of the Closing Date (a) no strikes or other material labor disputes against any Credit Party are pending or, to any Credit Party's knowledge, threatened that could reasonably be expected to have a Material Adverse Effect; (b) hours worked by and payment made to employees of each Credit Party comply in all material respects with the Fair Labor Standards Act and each other federal, state, local or foreign law applicable to such matters; (c) all payments due from any Credit Party for employee health and welfare insurance have been paid or accrued as a liability on the books of such

Credit Party; (d) except as set forth in Disclosure Schedule (3.7), no Credit Party is a party to or bound by any collective bargaining agreement, management agreement, consulting agreement, employment agreement, bonus, restricted stock, stock option, stock appreciation plan or agreement or any similar plan, agreement or arrangement (and true and complete copies of any agreements described in Disclosure Schedule (3.7) have been delivered to Agent); (e) except as set forth in Disclosure Schedule (3.7), there is no organizing activity involving any Credit Party pending or, to any Credit Party's knowledge, threatened by any labor union or group of employees; (f) except as set forth in Disclosure Schedule (3.7), there are no representation proceedings pending or, to any Credit Party's knowledge, threatened with the National Labor Relations Board, and no labor organization or group of employees of any Credit Party has made a pending demand for recognition; and (g) except as set forth in Disclosure Schedule (3.7), there are no complaints or charges against any Credit Party pending or, to the knowledge of any Credit Party, threatened to be filed with any Governmental Authority or arbitrator based on, arising out of, in connection with, or otherwise relating to the employment or termination of employment by any Credit Party of any individual mat could reasonably be expected to have a Material Adverse Effect.

### 3.8 Ventures, Subsidiaries and Affiliates; Outstanding Stock and Indebtedness

Except as set forth in Disclosure Schedule (3.8), as of the Closing Date, no Credit Party has any Subsidiaries, is engaged in any joint venture or partnership with any other Person, or is an Affiliate of any other Person. All of the issued and outstanding Stock of each Credit Party is owned by each of the members or Stockholders, as applicable, and in the amounts set forth in Disclosure Schedule (3.8). Except as set forth in Disclosure Schedule (3.8), there are no outstanding rights to purchase, options, warrants or similar rights or agreements pursuant to which any Credit Party may be required to issue, sell, repurchase or redeem any of its Stock or other equity securities or any Stock or other equity securities of its Subsidiaries. All outstanding Indebtedness and Guaranteed Indebtedness of each Credit Party as of the Closing Date is described in Section 6.3 (including Disclosure Schedule (6.3)). None of the Credit Parties other than Borrowers has any assets (except Stock of their Subsidiaries) or any Indebtedness or Guaranteed Indebtedness (except the Obligations). No Credit Party has any outstanding Indebtedness or true lease obligations secured by a Lien described in Section 6.7(c) or Section 6.7(d) except as described in Disclosure Schedule (6.3) under the heading "Vendor Financings."

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### 3.9 Government Regulation

No Credit Party is an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act of 1940. No Credit Party is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, or any other federal or state statute that restricts or limits its ability to incur Indebtedness or to perform its obligations hereunder. The making of the Loans by Lenders to Borrowers, the incurrence of the Letter of Credit Obligations on behalf of Borrowers, the application of the proceeds thereof and repayment thereof and the consummation of the Related Transactions will not violate any provision of any such statute or any rule, regulation or order issued by the Securities and Exchange Commission.

### 3.10 Margin Regulations

No Credit Party is engaged, nor will it engage, principally or as one of its important activities, in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin stock" as such terms are defined in Regulation U of the Federal Reserve Board as now and from time to time hereafter in effect (such securities being referred to herein as "**Margin Stock**"). No Credit Party owns any Margin Stock, and none of the proceeds of the Loans or other extensions of credit under this Agreement will be used, directly or indirectly, for the purpose of purchasing or carrying any Margin Stock, for the purpose of reducing or retiring any Indebtedness that was originally incurred to purchase or carry any Margin Stock or for any other purpose that might cause any of the Loans or other extensions of credit under this Agreement to be considered a "purpose credit" within the meaning of Regulations T, U or X of the Federal Reserve Board. No Credit Party will take or permit any Subsidiary to take any action that might cause any Loan Document to violate any regulation of the Federal Reserve Board.

### 3.11 Taxes

All tax returns, reports and statements, including information returns, required by any Governmental Authority to be filed by any Credit Party have been filed with the appropriate Governmental Authority and all Charges have been paid prior to the date on which any fine, penalty, interest or late charge may be added thereto for nonpayment thereof (or any such fine, penalty, interest, late charge or loss has been paid), except (a) Charges or other amounts being contested in accordance with Section 5.2(b) or (b) to the extent that the failure to file or pay could not reasonably be expected to result in a Material Adverse Effect. Proper and accurate amounts have been withheld by each Credit Party from its respective employees for all periods in full and complete compliance with all applicable federal, state, local and foreign laws and such withholdings have been timely paid to the respective Governmental Authorities. Disclosure Schedule (3.11) sets forth as of the Closing Date those taxable years for which any Credit Party's tax returns are currently being audited by the IRS or any other applicable Governmental Authority and any assessments or threatened assessments in connection with such audit, or otherwise currently outstanding. Except as described in Disclosure Schedule (3.11), no Credit Party has executed or filed with the IRS or any other Governmental Authority any agreement or

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other document extending, or having the effect of extending, the period for assessment or collection of any Charges. None of the Credit Parties or their respective predecessors are liable for any Charges: (a) under any agreement (including any tax sharing agreements) or (b) to any Credit Party's knowledge, as a transferee. As of the Closing Date, no Credit Party has agreed or been requested to make any adjustment under IRC Section 481(a), by reason of a change in accounting method or otherwise, which would have a Material Adverse Effect.

### 3.12 ERISA

(a) Disclosure Schedule (3.12) lists all Plans and separately identifies all Pension Plans, including Title IV Plans, Multiemployer Plans and Welfare Plans, including all Retiree Welfare Plans. Copies of all Title IV Plans, together with a copy of the latest IRS/DOL 5500-series form for each such Title IV Plan, have been made available to Agent. Except as would not reasonably be expected to have a Material Adverse Effect (i) except with respect to Multiemployer Plans, each Qualified Plan has received a favorable determination letter from the IRS, and nothing has occurred that would cause the loss of such Qualified Plans qualification; (ii) each Plan is in compliance in all material respects with the applicable provisions of ERISA and the IRC, including the timely filing of all reports required under the IRC or ERISA; (iii) neither any Credit Party nor any ERISA Affiliate has failed to make any contribution or pay any amount due as required by either



Section 412 of the IRC or Section 302 of ERISA or the terms of any Title IV Plan; and (iv) no Credit Party or any ERISA Affiliate has engaged in a “prohibited transaction”, as defined in Section 406 of ERISA and Section 4975 of the IRC, that will subject any Credit Party to a material tax on prohibited transactions imposed by Section 502(i) of ERISA or Section 4975 of the IRC.

- (b) Except as set forth in Disclosure Schedule (3.12): (i) no Title IV Plan has any material Unfunded Pension Liability; (ii) no ERISA Event or event described in Section 4062(e) of ERISA with respect to any Title IV Plan has occurred or is reasonably expected to occur that could reasonably be expected a Material Adverse Effect; (iii) there are no pending, or to the knowledge of any Credit Party, threatened claims (other than claims for benefits in the normal course), sanctions, actions or lawsuits, asserted or instituted against any Plan or any Person as fiduciary or sponsor of any Plan that could reasonably be expected to have a Material Adverse Effect; (iv) no Credit Party or ERISA Affiliate has incurred or reasonably expects to incur any liability as a result of a complete or partial withdrawal from a Multiemployer Plan that could reasonably be expected to have a Material Adverse Effect; (v) within the last five years no Title IV Plan of any Credit Party or ERISA Affiliate has been terminated, whether or not in a “standard termination” as that term is used in Section 4041(b)(1) of ERISA, nor has any Title IV Plan of any Credit Party or any ERISA Affiliate (determined at any time within the last five years) with Unfunded Pension Liabilities been transferred outside of the “controlled group” (within the meaning of Section 4001(a)(14) of ERISA) of any Credit Party or ERISA Affiliate (determined at the time of any such transfer).

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### 3.13 No Litigation

No action, claim, lawsuit, demand, investigation or proceeding is now pending or, to the knowledge of any Credit Party, threatened against any Credit Party or before any Governmental Authority or before any arbitrator or panel of arbitrators (collectively, “**Litigation**”), (a) that challenges any Credit Party’s, right or power to enter into or perform any of its obligations under any Related Transaction Document or any Loan Document to which it is a party, or the validity or enforceability of any Related Transaction Document or any Loan Document or any action taken thereunder, or (b) that has a reasonable risk of being determined adversely to any Credit Party, and which, if so determined, could reasonably be expected to have a Material Adverse Effect. Except as set forth in Disclosure Schedule (3.13), as of the Closing Date there is no Litigation pending or to any Credit Party’s knowledge threatened against any Credit Party that seeks damages in excess of \$100,000 or injunctive relief against, or alleges criminal misconduct of, any Credit Party.

### 3.14 Brokers

No broker or finder brought about the obtaining, making or closing of the Loans or the Related Transactions, and no Credit Party or Affiliate thereof has any obligation to any Person in respect of any finder’s or brokerage fees in connection therewith, except for (i) a fee paid to Bruckman, Rosser, Sherrill & Co., Inc. (“**BRS Management Co.**”) on the Closing Date in the amount of \$7,218,750 pursuant to the terms of the First Amended and Restated Management Agreement dated as of the date hereof (the “**BRS Management Agreement**”) by and among BRS Management Co., H&E Holdings and H&E, such fee to be used in full to purchase on the Closing Date Senior Subordinated Notes and common units of H&E Holdings, and (ii) payments in accordance with Section 6.14(d).

### 3.15 Intellectual Property

As of the Closing Date, each Credit Party owns or has rights to use all Intellectual Property material to the continuance of the conduct of its business as now or heretofore conducted by it or proposed to be conducted by it, and each Patent, each registration or each application for registration of each Trademark, each Copyright and each License is listed, together with application or registration numbers, as applicable, in Disclosure Schedule (3.15). Each Credit Party conducts its business and affairs without material infringement of or material interference with any Intellectual Property of any other Person. Except as set forth in Disclosure Schedule (3.15), no Credit Party is aware of any infringement claim by any other Person with respect to any Intellectual Property.

### 3.16 Full Disclosure

No information contained in this Agreement, any of the other Loan Documents, any Projections, Financial Statements or Collateral Reports or other written reports from time to time delivered hereunder or any written statement furnished by or on behalf of any Credit Party to Agent or any Lender pursuant to the terms of this Agreement contains or will contain any untrue statement of a

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material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading in light of the circumstances under which they were made. The Liens granted to Agent, on behalf of itself and Lenders, pursuant to the Collateral Documents will at all times be fully perfected first priority Liens in and to the Collateral described therein, subject, as to priority, only to Permitted Encumbrances.

### 3.17 Environmental Matters

- (a) Except as set forth in Disclosure Schedule (3.17), as of the Closing Date: (i) the Real Estate is free of contamination from any Hazardous Material except for such contamination that would not adversely impact the value or marketability of such Real Estate and that would not result in Environmental Liabilities that could reasonably be expected to exceed \$250,000; (ii) no Credit Party has caused or suffered to occur any Release of Hazardous Materials on, at, in, under, above, to, from or about any of its Real Estate that would result in Environmental Liabilities that could reasonably be expected to exceed \$250,000; (iii) each Credit Party is and has been in compliance with all Environmental Laws, except for such noncompliance that would not result in Environmental Liabilities which could reasonably be expected to exceed \$250,000; (iv) each Credit Party has obtained, and is in compliance with, all Environmental Permits required by Environmental Laws for the operations of its businesses as presently conducted or as proposed to be conducted, except where the failure to so obtain or comply with such Environmental Permits would not result in Environmental Liabilities that could reasonably be expected to exceed \$250,000, and all such Environmental Permits are valid, uncontested and in good standing; (v) no Credit Party is involved in operations or knows of any facts, circumstances or conditions, including any Releases of Hazardous Materials, that are likely to result in any Environmental Liabilities of Borrower that could reasonably be expected to exceed \$250,000, and no Credit Party has permitted any current or former tenant or occupant of the Real Estate to engage in any such operations; (vi) there is no Litigation arising under or related

to any Environmental Laws, Environmental Permits or Hazardous Material that seeks damages, penalties, fines, costs or expenses in excess of \$100,000 or injunctive relief, or which alleges criminal misconduct by any Credit Party, (vii) no notice has been received by any Credit Party identifying it as a “potentially responsible party” or requesting information under CERCLA or analogous state statutes, and to the knowledge of any Credit Party, there are no facts, circumstances or conditions that may result in any Credit Party being identified as a “potentially responsible party” under CERCLA or analogous state statutes; and (viii) the Credit Parties have provided to Agent copies of all material existing environmental reports, reviews and audits and all material written information in their possession pertaining to actual or potential Environmental Liabilities, in each case relating to the Credit Parties.

- (b) Each Credit Party hereby acknowledges and agrees that Agent (i) is not now, and has not ever been in control of any of the Real Estate or any Credit Party’s affairs, and (ii) does

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not have the capacity through the provisions of the Loan Documents or otherwise to influence any Credit Party’s conduct with respect to the ownership, operation or management of any of its Real Estate or compliance with Environmental Laws or Environmental Permits.

### 3.18 Insurance

Disclosure Schedule (3.18) lists all insurance policies of any nature maintained, as of the Closing Date, for current occurrences by each Credit Party, as well as a summary of the terms of each such policy.

### 3.19 Deposit and Disbursement Accounts

Disclosure Schedule (3.19) lists all banks and other financial institutions at which each Credit Party maintains deposit or other accounts as of the Closing Date, including any Disbursement Accounts, and such Schedule correctly identifies the name, address and telephone number of each depository, the name in which the account is held, a description of the purpose of the account, and the complete account number therefor.

### 3.20 Government Contracts

Except as set forth in Disclosure Schedule (3.20), as of the Closing Date, no Credit Party is a party to any contract or agreement with any Governmental Authority the value of which exceeds \$100,000 and no Credit Party’s Accounts are subject to the Federal Assignment of Claims Act, as amended (31 U.S.C. Section 3727) or any similar foreign, state or local law.

### 3.21 Customer and Trade Relations

As of the Closing Date, there exists no actual or, to the knowledge of any Credit Party, threatened termination or cancellation of, or any material adverse modification or change in: (a) the business relationship of any Credit Party with any customer or group of customers whose purchases during the preceding twelve (12) months caused it or them, as applicable, to be ranked among the ten largest customers of such Credit Party, considered as a whole; or (b) the business relationship of any Credit Party with any supplier or group of suppliers whose sales during the preceding twelve (12) months caused it or them, as applicable, to be ranked among the ten largest suppliers of such Credit Party.

### 3.22 Agreements and Other Documents

As of the Closing Date, each Credit Party has provided to Agent or its counsel, on behalf of Lenders, accurate and complete copies (or summaries) of all of the following agreements or documents to which it is subject and each of which is listed in Disclosure Schedule (3.22): (a) supply agreements and purchase agreements not terminable by such Credit Party within sixty (60) days following written notice issued by such Credit Party and involving transactions in excess of \$1,000,000 per annum; (b) leases by such Credit Party as lessee of Equipment Inventory having a remaining term of one year or longer, the total value of leases of Equipment

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Inventory as to which a Credit Party is lessee, for each lessor, the annual payments on all such leases of Equipment Inventory and the Operating Lease Pay-Off Value for each operating lease of Equipment Inventory of a Borrower or a Guarantor; (c) licenses and permits held by such Credit Party, the absence of which could be reasonably likely to have a Material Adverse Effect; (d) instruments and documents evidencing any Indebtedness or Guaranteed Indebtedness of such Credit Party and any Lien (other than Permitted Encumbrances) granted by such Credit Party with respect thereto; and (e) instruments and agreements evidencing the issuance of any equity securities, warrants, rights or options to purchase equity securities of such Credit Party. With respect to the leases referred to in clause (b) above, other than as set forth on Disclosure Schedule (3.22), no Credit Party has any obligation in such lease or otherwise to purchase such Equipment Inventory from the lessor of such Equipment Inventory at any time. Each Borrower has provided to Agent the forms of lease under which such Borrower leases Equipment Inventory to third Persons.

### 3.23 Solvency

Both before and after giving effect to (a) the Loans and Letter of Credit Obligations to be made or incurred on the Closing Date or such other date as Loans and Letter of Credit Obligations requested hereunder are made or incurred, (b) the disbursement of the proceeds of such Loans pursuant to the instructions of Borrowers, (c) the Mergers and the consummation of the other Related Transactions and (d) the payment and accrual of all transaction costs in connection with the foregoing, each Credit Party is and will be Solvent.

### 3.24 Contribution Agreement and Plan of Reorganization

As of the Closing Date, Borrowers have delivered to Agent a complete and correct copy of the Contribution Agreement and Plan of Reorganization (including all schedules, exhibits, amendments, supplements, modifications, assignments and all other documents delivered pursuant thereto or in connection therewith). No Credit Party and no other Person party thereto is in default in the performance or compliance with any provisions thereof. The Contribution Agreement and Plan of Reorganization complies with, and the Mergers have been consummated in accordance with, all applicable laws. The Contribution Agreement and Plan of Reorganization is in full force and effect as of the Closing Date and has not been terminated,

rescinded or withdrawn. All requisite approvals by Governmental Authorities having jurisdiction over any Credit Party and other Persons referenced therein with respect to the transactions contemplated by the Contribution Agreement and Plan of Reorganization have been obtained, and no such approvals impose any conditions to the consummation of the transactions contemplated by the Contribution Agreement and Plan of Reorganization or to the conduct by any Credit Party of its business thereafter. To the best of each Credit Party's knowledge, none of the representations or warranties in the Contribution Agreement and Plan of Reorganization contain any untrue statement of a material fact or omit any fact necessary to make the statements therein not misleading.

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### 3.25 Status of Holdings

Prior to the Closing Date, H&E Holdings, H&E Finance, Gulf Wide and GNE Investments will not have engaged in any business or incurred any Indebtedness or any other liabilities (except in connection with its corporate formation, the Related Transactions Documents and this Agreement).

### 3.26 Senior Debt

As of the Closing Date, Borrowers have delivered to Agent a complete and correct copy of the Senior Notes, the Senior Note Indenture, the Senior Subordinated Notes and the Senior Subordinated Note Indenture and all agreements and instruments executed and delivered in connection therewith (including all schedules, exhibits, amendments, supplements, modifications, assignments and all other documents delivered pursuant thereto or in connection therewith). Borrowers have the limited liability company power and authority to incur the Indebtedness evidenced by the Senior Notes and the Senior Subordinated Notes. The subordination provisions of the Senior Subordinated Note Indenture are enforceable against the Trustee under the Senior Subordinated Note Indenture and the holders of the Senior Subordinated Notes by Agent and Lenders. The terms of the Intercreditor Agreement are enforceable against the trustee for the Senior Notes and the holders of the Senior Notes.

## 4. FINANCIAL STATEMENTS AND INFORMATION

### 4.1 Reports and Notices

- (a) Each Credit Party hereby agrees that from and after the Closing Date and until the Termination Date, it shall deliver to Agent or to Agent and Lenders, as required, the Financial Statements, notices, Projections and other information at the times, to the Persons and in the manner set forth in Annex E.
- (b) Each Credit Party hereby agrees that from and after the Closing Date and until the Termination Date, it shall deliver to Agent or to Agent and Lenders, as required, the various Collateral Reports (including Borrowing Base Certificates in the form of Exhibit 4. 1(b)) at the times, to the Persons and in the manner set forth in Annex F.

### 4.2 Communication with Accountants

Each Credit Party authorizes (a) Agent and (b) so long as an Event of Default has occurred and is continuing, each Lender, to communicate directly with its independent certified public accountants including Arthur Andersen, KPMG Peat Marwick LLP and Hawthorne Weymouth, and authorizes and, at Agent's request, shall instruct those accountants and advisors to disclose and make available to Agent and each Lender any and all Financial Statements and other supporting financial documents, schedules and information relating to any Credit Party (including copies of any issued management letters) with respect to the business, financial condition and other affairs of any Credit Party.

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## 5. AFFIRMATIVE COVENANTS

Each Credit Party jointly and severally agrees as to all Credit Parties that from and after the date hereof and until the Termination Date:

### 5.1 Maintenance of Existence and Conduct of Business

Each Credit Party shall: (a) do or cause to be done all things necessary to preserve and keep in full force and effect its existence as a limited liability company or a corporation, as the case may be, and its rights and franchises; (b) continue to conduct its business substantially as now conducted or as otherwise permitted hereunder; (c) at all times maintain, preserve and protect all of its assets and properties used or useful in the conduct of its business, and keep the same in good repair, working order and condition in all material respects (taking into consideration ordinary wear and tear) and from time to time make, or cause to be made, all necessary or appropriate repairs, replacements and improvements thereto consistent with industry practices; and (d) transact business only in such limited liability company, corporate and trade names as are set forth in Disclosure Schedule (5.1).

### 5.2 Payment of Charges

- (a) Subject to Section 5.2(b), each Credit Party shall pay and discharge or cause to be paid and discharged promptly all Charges payable by it, including (i) Charges imposed upon it, its income and profits, or any of its property (real, personal or mixed) and all Charges with respect to tax, social security and unemployment withholding with respect to its employees, and (ii) lawful claims for labor, materials, supplies and services or otherwise, and (iii) all storage or rental charges payable to warehousemen or bailees, in each case, before any thereof shall become past due.
- (b) Each Credit Party may in good faith contest, by appropriate proceedings, the validity or amount of any Charges, Taxes or claims described in Section 5.2(a); *provided*, that (i) adequate reserves with respect to such contest are maintained on the books of such Credit Party, in accordance with GAAP; (ii) no Lien shall be imposed to secure payment of such Charges (other than payments to warehousemen and/or bailees and Permitted Encumbrances) that is superior to any of the Liens securing the Obligations and such contest is maintained and prosecuted continuously and with diligence and operates to suspend collection or enforcement of such Charges; (iii) none of the Collateral becomes subject to forfeiture or loss as a result of such contest; (iv) such Credit Party shall promptly pay or discharge such contested

Charges, Taxes or claims and all additional charges, interest, penalties and expenses, if any, and shall deliver to Agent evidence reasonably acceptable to Agent of such compliance, payment or discharge, if such contest is terminated or discontinued adversely to such Credit Party or the conditions set forth in this Section 5.2(b) are no longer met, and (v) Agent has not advised such Credit Party in writing that Agent reasonably believes that nonpayment or nondischarge thereof could have or result in a Material Adverse Effect.

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### 5.3 Books and Records

Each Credit Party shall keep adequate books and records with respect to its business activities in which proper entries, reflecting all financial transactions, are made in accordance with GAAP and on a basis consistent with the Financial Statements attached as Disclosure Schedule (3.4(a)).

### 5.4 Insurance; Damage to or Destruction of Collateral

- (a) Each Credit Party shall at its sole cost and expense, maintain the policies of insurance described in Disclosure Schedule (3.18) as in effect on the date hereof, and each Person succeeding to the position of such individual, or otherwise in form and amounts and with insurers reasonably acceptable to Agent. Such policies of insurance (or the loss payable and additional insured endorsements delivered to Agent) shall contain provisions pursuant to which the insurer agrees to provide 30 days prior written notice to Agent in the event of any non-renewal, cancellation or amendment of any such insurance policy. If any Credit Party at any time or times hereafter shall fail to obtain or maintain any of the policies of insurance required above or to pay all premiums relating thereto, Agent may at any time or times thereafter obtain and maintain such policies of insurance and pay such premiums and take any other action with respect thereto that Agent deems advisable. Agent shall have no obligation to obtain insurance for any Credit Party or pay any premiums therefor. By doing so, Agent shall not be deemed to have waived any Default or Event of Default arising from any Credit Party's failure to maintain such insurance or pay any premiums therefor. All sums so disbursed, including reasonable attorneys' fees, court costs and other charges related thereto, shall be payable on demand by Borrowers to Agent and shall be additional Obligations hereunder secured by the Collateral.
- (b) Agent reserves the right at any time upon any change in any Credit Party's risk profile (including any change in the product mix maintained by any Credit Party or any laws affecting the potential liability of such Credit Party) to require additional forms and limits of insurance to, in Agent's opinion, adequately protect both Agent's and Lender's interests in all or any portion of the Collateral and to ensure that each Credit Party is protected by insurance in amounts and with coverage customary for its industry.- If reasonably requested by Agent, each Credit Party shall deliver to Agent from time to time a report of a reputable insurance broker, reasonably satisfactory to Agent, with respect to its insurance policies.
- (c) Each Credit Party shall deliver to Agent, in form and substance reasonably satisfactory to Agent, endorsements to (i) all "All Risk," keyman life insurance and business interruption insurance naming Agent, on behalf of itself and Lenders, as loss payee, and (ii) all general liability and other liability policies naming Agent, on behalf of itself and Lenders, as additional insured. Each Credit Party irrevocably makes, constitutes and appoints Agent (and all officers, employees or agents designated by Agent), so long as any Event of Default has occurred and is continuing or the anticipated insurance proceeds exceed

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\$5,000,000, as such Credit Party's true and lawful agent and attorney-in-fact for the purpose of making, settling and adjusting claims under such "All Risk" policies of insurance, endorsing the name of such Credit Party on any check or other item of payment for the proceeds of such "All Risk" policies of insurance and for making all determinations and decisions with respect to such "All Risk" policies of insurance. Agent shall have no duty to exercise any rights or powers granted to it pursuant to the foregoing power-of-attorney. Borrower Representative shall promptly notify Agent of any loss, damage, or destruction to the Collateral in the amount of \$1,000,000 or more, whether or not covered by insurance. After deducting from such proceeds the expenses, if any, incurred by Agent in the collection or handling thereof, Agent may, at its option, apply such proceeds to the reduction of the Obligations in accordance with Section 1.3(d), or permit or require the applicable Credit Party to use such money, or any part thereof, to replace, repair, restore or rebuild the Collateral in a diligent and expeditious manner with materials and workmanship of substantially the same quality as existed before the loss, damage or destruction. Notwithstanding the foregoing, if the casualty giving rise to such insurance proceeds could not reasonably be expected to have a Material Adverse Effect and such insurance proceeds do not exceed \$5,000,000 in the aggregate, Agent shall permit the applicable Credit Party to replace, restore, repair or rebuild the Collateral; *provided*, that if the applicable Credit Party has not completed or entered into binding agreements to complete such replacement, restoration, repair or rebuilding within 180 days of such casualty, Agent may apply such insurance proceeds to the Obligations in accordance with Section 1.3(d). All insurance proceeds that are to be made available to a Credit Party to replace, repair, restore or rebuild the Collateral shall be applied by Agent to reduce the outstanding principal balance of the Revolving Loan (which application shall not result in a permanent reduction of the Revolving Loan Commitment) and upon such application, Agent shall establish a reserve against the Aggregate Borrowing Base and, if such Credit Party is a Borrower, the separate Borrowing Base of such Borrower in an amount equal to the amount of such proceeds so applied. Thereafter, such funds shall be made available to the applicable Credit Party to provide funds to replace, repair, restore or rebuild the Collateral as follows: (i) the Borrower Representative shall request a Revolving Credit Advance for the applicable Borrower (or, if the Credit Party is not a Borrower, for all Borrowers, *pro rata*) in the amount requested to be released; (ii) so long as the conditions set forth in Section 2.2 have been met, Revolving Lenders shall make such Revolving Credit Advance; and (iii) the reserve established with respect to such insurance proceeds shall be reduced by the amount of such Revolving Credit Advance. To the extent not used to replace, repair, restore or rebuild the Collateral, such insurance proceeds shall be applied in accordance with Section 1.3(d).

- (d) Borrower Representative shall, immediately upon learning of the institution of any proceeding for the condemnation or other taking of any property of any Credit Party in excess of \$1,000,000 in the aggregate for all such condemnations or takings, notify the Agent of the pendency of such proceeding, and agree that the Agent may participate in any such proceeding, and Borrower Representative from time to time will deliver to the
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Agent all instruments reasonably requested by the Agent to permit such participation. The Agent is authorized to collect the proceeds of any condemnation claim or award and apply them, at the direction of the Required Lenders, to the reduction of the Obligations.

Notwithstanding the foregoing, if the proceeds of such condemnation could not reasonably be expected to have a Material Adverse Effect and the amount of any condemnation does not exceed \$5,000,000 in the aggregate, Agent shall permit the applicable Credit Party to replace, restore, repair or rebuild the property; *provided*, that if the applicable Credit Party has not completed or entered into binding agreements to complete such replacement, restoration, repair or rebuilding within 180 days of such condemnation, Agent may apply such condemnation proceeds to the Obligations in accordance with Section 1.3(d). All condemnation proceeds that are to be made available to a Credit Party to replace, repair, restore or rebuild the Collateral shall be applied by Agent to reduce the outstanding principal balance of the Revolving Loan (which application shall not result in a permanent reduction of the Revolving Loan Commitment) and upon such application, Agent shall establish a reserve against the Aggregate Borrowing Base and, if such Credit Party is a Borrower, the separate Borrowing Base of such Borrower in an amount equal to the amount of such proceeds so applied. Thereafter, such funds shall be made available to the applicable Credit Party to provide funds to replace, repair, restore or rebuild the Collateral as follows: (i) the Borrower Representative shall request a Revolving Credit Advance for the applicable Borrower (or, if the Credit Party is not a Borrower, for all Borrowers, *pro rata*) in the amount requested to be released; (ii) so long as the conditions set forth in Section 2.2 have been met, Revolving Lenders shall make such Revolving Credit Advance; and (iii) the reserve established with respect to such condemnation proceeds shall be reduced by the amount of such Revolving Credit Advance. To the extent not used to replace, repair, restore or rebuild the Collateral, such condemnation proceeds shall be applied in accordance with Section 1.3(d).

#### 5.5 Compliance with Laws

Each Credit Party shall comply with all federal, state, local and foreign laws and regulations applicable to it, including those relating to licensing, ERISA and labor matters and Environmental Laws and Environmental Permits, except to the extent that the failure to comply, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

#### 5.6 Supplemental Disclosure

From time to time as may be reasonably requested by Agent (which request will not be made more frequently than once each year absent the occurrence and continuance of a Default or an Event of Default), Credit Parties shall supplement each Disclosure Schedule hereto, or any representation herein or in any other Loan Document, with respect to any matter hereafter arising that, if existing or occurring at the date of this Agreement, would have been required to be set forth or described in such Disclosure Schedule or as an exception to such representation or that is necessary to correct any information in such Disclosure Schedule or representation which has

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been rendered inaccurate thereby (and, in the case of any supplements to any Disclosure Schedule, such Disclosure Schedule shall be appropriately marked to show the changes made therein); *provided*, that (a) no such supplement to any such Disclosure Schedule or representation shall amend, supplement or otherwise modify any Disclosure Schedule or representation, or be or be deemed a waiver of any Default or Event of Default resulting from the matters disclosed therein, except as consented to by Agent and Requisite Lenders in writing; and (b) no supplement shall be required or permitted as to representations and warranties that relate solely to the Closing Date.

#### 5.7 Intellectual Property

Each Credit Party will conduct its business and affairs without material infringement of or material interference with any Intellectual Property of any other Person; *provided*, that to the extent any Credit Party learns of any such material infringement or interference and such Credit Party promptly takes steps to eliminate such infringement or interference (by procuring a license or otherwise) such Credit Party shall not be deemed to be in violation of this Section 5.7 so long as such Credit Party is entitled to continue to use such Intellectual Property.

#### 5.8 Environmental Matters

Each Credit Party shall and shall cause each Person within its reasonable control to: (a) conduct its operations and keep and maintain its Real Estate in compliance with all Environmental Laws and Environmental Permits other than noncompliance that could not reasonably be expected to have a Material Adverse Effect; (b) implement any and all investigation, remediation, removal and response actions that are appropriate or necessary to maintain the value and marketability of the Real Estate or to otherwise comply with Environmental Laws and Environmental Permits pertaining to the presence, generation, treatment, storage, use, disposal, transportation or Release of any Hazardous Material on, at, in, under, above, to, from or about any of its Real Estate; (c) notify Agent promptly after such Credit Party becomes aware of any violation of Environmental Laws or Environmental Permits or any Release on, at, in, under, above, to, from or about any Real Estate which could reasonably be expected to result in Environmental Liabilities in excess of \$250,000; and (d) promptly forward to Agent a copy of any order, notice, request for information or any written communication or-report received by such Credit Party in connection with any such violation or Release or any other matter relating to any Environmental Laws or Environmental Permits that could reasonably be expected to result in Environmental Liabilities in excess of \$250,000, in each case whether or not the Environmental Protection Agency or any Governmental Authority has taken or threatened any action in connection with any such violation, Release or other matter. If Agent at any time has a reasonable basis to believe that there may be a violation of any Environmental Laws or Environmental Permits by any Credit Party or any Environmental Liability arising thereunder, or a Release of Hazardous Materials on, at, in, under, above; to, from or about any of its Real Estate, which, in each case, could reasonably be expected to have a Material Adverse Effect, then Credit Parties shall, upon Agent's written request (i) cause the performance of an environmental audit, which may include subsurface sampling of soil and groundwater, and preparation of an environmental report with respect to the

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subject matter of such breach, at Credit Parties' expense, as Agent may from time to time reasonably request, which shall be conducted by reputable environmental consulting firms reasonably acceptable to Agent and shall be in form and substance reasonably acceptable to Agent, and (ii) permit Agent or its representatives to have access to all Real Estate for the purpose of conducting environmental audits and testing with respect to the subject matter of such breach, as Agent deems appropriate, including subsurface sampling of soil and groundwater, *provided*, that Agent provides Borrower Representative with reasonable prior notice and conducts, or causes its representatives to conduct, all such audits and tests in a manner

reasonably directed to minimize interference with the applicable Credit Party's business. Borrowers shall reimburse Agent for the reasonable costs of such audits and tests and the same will constitute a part of the Obligations secured hereunder.

## 5.9 Landlords' Agreements, Mortgagee Agreements, Bailee Letters, Real Estate Purchases and Vendor Inter-Creditor Agreements

- (a) Each Credit Party shall use its commercially reasonable best efforts to obtain a landlord's agreement, mortgagee agreement or bailee letter, as applicable, from the lessor of each leased property, mortgagee of owned property or bailee with respect to any warehouse, processor or converter facility or other location where Collateral is stored or located (other than with respect to Equipment Inventory which is being leased by a Borrower to others in the ordinary course of such Borrower's business), which agreement or letter shall contain a waiver or subordination of all Liens or claims that the landlord, mortgagee or bailee may assert against the Collateral at that location, and shall otherwise be reasonably satisfactory in form and substance to Agent. With respect to such locations or warehouse space leased or owned as of the Closing Date and thereafter, if Agent has not received a landlord or mortgagee agreement or bailee letter as of 30 days after the Closing Date (or, if later, as of the date such location is acquired or leased), the applicable Borrower's Eligible Parts and Tools Inventory, Eligible Rolling Stock or Eligible Equipment Inventory at that location shall, in Agent's discretion, be excluded from the applicable Borrower's Borrowing Base or be subject to such Reserves as may be established in good faith by Agent in its reasonable credit judgment and as set forth in Sections 1.6A, 1.7 and 1.7A. After the Closing Date, no real property or warehouse space shall be leased by any Borrower and no Parts and Tools Inventory or Equipment Inventory shall be shipped to a processor or converter under arrangements established after the Closing Date without prior written notice to Agent. Each Credit Party shall timely and fully pay and perform its obligations in all material respects under all leases and other agreements with respect to each leased location or public warehouse where any Collateral is or may be located. To the extent otherwise permitted hereunder, if any Credit Party proposes to acquire a fee ownership or leasehold interest in Real Estate after the Closing Date, it shall first provide to Agent (with respect to any such leasehold interest, at the reasonable request of Agent) written notice thereof and a mortgage or deed of trust granting Agent a first priority Lien on such Real Estate, together with a FIRREA compliant appraisal (if requested by Agent), environmental audits, mortgage title

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insurance commitment, real property survey, local counsel opinions, and, if required by Agent, supplemental casualty insurance and flood insurance, and such other documents, instruments or agreements reasonably requested by Agent, in each case, in form and substance reasonably satisfactory to Agent.

- (b) At the request of Agent, Borrowers shall execute and deliver or cause to be executed and delivered to Agent a mortgage or deed of trust granting to Agent a first priority Lien on any Real Estate owned by any Borrower or Guarantor (or, if such Real Estate is subject to any prior Liens as of the Closing Date, a Lien subject only to such prior Liens), together with a FIRREA compliant appraisal, environmental audit, mortgage title insurance commitment, real property survey, local counsel opinion, and if required by Agent, supplemental casualty insurance, and such other documents, instruments or agreements reasonably requested by Agent, in each case, in form and substance satisfactory to Agent. Borrowers shall execute and deliver or cause to be executed and delivered in respect of the Real Estate described on Disclosure Schedule (5.9) hereto on or prior to the date sixty (60) days following the Closing Date, documents of the type listed in the immediately foregoing sentence, as described in such Disclosure Schedule (5.9) or as requested by Agent.
- (c) Prior to entering into any financing arrangement described in Section 6.7(c) or Section 6.7(d) a Borrower shall notify Agent. In the event that a Borrower obtains knowledge of the assignment by any holder of any such Lien referred to in Section 6.7(c) or Section 6.7(d), or the owner of any equipment leased by a Borrower has transferred or sold such Lien or Equipment to another Person, such Borrower shall notify Agent and use reasonable efforts to cause such Person to enter into an applicable Vendor Inter-Creditor Agreement with such Person.

## 5.10 Government Accounts

Each Borrower shall at any time upon reasonable request by the Agent prepare and deliver to the Agent a report setting forth all of its Accounts on which the Account Debtor is the United States or Canadian Government or a political subdivision thereof, or any state, province or municipality or department, agency or instrumentality thereof, which such report shall disclose the name of the Account Debtor, the amount of such Account and any other information the Agent shall reasonably request.

## 5.11 Further Assurances

Each Credit Party agrees that it shall, and shall cause each other Credit Party to, at such Credit Party's expense and upon request of Agent, duly execute and deliver, or cause to be duly executed and delivered, to Agent such further instruments and do and cause to be done such further acts as may be necessary or proper in the reasonable opinion of Agent to carry out more effectively the provisions and purposes of this Agreement or any other Loan Document. All chattel paper owned

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by any Credit Party shall be conspicuously legended to indicate that it is subject to a Lien in favor of the Agent.

## 6. NEGATIVE COVENANTS

Each Credit Party agrees jointly and severally as to all parties that from and after the date hereof until the Termination Date:

### 6.1 Acquisitions, Subsidiaries, Etc.

No Credit Party shall directly or indirectly, by operation of law or otherwise, (a) form or acquire any Subsidiary, or (b) merge with, consolidate with, acquire all or substantially all of the assets or Stock of, or otherwise combine with or acquire, any Person; *provided*, that any Credit Party may merge with another Credit Party, so long as (i) that Borrower Representative shall be the survivor of any such merger to which it is a party and (ii) a Borrower shall be the survivor of any such merger to which one or more Borrowers is a party. Notwithstanding the foregoing, any Borrower may acquire all or any substantial portion of the assets (other than assets consisting of Stock) of any Person (the "Target") (a "Permitted Acquisition") subject to the satisfaction of each of the following conditions:

- (i) Agent shall receive at least forty-five (45) days prior written notice of such proposed Permitted Acquisition, which notice shall include a detailed description of such proposed Permitted Acquisition including, without limitation, financial statements of Target and any other due diligence items requested by Lenders;
- (ii) such Permitted Acquisition shall only involve assets 75% or more of which are located in the United States and comprising a business, or those assets of a business, of the type engaged in by Borrowers as of the Closing Date or a business reasonably related thereto or a logical extension thereof, and which business would not subject Agent or any Lender to regulatory or third party approvals in connection with the exercise of its rights and remedies under this Agreement or any other Loan Documents other than approvals applicable to the exercise of such rights and remedies with respect to Borrowers prior to such Permitted Acquisition;
- (iii) no additional Indebtedness or Guaranteed Indebtedness, contingent obligations or other liabilities shall be incurred, assumed or otherwise be reflected on a consolidated balance sheet of Borrowers and Target after giving effect to such Permitted Acquisition, except (A) Indebtedness permitted under clause (v) and (B) ordinary course trade payables, accrued expenses and unsecured Indebtedness and other liabilities and contingent obligations of the Target to the extent no Default or Event of Default has occurred and is continuing or would result after giving effect to such Permitted Acquisition;

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- (iv) the sum of all amounts paid or payable in connection with all Permitted Acquisitions (including all transaction costs and all Indebtedness, liabilities and contingent obligations incurred or assumed in connection therewith or otherwise reflected on a consolidated balance sheet of Borrowers and Target) shall not exceed \$25,000,000 in any Fiscal Year or \$75,000,000 from and after the Closing Date until the Termination Date in the aggregate and the portion thereof allocable to goodwill and intangible assets for any Permitted Acquisition shall not exceed 30% of the applicable purchase price for such Permitted Acquisition;
  - (v) no Indebtedness for borrowed money to finance such acquisitions shall be incurred, guaranteed, assumed or consolidated in connection with such Permitted Acquisitions other than Revolving Credit Advances subject to the terms hereof and including any assets being purchased in the Permitted Acquisition to the extent otherwise includable in the Aggregate Borrowing Base;
  - (vi) the business and assets acquired in such Permitted Acquisition shall be free and clear of all Liens (other than Permitted Encumbrances);
  - (vii) at or prior to the closing of any Permitted Acquisition, Agent will be granted a first priority perfected Lien (subject to Permitted Encumbrances) in all assets acquired pursuant thereto, and Credit Parties and the Target shall have executed such documents and taken such actions as may be required by Agent in connection therewith;
  - (viii) Concurrently with delivery of the notice referred to in clause (i) above, Borrower Representative shall have delivered to Agent, in form and substance satisfactory to Agent:
    - (A) (x) a *pro forma* consolidated and consolidating, if applicable, balance sheet of Borrowers and their Subsidiaries (the “**Acquisition Pro Forma**”), based on recent financial data, which shall be complete and shall accurately and fairly represent the assets, liabilities, financial condition and results of operations of Borrowers and their Subsidiaries in accordance with GAAP consistently applied, but taking into account such Permitted Acquisition and the funding of all Loans in connection therewith, and such Acquisition Pro Forma shall reflect that
      - (y) on a *pro forma* basis, no Event of Default has occurred and is continuing or would result after giving effect to such Permitted Acquisition and Borrowers would have been in compliance with the financial covenants set forth in Annex G for the four quarter period reflected in the Compliance Certificate most recently delivered, to Agent pursuant to Annex E prior to the consummation of such Permitted Acquisition (after giving effect to such Permitted Acquisition and all

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Loans funded in connection therewith as if made on the first day of such period);

- (B) updated versions of the most recently delivered operating plan in form reasonably satisfactory to the Agent taking into account such Permitted Acquisition (the “**Acquisition Projections**”); and
  - (C) a certificate of an Authorized Officer of Borrower Representative to the effect that: (w) Borrowers will be Solvent upon the consummation of the Permitted Acquisition; (x) the Acquisition Pro Forma fairly presents the financial condition of Borrowers and their Subsidiaries (on a consolidated and consolidating basis, if applicable) as of the date thereof after giving effect to the Permitted Acquisition; (y) the Acquisition Projections are reasonable estimates of the future financial performance of Borrowers subsequent to the date thereof based upon the historical performance of Borrowers and the Target and show that Borrowers shall continue to be in compliance with the financial covenants set forth in Annex G for the three (3) year period thereafter or the balance remaining of the Commitment term; and (z) Borrowers have completed their due diligence investigation with respect to the Target and such Permitted Acquisition, which investigation was conducted in a manner similar to that which would have been conducted by a prudent purchaser of a comparable business and the results of which investigation were delivered to Agent and Lenders;
- (ix) on or prior to the date of such Permitted Acquisition, Agent shall have received, in form and substance reasonably satisfactory to Agent, copies of the acquisition agreement and related agreements and instruments, and all opinions, certificates, lien search results and other documents reasonably requested by Agent;
  - (x) Agent and Lenders shall have received results of an appraisal and audit of the Target, its assets, and its books and records, in form and substance reasonably satisfactory to the Agent;

- (xi) the structure and terms of the Permitted Acquisition shall be satisfactory to the Agent and no Credit Party shall acquire any liabilities in such transaction other than those approved by the Agent;
- (xii) at the time of such Permitted Acquisition and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing; and
- (xiii) at the time of such Permitted Acquisition and after giving effect thereto and the making of any Loans in connection therewith, Borrowing Availability (for all Borrowers) shall exceed \$25,000,000.

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## 6.2 Investments; Loans and Advances

Except as otherwise expressly permitted by this Section 6, no Credit Party shall make or permit to exist any investment in, or make, accrue or permit to exist loans or advances of money to, any Person, through the direct or indirect lending of money, holding of securities or otherwise, except that (a) a Borrower may hold investments comprised of notes payable, or stock or other securities issued by Account Debtors to such Borrower pursuant to a bankruptcy proceeding of such Account Debtor or negotiated agreements with respect to settlement of such Account Debtor's Accounts, as applicable, in the ordinary course of business, so long as the aggregate amount of such Accounts so settled by Borrowers does not exceed \$1,000,000; (b) a Borrower may acquire Intercompany Notes permitted to be incurred under Section 6.3, (c) a Borrower may invest in Capital Expenditures to the extent permitted under Annex G, (d) a Credit Party may hold investments received pursuant to a sale of assets permitted under Section 6.8, (e) a Credit Party may hold investments held in the ordinary course of business in any Deposit Account subject to a Lien in favor of Agent, (f) a Credit Party may hold investments in existence on the date hereof and summarized in Disclosure Schedule (6.2), and (g) so long as no Default or Event of Default has occurred and is continuing, Borrowers may make investments, subject to Control Letters or otherwise subject to a perfected security interest in favor of Agent for the benefit of Lenders, in (i) marketable direct obligations issued, unconditionally guaranteed or insured by the United States of America or any agency thereof maturing within one year from the date of acquisition thereof, (ii) commercial paper maturing no more than one year from the date of creation thereof and currently having the highest rating obtainable from either Standard & Poor's Ratings Group or Moody's Investors Service, Inc., (iii) certificates of deposit, maturing no more than one year from the date of creation thereof, issued by commercial banks incorporated under the laws of the United States of America, each having combined capital, surplus and undivided profits of not less than \$300,000,000 and having a senior secured rating of "A" or better by a nationally recognized rating agency (an "**A Rated Bank**"), (iv) time deposits, maturing no more than 30 days from the date of creation thereof with A Rated Banks, (v) mutual funds that invest solely in one or more of the investments described in clauses (i) through (iv) above and (vi) other investments not exceeding \$100,000 in aggregate amount in which Agent has a perfected first priority security interest. Each Credit Party may maintain its existing investments in its Subsidiaries as of the Closing Date.

## 6.3 Indebtedness

- (a) No Credit Party shall create, incur, assume or permit to exist any Indebtedness, except (without duplication) (i) Indebtedness secured by purchase money security interests and Capital Leases permitted in clause (c) or (d) of Section 6.7, (ii) the Loans and the other Obligations, (iii) deferred taxes, to the extent permitted under applicable law, (iv) unfunded pension fund and other employee benefit plan obligations and liabilities to the extent they are permitted to remain unfunded under applicable law, (v) existing Indebtedness described in Disclosure Schedule (6.3) and refinancings thereof or amendments or modifications thereto that do not have the effect of increasing the

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principal amount thereof or changing the amortization thereof (other than to extend the same) and that are otherwise on terms and conditions no less favorable to any Credit Party than the terms of the Indebtedness being refinanced, amended or modified, (vi) Indebtedness specifically permitted under Section 6.1, (vii) Indebtedness of Borrowers not exceeding (x) \$200,000,000 in aggregate principal amount (less all payments of principal thereof) evidenced by the Senior Notes and (y) \$50,000,000 in aggregate principal amount (less all payments of principal thereof) evidenced by the Senior Subordinated Notes and (viii) Indebtedness consisting of intercompany loans and advances made by any Borrower to any other Borrower; *provided*, that: (A) each Borrower shall have executed and delivered to each other Borrower, on the Closing Date, a demand note (collectively, the "**Intercompany Notes**") to evidence any such intercompany Indebtedness owing at any time by such Borrower to such other Borrowers which Intercompany Notes shall be in form and substance reasonably satisfactory to Agent and shall be pledged and delivered to Agent pursuant to the applicable Pledge Agreement or Security Agreement as additional collateral security for the Obligations; (B) each Borrower shall record all intercompany transactions on its books and records in a manner reasonably satisfactory to Agent; (C) the obligations of each Borrower under any such Intercompany Notes shall be subordinated to the Obligations of such Borrower hereunder in a manner reasonably satisfactory to Agent; (D) at the time any such intercompany loan or advance is made by any Borrower to any other Borrower and after giving effect thereto, each such Borrower shall be Solvent; (E) no Default or Event of Default would occur and be continuing after giving effect to any such proposed intercompany loan; and (F) in the case of any intercompany Indebtedness, (X) the Borrower advancing such funds shall have Borrowing Availability under its separate Borrowing Base of not less than \$1,00 after giving effect to such intercompany loan, or (Y) the intercompany Indebtedness shall be a Great Northern Advance, (ix) Indebtedness owing to Affiliates and holders of Stock of such Credit Party that constitutes Subordinated Debt, is unsecured, interest on which is not payable in cash until after the Termination Date and as to which no principal is payable until after the Termination Date, (x) Indebtedness under Hedging Agreements to the extent permitted under Section 6.17 and (xi) unsecured Indebtedness not otherwise referred to in this Section 6.3 not exceeding \$1,000,000 in aggregate principal amount outstanding at any time for all Credit Parties.

- (b) No Credit Party shall, directly or indirectly, voluntarily purchase, redeem, defease or prepay any principal of, premium, if any, interest or other amount payable in respect of any Indebtedness, other than (i) the Obligations, (ii) Indebtedness secured by a Permitted Encumbrance if the asset securing such Indebtedness has been sold or otherwise disposed of in accordance with Sections 6.8(b) or (c) and (iii) Indebtedness permitted by Section 6.3(a)(v) upon any refinancing thereof in accordance with Section 6.3(a)(v).

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## 6.4 Employee Loans and Affiliate Transactions



- (a) No Credit Party shall enter into or be a party to any transaction with any Affiliate of any Credit Party (other than another Credit Party) thereof except in the ordinary course of and pursuant to the reasonable requirements of such Credit Party's business and upon fair and reasonable terms that are no less favorable to such Credit Party than would be obtained in a comparable arm's length transaction with a Person not an Affiliate of such Credit Party; *provided*, that other than a transaction described in any Related Transaction Documents or Disclosure Schedule 6.4(a), no Credit Party shall in any event enter into any such transaction or series of related transactions (i) involving payments in excess of \$10,000 without disclosing to Agent in advance the terms of such transactions and (ii) involving payments in excess of \$50,000 in the aggregate; and *provided further*, that Borrowers may pay the fees to BRS Management Co. disclosed in, and subject to the terms of, Section 6.14.
- (b) All employee loans and affiliate transactions existing as of the Closing Date hereof are described in Disclosure Schedule (6.4(b)). No Credit Party shall enter into any lending or borrowing transaction with any employees of any Credit Party, except loans to its respective employees in the ordinary course of business consistent with past practices for travel and entertainment expenses, relocation costs and similar purposes up to a maximum of \$100,000 to any employee and up to a maximum of \$500,000 in the aggregate at any one time outstanding. No Credit Party shall repurchase any Stock of any employee of such Credit Party, except upon termination of such employee consistent with past practices for such repurchase up to a maximum amount of \$1,000,000 in the aggregate for all employees of all Credit Parties in any one Fiscal Year; *provided*, that at the time of any such repurchase and after giving effect thereto the aggregate Borrowing Availability for all Borrowers is in excess of \$25,000,000.

## 6.5 Capital Structure and Business

No Credit Party shall (a) make any changes in any of its business objectives, purposes or operations that could in any way adversely affect the repayment of the Loans or any of the other Obligations or could reasonably be expected to have or result in a Material Adverse Effect, (b) other than with respect to H&E Holdings, make any change in its capital structure as described in Disclosure Schedule (3.8), including the issuance or sale of any shares of Stock, warrants or other securities convertible into Stock or any revision of the terms of its outstanding Stock, *provided*, that any Borrower may issue or sell shares of its Stock for cash so long as (i) the proceeds thereof are applied in prepayment of the Obligations as required by Section 1.3(b)(iii), (ii) no Change of Control occurs after giving effect thereto and (iii) such shares are pledged to the Agent for the benefit of the Lenders pursuant to a Pledge Agreement, or (c) amend its charter, bylaws, certificate of formation or operating agreement, each as applicable, in a manner that would adversely affect Agent or Lenders or Credit Party's duty or ability to repay the Obligations. No Credit Party shall engage in any business other than the businesses currently engaged in by it or reasonably related thereto or a logical extension thereof.

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## 6.6 Guaranteed Indebtedness

No Credit Party shall create, incur, assume or permit to exist any Guaranteed Indebtedness except (a) for Guaranteed Indebtedness in existence on the date hereof described in Disclosure Schedule (6.6), (b) for Guaranteed Indebtedness incurred for the benefit of the purchasers of Equipment Inventory to support sales by any Borrower or Guarantor of such Equipment Inventory in the ordinary course of business to such purchasers, not to exceed \$2,000,000 at any one time outstanding for all Credit Parties, (c) by endorsement of instruments or items of payment for deposit to the general account of any Credit Party, and (d) for Guaranteed Indebtedness incurred for the benefit of any other Credit Party if the primary obligation is expressly permitted by this Agreement other than Indebtedness, if any, of a Target existing at the time such Target is acquired.

## 6.7 Liens

No Credit Party shall create, incur, assume or permit to exist any Lien on or with respect to its Accounts or any of its other properties or assets (whether now owned or hereafter acquired) except for (a) Permitted Encumbrances; (b) Liens in existence on the date hereof and summarized in Disclosure Schedule (6.7) securing the Indebtedness described in Disclosure Schedule (6.3) (other than under the heading "Vendor Financings" it being understood that Liens reflected under such heading shall be permitted only if in compliance with Section 6.7(c) or Section 6.7(d) and permitted refinancings, extensions and renewals thereof, including extensions or renewals of any such Liens, *provided*, that the principal amount of the Indebtedness so secured is not increased and the Lien does not attach to any other property; (c) Liens created by conditional sale or other title retention agreements (including Capital Leases) or in connection with purchase money Indebtedness with respect to P&E and Fixtures acquired by a Credit Party in the ordinary course of its business, involving the incurrence of an aggregate amount of purchase money Indebtedness and Capital Lease Obligations for all Credit Parties of not more than \$15,000,000 outstanding at any one time for all such Liens (*provided*, that (i) such Liens attach only to the assets subject to such purchase money debt and proceeds thereof, (ii) such Indebtedness is incurred within ninety (90) days following such purchase; and (d) (x) Liens created by conditional sale or other title retention agreements (including Capital Leases) or in connection with purchase money Indebtedness provided by the seller of such Equipment Inventory or an Affiliate of such seller or a third party financing source not affiliated with such seller with respect to Equipment Inventory acquired by a Credit Party in the ordinary course of its business, involving the incurrence of an aggregate principal amount of purchase money Indebtedness for all Credit Parties of not more than \$90,000,000 in principal amount outstanding at any one time for all such Liens and (y) Liens on rental proceeds of Equipment Inventory leased by a Borrower securing true lease obligations of a Borrower of Equipment Inventory, *provided*, that (i) such Liens attach only to the Equipment Inventory purchased with the proceeds of such purchase money Indebtedness or such rental proceeds except as otherwise permitted by any agreement referred to in subparagraph (iii) below, (ii) such Indebtedness is incurred at the time of such purchase and (iii) a Vendor Inter-Creditor Agreement between the holder of such Lien and

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Agent (in the form of Exhibit 6.7(d)(iii)(A) in the case of Floor Plan Equipment Inventory, and in the form of Exhibit 6.7(d)(iii)(B) in the case of Off Balance Sheet Equipment Inventory, in each case with such changes thereto as may be acceptable to Agent or such other form of intercreditor agreement as Agent may approve) has been delivered to Agent, *provided, however*, that notwithstanding the foregoing, the Credit Parties may have outstanding Indebtedness or lease obligations secured by a Lien described in this paragraph (d) without a Vendor Inter-Creditor Agreement so long as the aggregate amount of such Indebtedness or lease obligations does not exceed (x) during the period ending thirty (30) days following the Closing Date, \$17,500,000 in the aggregate for all Credit Parties, including as to lease obligations, the amount of purchase option amounts payable thereunder or (y) thereafter, \$4,000,000 in the aggregate in respect of lease obligations and \$0 in respect of such Indebtedness, for all Credit Parties, excluding as to lease obligations, purchase option amounts payable thereunder, it being understood that the Agent may establish Reserves in respect of any such Indebtedness or lease obligations for which no Vendor Inter-Creditor Agreement has been delivered. In addition, no Credit Party shall

become a party to any agreement, note, indenture or instrument, or take any other action, that would prohibit the creation of a Lien on any of its properties or other assets in favor of Agent, on behalf of itself and Lenders, as additional collateral for the Obligations, except operating leases, Capital Leases or Licenses which prohibit Liens upon the assets that are subject thereto.

#### 6.8 Disposition of Stock and Assets

No Credit Party shall sell, lease, license, transfer, convey, assign or otherwise dispose of any of its properties or other assets (other than cash), including the Stock of any of its Subsidiaries (whether in a public or a private offering or otherwise) or any of their Accounts, other than (a) the sale or lease by a Borrower of Equipment Inventory in the ordinary course of its business, (b) the sale, transfer, conveyance or other disposition by a Credit Party of P&E, Equipment Inventory, Fixtures or Real Estate that are obsolete or no longer used or useful in such Credit Party's business and having a Net Book Value not exceeding \$250,000 in any single transaction or \$500,000 for all Credit Parties in the aggregate in any Fiscal Year, (c) the sale, transfer, conveyance or other disposition by a Credit Party of Equipment Inventory that is part of a discontinued line, (d) the sale, transfer, conveyance or other disposition by a Credit Party of other P&E and Fixtures having a value not exceeding \$500,000 in any single transaction or \$1,000,000 in the aggregate for all Credit Parties in any Fiscal Year, (e) the licensing of Intellectual Property by any Credit Party in the ordinary course of its business, (f) the sale, transfer, conveyance or other disposition of assets from a Borrower to another Borrower and (g) a trade-in or trade-up of assets (pursuant to which such Credit Party acquires a substantially similar asset to the one disposed of within forty-five (45) days following such disposition and the value of the asset disposed of is credited against the purchase price of the asset so acquired) by a Credit Party in the ordinary course of its business. With respect to any disposition of assets or other properties permitted pursuant to clauses (b) and (c) above, subject to Section 1.3(b), Agent agrees on reasonable prior written notice to release its Lien (and the Lenders authorize Agent to do so) on such assets or other properties in order to permit the applicable Credit Party to effect such disposition and shall execute and deliver to such Credit Party, at such Credit Party's expense,

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appropriate UCC-3 termination statements and other releases as reasonably requested by such Credit Party.

#### 6.9 ERISA

No Credit Party shall, nor shall it cause or permit any ERISA Affiliate to, cause or permit to occur an event that could result in the imposition of a Lien under Section 412(n) of the IRC or Section 302(f) or 4068 of ERISA or cause or permit to occur an ERISA Event to the extent such Lien or such ERISA Event could reasonably be expected to have a Material Adverse Effect.

#### 6.10 Financial Covenants

No Borrower shall breach or fail to comply with any of the Financial Covenants.

#### 6.11 Hazardous Materials

No Credit Party shall cause or permit a Release of any Hazardous Material on, at, in, under, above, to, from or about any of the Real Estate where such Release would (a) violate in any respect, or form the basis for any Environmental Liabilities under, any Environmental Laws or Environmental Permits or (b) otherwise adversely impact the value or marketability of any of the Real Estate or any of the Collateral, other than such violations or impacts that could not reasonably be expected to have a Material Adverse Effect.

#### 6.12 Designated Senior Debt

This Agreement and the Indebtedness arising hereunder are "Designated Senior Debt" under the Senior Subordinated Note Indenture and H&E shall not designate any other Indebtedness or any credit agreement as "Designated Senior Debt" thereunder without the prior consent of Requisite Lenders

#### 6.13 Cancellation of Indebtedness

No Credit Party shall cancel any claim or debt owing to it having a face value exceeding \$100,000 except for reasonable consideration negotiated on an arm's-length basis and in the ordinary course of its business consistent with past practices.

#### 6.14 Restricted Payments

No Credit Party shall make any Restricted Payment, except (a) intercompany loans and advances between Borrowers and payments of principal and interest on Intercompany Notes, in each case to the extent permitted by Section 6.3, (b) dividends and distributions by Subsidiaries of a Borrower paid to such Borrower, (c) employee loans permitted under Section 6.4(b) above, (d) payments of management fees pursuant to the BRS Management Services Agreement in accordance with Section 3.14 on the Closing Date, and thereafter not to exceed the greater, on an annual basis, of (x) \$2,000,000 or (y) one point seventy-five percent (1.75%) of EBITDAR for the immediately preceding Fiscal Year, in each case plus reasonable out-of-pocket expenses,

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(e) scheduled payments of interest as and when due and payable with respect to the Subordinated Debt, subject to the subordination terms thereof, (f) repurchases of Stock of any employee of such Credit Party upon termination of such employee, subject to Section 6.4(b), (g) distributions to H&E Holdings to the extent necessary to pay the taxes of H&E Holdings and to cover administrative fees and reasonable out-of-pocket expenses, and with respect to such fees and expenses in an amount not to exceed \$250,000, and (h) distributions of Stock of such Credit Party in connection with the cashless exercise of options by the holders of options for Stock of such Credit Party; *provided*, that in the case of clauses (d) and (f) above (i) no Default or Event of Default shall have occurred and be continuing or would result after giving effect to any Restricted Payment pursuant to clauses (d) and (f) above.

#### 6.15 Change of Name or Location; Change of Fiscal Year

No Credit Party shall (a) change its name as it appears in official filings in the state of its incorporation or organization, or (b) change its offices or warehouses or locations at which Collateral is held or stored, or the location of its records concerning the Collateral, (c) change the type of entity that it is, (d) change its organization identification number, if any, issued by its state of incorporation or organization, or (e) change its state of incorporation or organization, in each case without at least thirty (30) days prior written notice to Agent and after Agent's written acknowledgment that any reasonable action requested by Agent in connection therewith, including to continue the perfection of any Liens in favor of Agent, on behalf of Lenders, in any Collateral, has been completed or taken; *provided* that any such new location shall be in the continental United States. Without limiting the foregoing, no Credit Party shall change its name, identity or limited liability company (or corporate, as the case may be) structure in any manner that might make any financing or continuation statement filed in connection herewith seriously misleading within the meaning of Section 9-506 or 9-507 of the Code or any other then applicable provision of the Code except upon prior written notice to Agent and Lenders and after Agent's written acknowledgment that any reasonable action requested by Agent in connection therewith, including to continue the perfection of any Liens in favor of Agent, on behalf of Lenders, in any Collateral, has been completed or taken. No Credit Party shall change its Fiscal Year without the prior consent of Agent.

6.16 No Impairment of Intercompany Transfers

No Credit Party shall directly or indirectly enter into or become bound by any agreement, instrument, indenture or other obligation (other than this Agreement and the other Loan Documents) that could directly or indirectly restrict, prohibit or require the consent of any Person with respect to the payment of dividends or distributions or the making or repayment of intercompany loans by a Subsidiary of a Borrower to such Borrower or between Borrowers.

6.17 No Speculative Transactions

No Credit Party shall engage in any transaction involving commodity options, futures contracts or similar transactions, except solely to hedge against fluctuations in the prices of commodities

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owned or purchased by it and the values of foreign currencies receivable or payable by it and interest swaps, caps or collars under a Hedging Agreement; *provided* that (i) any such Hedging Agreement must have a Lender as the sole counterparty, (ii) at any time, the aggregate amount payable upon termination, liquidation or cancellation of such Hedging Agreements for all Credit Parties, calculated in accordance with GAAP, shall not exceed \$1,000,000 and (iii) at any time, Agent may maintain Reserves in the amount of such aggregate amount.

6.18 Changes Relating to Senior Debt; Subordinated Debt Designation of Credit Facility

- (a) No Credit Party shall change or amend the terms of any Senior Debt or Subordinated Debt (or any indenture or agreement in connection therewith) if the effect of such amendment is to: (a) increase the interest rate on such Senior Debt or such Subordinated Debt by more than two percentage points (2%); (b) change the dates upon which payments of principal or interest are due on such Senior Debt or such Subordinated Debt other than to extend such dates; (c) add any default, event of default or change any default or event of default other than to delete or make less restrictive any default provision therein, or add any covenant with respect to such Senior Debt or such Subordinated Debt; (d) add any covenant or change any covenant in a matter adverse to such Credit Party, (e) change the redemption or prepayment provisions of such Senior Debt or such Subordinated Debt other than to extend the dates therefor or to reduce the premiums payable in connection therewith; (f) grant any security or collateral to secure payment of such Senior Debt or such Subordinated Debt; (g) with respect to the Senior Note Indenture and the Senior Subordinated Note Indenture, each change or amend the asset sale provision of the Senior Note Indenture or the Senior Subordinated Note Indenture, in each case, without the prior written approval of the Required Lenders, (h) change or amend the definition of "Borrowing Base" contained therein, or (i) change or amend any other term if such change or amendment would materially increase the obligations of the Credit Party thereunder or confer additional material rights on the holder of such Senior Debt or such Subordinated Debt in a manner adverse to any Credit Party, Agent or any Lender.
- (b) No Credit Party shall designate any credit agreement, credit facility, documents, agreement or indebtedness as a "Credit Facility" under and as such term is defined in the Senior Note Indenture, as originally in effect or as a "Credit Facility" under which as such term is defined in the Senior Subordinated Note Indenture, as originally in effect, other than, in each case, this Agreement, or, except for this Agreement and the Loan Documents, otherwise grant to any Indebtedness or Liens securing the same the rights of "Priority Lien Obligations" or "Priority Liens" as such terms are defined in the Senior Note Indenture, as originally in effect.

6.19 Changes in Depreciation Schedules

No Credit Party shall change or amend the schedules or methodology used to calculate depreciation on its assets (except as required by applicable law or by a change in GAAP).

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6.20 Credit Parties Other than Borrowers

None of H&E Holdings, H&E Finance and GNE Investments shall engage in any trade or business, or own any assets (other than Stock of their Subsidiaries) or incur any Indebtedness or Guaranteed Indebtedness (other than the Obligations); *provided* that (i) H&E Finance may consummate the transactions contemplated by the Senior Note Indenture and the Senior Subordinated Note Indenture, (ii) H&E Holdings may incur certain rights and obligations under the BRS Management Agreement and (iii) GNE Investments may provide the guaranty of (x) the Senior Notes as provided for in the Senior Note Indenture and (y) the Senior Subordinated Notes as provided for in the Senior Subordinated Note Indenture and (iv) H&E, H&E Finance and GNE Investments may consummate the Related Transactions.

6.21 Lock Box Remittances; Vendor Payments

No Credit Party shall make, direct or permit any remittance to be made into any lock box maintained for the benefit of Agent that is subject to any Lien or claim or other interest of any Person, other than Liens in favor of Agent, on behalf of itself and Lenders, and Collateral Agent, on behalf of

the holders of Senior Notes and Liens in favor of the applicable depository bank permitted by the applicable lock box or pledged account agreement with such depository bank; *provided*, that the Credit Parties shall not be in default under this Section 6.21 if the amount on deposit in the deposit accounts associated with all such lock boxes and subject to any Lien or claim of any Person (other than the depository bank) does not exceed \$200,000 in the aggregate at any time. No Credit Party shall send an invoice or otherwise bill any purchaser with respect to the purchase of any Floor Plan Equipment Inventory or any Off Balance Sheet Equipment Inventory (that has been purchased by a Credit Party) prior to the payment by such Credit Party of the purchase price of such Floor Plan Equipment Inventory or such Off Balance Sheet Equipment Inventory into such a lock box. Each Credit Party shall comply with all requirements of each Vendor Inter-Creditor Agreement and shall give all notices and take all other actions under each Vendor Inter-Creditor Agreement to insure compliance with the requirements of this Section 6.21.

## 7. TERM

### 7.1 Termination

The financing arrangements contemplated hereby shall be in effect until the Commitment Termination Date, and the Loans and all other Obligations shall be automatically due and payable in full on such date.

### 7.2 Survival of Obligations Upon Termination of Financing Arrangements

Except as otherwise expressly provided for in the Loan Documents, no termination or cancellation (regardless of cause or procedure) of any financing arrangement under this Agreement shall in any way affect or impair the obligations, duties and liabilities of Credit Parties or the rights of Agent and Lenders relating to any unpaid portion of the Loans or any other

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Obligations, due or not due, liquidated, contingent or unliquidated, or any transaction or event occurring prior to such termination, or any transaction or event, the performance of which is required after the Commitment Termination Date. Except as otherwise expressly provided herein or in any other Loan Document, all undertakings, agreements, covenants, warranties and representations of or binding upon any Credit Party, and all rights of Agent and each Lender, all as contained in the Loan Documents, shall not terminate or expire, but rather shall survive any such termination or cancellation and shall continue in full force and effect until the Termination Date, whereupon it shall terminate; *provided*, that the provisions of Section 11, the payment obligations under Sections 1.15 and 1.16, and the indemnities contained in the Loan Documents shall survive the Termination Date and *provided further* that the indemnities contained in the Loan Documents in favor of a Lender shall survive the assignment by such Lender of the Commitments and Loans of such Lender.

### 7.3 Default Purchase Option

Agent agrees to promptly provide notice to the trustee under the Senior Note Indenture when there has occurred the maturity (including as a result of acceleration or the commencement of an Event of Default under Section 8.1(h) or 8.1(i)) of the Obligations and the termination of the Revolving Loan Commitment. Such notice (the **“Default Notice”**) shall include the name and address of each Lender, and Agent agrees to notify Trustee of the name and address of any new Lender that acquires a Loan during the period beginning on the date of such Default Notice and ending on the earlier of the date twenty (20) Business Days following the delivery of the Default Notice or the Authorized Representative Property Elects under this Section 7.3. If an Authorized Representative Properly Elects to purchase all “Priority Lien Indebtedness” (as such term is defined in the Senior Note Indenture as originally in effect) arising under or secured by the Loan Documents (including, without limitation, Indebtedness arising under Hedging Agreements secured thereby), each Lender agrees to sell all, but not less than all, of the principal of and interest on and all prepayment or acceleration penalties and premiums in respect of the Loans outstanding at the time of purchase and all other Obligations (except Unasserted Contingent Obligations (as defined in the Senior Note Indenture as originally in effect)) then outstanding, together with all rights of such Lender with respect to Jo Liens securing such Obligations and all Guarantees and other supporting obligations relating to such Obligations (the **“Subject Property”**), to Eligible Purchasers (as such term is defined in the Senior Note Indenture as originally in effect) identified by the Authorized Representative upon the following terms and conditions: (a) for a purchase price equal to 100% of the principal amount and accrued interest outstanding on the Obligations included in the Subject Property on the date of purchase plus all other Obligations included in the Subject Property (except any prepayment or acceleration penalty or premium (the term “prepayment penalty or acceleration premium” being deemed not to include default interest or LIBOR Rate breakage costs)) then unpaid, (b) with such purchase price payable in cash on the date of purchase (which date of purchase shall occur before the latter of (i) twenty (20) Business Days following the date of receipt by such trustee of the Default Notice and (ii) five (5) Business Days after the Authorized Representative shall have Properly Elected to purchase under this Section 7.3), against transfer to one or more “Eligible Purchasers” or its

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nominee or transferee identified by the Authorized Representative (such transfer to be without recourse and without any representation or warranty whatsoever, whether as to the enforceability of any Obligations included in the Subject Property or the validity, enforceability, perfection or priority or sufficiency of any Lien securing, or Guaranty or other supporting obligation for, any Obligations included in the Subject Property or as to any other matter whatsoever, except only the representation and warranty that the transferee is transferring free and clear of all Liens and encumbrances (other than those that will be satisfied and discharged concurrently with the closing of such purchase), and has good right to convey, whatever claims and interest it may have in respect of the Subject Property pursuant to the Loan Documents), (c) with such purchase accompanied by a deposit by the Authorized Representative on behalf of such “Eligible Purchasers” of cash collateral under control of the Agent (pursuant to agreements reasonably acceptable to the Agent and with a depository reasonably acceptable to the Agent) in an amount equal to 105% of the undrawn amount of each Letter of Credit then outstanding, as security for the additional obligation of the purchaser to purchase, at par plus accrued interest, the reimbursement obligation in respect of such Letters of Credit as and when such Letters of Credit are funded and to pay all Obligations included in the Subject Property then outstanding relating to such Letter of Credit and (d) upon documents reasonably acceptable to Agent, such Lender and the Authorized Representative and consistent with the foregoing clauses (a) through (c). The option to purchase under this Section 7.3 is exercisable only once. An **“Authorized Representative”** shall mean the Trustee or an Eligible Purchaser (as such term is defined in the Senior Note Indenture as originally in effect) who the Trustee, in a writing delivered to the Agent and each Lender, indicates is authorized to exercise rights under this Section 7.3. The term **“Properly Elects”** means the delivery within twenty (20) Business Days following receipt by the Trustee of notice of acceleration of the Obligations and termination of the Commitments to the Agent and each Lender by an Authorized Representative of an irrevocable written notice to

purchase all "Priority Lien Indebtedness" (as such term is defined in the Senior Note Indenture as originally in effect) arising under or secured by the Loan Documents (including, without limitation, Indebtedness arising under Hedging Agreements) pursuant to the terms of this Section 7.3.

## 8. EVENTS OF DEFAULT: RIGHTS AND REMEDIES

### 8.1 Events of Default

The occurrence of any one or more of the following events (regardless of the reason therefor) shall constitute an "Event of Default" hereunder:

- (a) Any Borrower (i) fails to make any payment of principal of; or interest on, or Fees owing in respect of, the Loans or any of the other Obligations when due and payable, or fails to provide cash collateral as and when required, or (ii) fails to pay or reimburse Agent or Lenders for any expense reimbursable hereunder or under any other Loan Document within ten (10) days following Agent's demand for such reimbursement or payment of expenses.

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- (b) Any Credit Party fails or neglects to perform, keep or observe any of the provisions of Sections 1.4, 1.8, 5.4(a) or 6 applicable to it, or any of the provisions set forth in Annexes C, E or G, respectively applicable to it.
- (c) Any Credit Party fails or neglects to perform, keep or observe any of the provisions of Section 4 or any provisions set forth in Annex F, applicable to it and the same shall remain unremedied for ten (10) days or more.
- (d) Any Credit Party fails or neglects to perform, keep or observe any other provision of this Agreement or of any of the other Loan Documents applicable to it, (other than any provision embodied in or covered by any other clause of this Section 8.1) and the same shall remain unremedied for thirty (30) days or more.
- (e) A default or breach occurs under any other agreement, document or instrument to which any Credit Party is a party that is not cured within any applicable grace period therefor, and such default or breach (i) involves the failure to make any payment when due in respect of any Indebtedness or Guaranteed Indebtedness (other than the Obligations) of any Credit Party, including the Senior Debt and the Indebtedness under the Senior Subordinated Note Indenture, in excess of \$2,000,000 in the aggregate (including (x) undrawn committed or available amounts and (y) amounts owing to all creditors under any combined or syndicated credit arrangements), or in respect of any lease under which any Credit Party is lessee under which the aggregate cost of the leased property exceeds \$2,000,000, or (ii) causes, or permits any holder of such Indebtedness or Guaranteed Indebtedness or a trustee to cause, Indebtedness or Guaranteed Indebtedness or a portion thereof, including the Senior Debt, in excess of \$2,000,000 in the aggregate, or rent in excess of \$2,000,000 in the aggregate, to become due prior to its stated maturity or prior to its regularly scheduled dates of payment, or cash collateralized in respect thereof to be demanded, in each case, regardless of whether such right is exercised, by such holder or trustee.
- (f) Any information contained in any Borrowing Base Certificate is untrue or incorrect in any respect (other than inadvertent, immaterial errors not exceeding \$2,500,000 in the aggregate in any Borrowing Base Certificate), or any representation or warranty herein or in any Loan Document or in any written statement, report, financial statement or certificate (other than a Borrowing Base Certificate) made or delivered to Agent or any Lender by any Credit Party is untrue or incorrect in any material respect as of the date when made or deemed made.
- (g) Assets with a value in excess of \$1,000,000 of any Credit Party are attached, seized, levied upon or subjected to a writ or distress warrant, or come within the possession of any receiver, trustee, custodian or assignee for the benefit of creditors of any Credit Party and such condition continues for sixty (60) days or more.

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- (h) A case or proceeding is commenced against any Credit Party seeking a decree or order in respect of such Credit Party (i) under the Bankruptcy Code, or any other applicable federal, state or foreign bankruptcy or other similar law, (ii) appointing a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) for such Credit Party or for any substantial part of any such Credit Party's assets, or (iii) ordering the winding-up or liquidation of the affairs of such Credit Party, and such case or proceeding shall remain undismissed or unstayed for 60 days or more or a decree or order granting the relief sought in such case or proceeding shall be entered by a court of competent jurisdiction.
- (i) Any Credit Party (i) files a petition seeking relief under the Bankruptcy Code, or any other applicable federal, state or foreign bankruptcy or other similar law, (ii) consents to or fails to contest in a timely and appropriate manner the institution of proceedings thereunder or the filing of any such petition or the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) for such Credit Party or for any substantial part of any such Credit Party's assets, (iii) makes an assignment for the benefit of creditors, (iv) takes any action in furtherance of any of the foregoing or (v) admits in writing its inability to, or is generally unable to, pay its debts as such debts become due.
- (j) A final judgment or judgments for the payment of money in excess of \$1,000,000 in the aggregate at any time are outstanding against one or more of the Credit Parties and the same are not, within 30 days after the entry thereof, discharged or execution thereof stayed or bonded pending appeal, or such judgments are not discharged prior to the expiration of any such stay.
- (k) Any material provision of any Loan Document for any reason ceases to be valid, binding and enforceable in accordance with its terms (or any Credit Party shall challenge the enforceability of any Loan Document or shall assert in writing, or engage in any action or inaction based on any such assertion, that any provision of any of the Loan Documents has ceased to be or otherwise is not valid, binding and enforceable in accordance with its terms), or any Lien created under any Loan Document on assets with a value in excess of \$1,000,000 in the aggregate ceases to be a valid and perfected first priority Lien (except as otherwise permitted herein or therein) in any of the Collateral purported to be covered thereby.
- (l) Any Change of Control occurs.

## 8.2 Remedies

- (a) If any Default or Event of Default has occurred and is continuing, Agent may (and at the written request of the Requisite Lenders shall), without notice, suspend this facility with respect to additional Advances and/or the incurrence of additional Letter of Credit Obligations, whereupon any additional Advances and additional Letter of Credit

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Obligations shall be made or incurred in Agent's sole discretion (or in the sole discretion of the Requisite Lenders, if such suspension occurred at their direction) so long as such Default or Event of Default is continuing. If any Default or Event of Default has occurred and is continuing, Agent may (and at the written request of Requisite Lenders shall), without notice except as otherwise expressly provided herein, increase the rate of interest applicable to the Loans and the Letter of Credit Fees to the Default Rate.

- (b) If any Event of Default has occurred and is continuing, Agent may (and at the written request of the Requisite Lenders shall), without notice, (i) terminate this facility with respect to further Advances or the incurrence of further Letter of Credit Obligations, (ii) declare all or any portion of the Obligations, including all or any portion of any Loan to be forthwith due and payable, and require that the Letter of Credit Obligations be cash collateralized as provided in Annex B, all without presentment, demand, protest or further notice of any kind, all of which are expressly waived by each Credit Party, or (iii) exercise any rights and remedies provided to Agent under the Loan Documents or at law or equity, including all remedies provided under the Code; *provided*, that upon the occurrence of an Event of Default specified in Section 8.1(h) or Section 8.1(i), all of the Obligations, including the Revolving Loan, shall become immediately due and payable without declaration, notice or demand by any Person.

## 8.3 Waivers by Credit Parties

Except as otherwise provided for in this Agreement or by applicable law, each Credit Party waives (including for purposes of Section 12):

- (a) presentment, demand and protest and notice of presentment, dishonor, notice of intent to accelerate, notice of acceleration, protest, default, nonpayment, maturity, release, compromise, settlement, extension or renewal of any or all commercial paper, accounts, contract rights, documents, instruments, chattel paper and guaranties at any time held by Agent on which any Credit Party may in any way be liable, and hereby ratifies and confirms whatever Agent may do in this regard, (b) all rights to notice and a hearing prior to Agent's taking possession or control of, or to Agent's replevy, attachment or levy upon, the Collateral or any bond or security that might be required by any court prior to allowing Agent to exercise any of its remedies, and (c) the benefit of all valuation, appraisal, marshalling and exemption laws.

## 9. ASSIGNMENT AND PARTICIPATIONS; APPOINTMENT OF AGENT

### 9.1 Assignment and Participations

- (a) Subject to the terms of this Section 9.1, any Lender may make an assignment to a Qualified Assignee of, or sell participations in, at any time or times, the Loan Documents, Loans, Letter of Credit Obligations and any Commitment or any portion thereof or interest therein, including any Lender's rights, title, interests, remedies, powers or duties thereunder. Any assignment by a Lender shall (i) require the consent of Agent (which consent shall not be unreasonably withheld or delayed with respect to a Qualified

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Assignee) and, so long as no Default or Event of Default has occurred and is continuing, the Borrower Representative (which shall not be unreasonably withheld or delayed) and the execution of an assignment agreement (an "**Assignment Agreement**") substantially in the form attached hereto as Exhibit 9.1(a) and otherwise in form and substance reasonably satisfactory to, and acknowledged by, Agent, *provided*, that neither the Agent's nor the Borrower Representative's consent shall be required if such assignment is to an existing Lender, to an Affiliate of such assigning Lender or to a special purpose entity organized to acquire commercial loans and managed by an existing Lender or an Affiliate or an existing Lender, and, *provided, further* that Borrower Representative's consent shall not be required if such assignment is to a Qualified Assignee; (ii) be conditioned on such assignee Lender representing to the assigning Lender and Agent that it is purchasing the applicable Loans to be assigned to it for its own account, for investment purposes and not with a view to the distribution thereof; (iii) after giving effect to any such partial assignment, the assignee Lender shall have Commitments in an amount at least equal to \$5,000,000 and the assigning Lender shall have retained Commitments in an amount at least equal to \$5,000,000; (iv) include a payment to Agent by the assignor or assignee of an assignment fee of \$3,500. In the case of an assignment by a Lender under this Section 9.1, the assignee shall have, to the extent of such assignment, the same rights, benefits and obligations as all other Lenders hereunder and (v) not be effective until such assignment is reflected in the Loan Account. Subject to the proviso in the last sentence of Section 7.2, the assigning Lender shall be relieved of its obligations hereunder with respect to its Commitments or assigned portion thereof from and after the date of such assignment. Each Credit Party hereby acknowledges and agrees that any assignment shall give rise to a direct obligation of such Credit Party to the assignee and that the assignee shall be considered to be a "**Lender**". In all instances, each Lender's liability to make Loans hereunder shall be several and not joint and shall be limited to such Lender's Pro Rata Share of the applicable Commitment. In the event Agent or any Lender assigns or otherwise transfers all or any part of a Note, Agent or any such Lender shall so notify Borrowers and each Borrower shall execute new Notes in exchange for the Notes being assigned. Notwithstanding the foregoing provisions of this Section 9.1(a), any Lender may at any time pledge as security for obligations of such Lender or assign all or any portion of such Lender's rights under this Agreement and the other Loan Documents to any Person, including to a Federal Reserve Bank; *provided*, that no such pledge or assignment shall release such Lender from such Lender's obligations hereunder or under any other Loan Document.

- (b) Any participation by a Lender of all or any part of its Commitments and Loans shall be entered into with the understanding that all amounts payable by Borrowers hereunder shall be determined as if that Lender had not sold such participation, and that the holder of any such participation shall not be entitled to require such Lender to take or omit to take any action hereunder except actions directly affecting (i) any reduction in the principal amount of, or interest rate or Fees payable with respect to, any Loan in which such holder participates, (ii) any extension of the final maturity of the principal amount of
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any Loan in which such holder participates, and (iii) any release of all or substantially all of the Collateral (other than in accordance with the terms of this Agreement, the Collateral Documents or the other Loan Documents). Each participation created by any Lender shall provide that it shall be terminated by such Lender upon sale of such Lender's Obligations pursuant to Section 7.3 (and such Lender shall pay to the participant all amounts required to be paid under such participation upon termination). Solely for purposes of Sections 1.13, 1.15, 1.16 and 9.8, each Borrower acknowledges and agrees that a participation shall give rise to a direct obligation of such Borrower to the participant and the participant shall be considered to be a "**Lender**"; *provided*, that any such participant shall not be entitled to receive any greater payment under Section 1.15 or Section 1.16 than the Lender granting such participation would have been entitled to receive with respect to the portion of its Commitment and Loans so participated. Except as set forth in the preceding sentence no Borrower shall have any obligation or duty to any participant. Neither Agent nor any Lender (other than the Lender selling a participation) shall have any duty to any participant and may continue to deal solely with the Lender selling a participation as if no such sale had occurred.

- (c) Except as expressly provided in this Section 9.1, no Lender shall, as between the Credit Parties, and that Lender, or Agent and that Lender, be relieved of any of its obligations hereunder as a result of any sale, assignment, transfer or negotiation of, or granting of participation in, all or any part of the Loans, the Notes or other Obligations owed to such Lender.
- (d) Each Credit Party shall assist any Lender permitted to sell assignments or participations under this Section 9.1 as reasonably required to enable the assigning or selling Lender to effect any such assignment or participation, including the execution and delivery of any and all agreements, notes and other documents and instruments as shall be requested and, in connection with the initial syndication of the Loans and Commitments and if otherwise requested by Agent, the preparation of informational materials for, and the participation of management in meetings with, potential assignees or participants. Each Credit Party shall certify the correctness, completeness and accuracy of all descriptions of the Credit Parties and their respective affairs contained in any selling materials provided by it and all other information provided by it and included in such materials, except that any Projections delivered by Borrowers shall only be certified by Borrowers as having been prepared by Borrowers in compliance with the representations contained in Section 3.4(c).
- (e) Any Lender may furnish any information concerning any Credit Party in the possession of such Lender from time to time to assignees and participants (including prospective assignees and participants); *provided*, that such Lender shall obtain from assignees or participants confidentiality covenants substantially equivalent to those contained in Section 11.8.

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- (f) So long as no Event of Default has occurred and is continuing, no Lender shall assign or sell participations in any portion of its Loans or Commitments to a potential Lender or participant, if, as of the date of the proposed assignment or sale, the assignee Lender or participant would be subject to capital adequacy, reserve or similar requirements under Section 1.16(a), increased costs under Section 1.16(b), an inability to fund LIBOR Loans under Section 1.16(c), or withholding taxes in accordance with Section 1.16(d).

## 9.2 Appointment of Agent

GE Capital is hereby appointed to act on behalf of all Lenders as Agent under this Agreement and the other Loan Documents. The provisions of this Section 9.2 are solely for the benefit of Agent and Lenders and no Credit Party nor any other Person shall have any rights as a third party beneficiary of any of the provisions hereof. In performing its functions and duties under this Agreement and the other Loan Documents, Agent shall act solely as an agent of Lenders and does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for any Credit Party or any other Person. Agent shall have no duties or responsibilities except for those expressly set forth in this Agreement and the other Loan Documents. The duties of Agent shall be mechanical and administrative in nature and Agent shall not have, or be deemed to have, by reason of this Agreement, any other Loan Document or otherwise a fiduciary relationship in respect of any Lender. Except as expressly set forth in this Agreement and the other Loan Documents, Agent shall not have any duty to disclose, and shall not be liable for failure to disclose, any information relating to any Credit Party or any of their respective Subsidiaries or any Account Debtor that is communicated to or obtained by GE Capital or any of its Affiliates in any capacity. Neither Agent nor any of its Affiliates nor any of their respective officers, directors, employees, agents or representatives shall be liable to any Lender for any action taken or omitted to be taken by it hereunder or under any other Loan Document, or in connection herewith or therewith, except for damages solely caused by its or their own gross negligence or willful misconduct as finally determined by a court of competent jurisdiction. Each Lender which is a party to a Hedging Agreement hereby appoints GE Capital as collateral agent under the Collateral Documents.

If Agent shall request instructions from Requisite Lenders, Majority Revolving Lenders or all affected Lenders with respect to any act or action (including failure to act) in connection with this Agreement or any other Loan Document, then Agent shall be entitled to refrain from such act or taking such action unless and until Agent shall have received instructions from Requisite Lenders, Majority Revolving Lenders, or all affected Lenders, as the case may be, and Agent shall not incur liability to any Person by reason of so refraining. Agent shall be fully justified in failing or refusing to take any action hereunder or under any other Loan Document (a) if such action would, in the opinion of Agent, be contrary to law or the terms of this Agreement or any other Loan Document, (b) if such action would, in the opinion of Agent, expose Agent to Environmental Liabilities or (c) if Agent shall not first be indemnified to its satisfaction against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Without limiting the foregoing, no Lender shall have any right of action whatsoever

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against Agent as a result of Agent acting or refraining from acting hereunder or under any other Loan Document in accordance with the instructions of Requisite Lenders, Majority Revolving Lenders or all affected Lenders, as applicable.

## 9.3 Agent's Reliance, Etc.

Neither Agent nor any of its Affiliates nor any of their respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement or the other Loan Documents, except for damages solely caused by its or their own gross negligence or willful misconduct as finally determined by a court of competent jurisdiction. Without limiting the generality of the foregoing, Agent: (a) may treat the payee of any Note as the holder thereof until Agent receives written notice of the assignment or transfer thereof

signed by such payee and in form reasonably satisfactory to Agent; (b) may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations made in or in connection with this Agreement or the other Loan Documents; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or the other Loan Documents on the part of any Credit Party or to inspect the Collateral (including the books and records) of any Credit Party; (e) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto; and (f) shall incur no liability under or in respect of this Agreement or the other Loan Documents by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopy, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

#### 9.4 GE Capital and Affiliates

With respect to its Commitments hereunder, GE Capital shall have the same rights and powers under this Agreement and the other Loan Documents as any other Lender and may exercise the same as though it were not Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include GE Capital in its individual capacity. GE Capital and its Affiliates may lend money to, invest in, and generally engage in any kind of business with, any Credit Party, any of its Affiliates and any Person who may do business with or own securities of any Credit Party or any such Affiliate, all as if GE Capital were not Agent and without any duty to account therefor to Lenders. GE Capital and its Affiliates may accept fees and other consideration from any Credit Party for services in connection with this Agreement or otherwise without having to account for the same to Lenders.

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#### 9.5 Lender Credit Decision

Each Lender acknowledges that it has, independently and without reliance upon Agent or any other Lender and based on the Financial Statements referred to in Section 3.4(a) and such other documents and information as it has deemed appropriate, made its own credit and financial analysis of the Credit Parties and its own decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement. Each Lender acknowledges the potential conflict of interest of each other Lender as a result of Lenders holding disproportionate interests in the Loans, and expressly consents to, and waives any claim based upon, such conflict of interest.

#### 9.6 Indemnification

Lenders agree to indemnify Agent and Arranger (to the extent not reimbursed by Credit Parties and without limiting the obligations of Credit Parties hereunder), ratably according to their respective Pro Rata Shares, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against Agent or Arranger in any way relating to or arising out of this Agreement or any other Loan Document or any action taken or omitted to be taken by Agent or Arranger in connection therewith; *provided*, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from Agent's or Arranger's gross negligence or willful misconduct as finally determined by a court of competent jurisdiction. Without limiting the foregoing, each Lender agrees to reimburse Agent or Arranger promptly upon demand for its ratable share of any out-of-pocket expenses (including reasonable counsel fees) incurred by Agent or Arranger in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement and each other Loan Document, to the extent that Agent is not reimbursed for such expenses by the Credit Parties.

#### 9.7 Successor Agent

Agent may resign at any time by giving not less than thirty (30) days' prior written notice thereof to Lenders and Borrower Representative. Upon any such resignation, the Requisite Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Requisite Lenders and shall have accepted such appointment within 30 days after the resigning Agent's giving notice of resignation, then the resigning Agent may, on behalf of Lenders, appoint a successor Agent, which shall be a Lender, if a Lender is willing to accept such appointment, or otherwise shall be a commercial bank or financial institution or a subsidiary of a commercial bank or financial institution if such commercial bank or financial institution is organized under the laws of the United States of America or of any State thereof and has a

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combined capital and surplus of at least \$300,000,000. If no successor Agent has been appointed pursuant to the foregoing, within thirty (30) days after the date such notice of resignation was given by the resigning Agent, such resignation shall become effective and the Requisite Lenders shall thereafter perform all the duties of Agent hereunder until such time, if any, as the Requisite Lenders appoint a successor Agent as provided above. Any successor Agent appointed by Requisite Lenders hereunder shall be subject to the approval of Borrower Representative, such approval not to be unreasonably withheld or delayed; *provided*, that such approval shall not be required if a Default or an Event of Default has occurred and is continuing. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall succeed to and become vested with all the rights, powers, privileges and duties of the resigning Agent. Upon the earlier of the acceptance of any appointment as Agent hereunder by a successor Agent or the effective date of the resigning Agent's resignation, the resigning Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents, except that any indemnity rights or other rights in favor of such resigning Agent shall continue. After any resigning Agent's resignation hereunder, the provisions of this Section 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was acting as Agent under this Agreement and the other Loan Documents. Agent may be removed at the written direction of the holders (other than Agent) of two-thirds or more of the Commitments (excluding Agent's Commitment); *provided*, that in so doing, such Lenders shall be deemed to have waived and released any and all claims they may have against Agent.

#### 9.8 Co-Agents



None of the Lenders identified on the facing page or signature pages of this Agreement or any related document as “documentation agent”, “syndication agent” or “arranger” shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders so identified as “documentation agent”, “syndication agent” or “arranger” shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on any of the Lenders so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

## 9.9 Setoff and Sharing of Payments

In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence and during the continuance of any Event of Default and subject to Section 9.9(f), each Lender is hereby authorized at any time or from time to time, without notice to any Credit Party or to any other Person, any such notice being hereby expressly waived, to offset and to appropriate and to apply any and all balances held by it at any of its offices for the account of any Credit Party (regardless of whether such balances are then due to such Credit Party) and any other properties or assets at any time held or owing by that Lender or that holder to or for the credit or for the account of any Credit Party against and on account of any of the Obligations that are not paid when due. Any Lender exercising a right of setoff or otherwise receiving any payment on account of the Obligations in excess of its Pro Rata Share

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thereof (other than any right of setoff exercised with respect to, or payments under, Section 1.13, 1.15 or 1.16) shall purchase for cash (and the other Lenders or holders shall sell) such participations in each such other Lender’s or holder’s Pro Rata Share of the Obligations as would be necessary to cause such Lender to share the amount so offset or otherwise received with each other Lender or holder in accordance with their respective Pro Rata Shares, Each Lender’s obligation under this Section 9.8 shall be in addition to and not in limitation of its obligations to purchase a participation in an amount equal to its Pro Rata Share of the Swing Line Loans under Section 1.1. Each Credit Party agrees, to the fullest extent permitted by law, that (a) any Lender may exercise its right to offset with respect to amounts in excess of its Pro Rata Share of the Obligations and may sell participations in such amounts so offset to other Lenders and holders and (b) any Lender so purchasing a participation in the Loans made or other Obligations held by other Lenders or holders may exercise all rights of offset, bankers’ lien, counterclaim or similar rights with respect to such participation as fully as if such Lender or holder were a direct holder of the Loans and the other Obligations in the amount of such participation. Notwithstanding the foregoing, if all or any portion of the offset amount or payment otherwise received is thereafter recovered from the Lender that has exercised the right of offset, the purchase of participations by that Lender shall be rescinded and the purchase price restored without interest.

## 9.10 Advances; Payments; Non-Funding Lenders; Information; Actions in Concert

### (a) Advances; Payments

- (i) Revolving Lenders shall refund or participate in the Swing Line Loan in accordance with clauses (iii) and (iv) of Section 1.1(b). If the Swing Line Lender declines to make a Swing Line Loan or if Swing Line Availability is zero, Agent shall notify Revolving Lenders, promptly after receipt of a Notice of Revolving Credit Advance and in any event prior to noon (New York time) on the date such Notice of Revolving Credit Advance is received, by telecopy, telephone or other similar form of transmission. Each Revolving Lender shall make the amount of such Lender’s Pro Rata Share of each Revolving Credit Advance available to Agent in same day funds by wire transfer to Agent’s account as set forth in Annex H not later than 3:00 p.m. (New York time) on the requested funding date, in the case of an Index Rate Loan, and not later than 3:00 p.m. (New York time) on the requested funding date in the case of a LIBOR Loan. After receipt of such wire transfers (or, in the Agent’s sole discretion, before receipt of such wire transfers), subject to the terms hereof, Agent shall make the requested Revolving Credit Advance to the Borrower designated by Borrower Representative in the Notice of Revolving Credit Advance. All payments by each Revolving Lender shall be made without setoff, counterclaim or deduction of any kind.
- (ii) On the 2nd Business Day of each calendar week or more frequently at Agent’s election (each, a “**Settlement Date**”), Agent shall advise each Lender by telephone or telecopy of the amount of such Lender’s Pro Rata Share of principal,

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interest and Fees paid for the benefit of Lenders with respect to each applicable Loan. Provided that each Lender has funded all payments or Advances required to be made by it and purchased all participations required to be purchased by it under this Agreement and the other Loan Documents as of such Settlement Date, Agent shall pay to each Lender such Lender’s Pro Rata Share of principal, interest and Fees paid by Borrowers since the previous Settlement Date for the benefit of such Lender on the Loans held by it. To the extent that any Lender (a “**Non-Funding Lender**”) has failed to fund all such payments and Advances or failed to fund the purchase of all such participations, Agent shall be entitled to set off the funding short-fall against that Non-Funding Lender’s Pro Rata Share of all payments received from Borrowers. Such payments shall be made by wire transfer to such Lender’s account (as specified by such Lender in Annex H or the applicable Assignment Agreement) not later than 2:00 p.m. (New York time) on the next Business Day following each Settlement Date.

### (b) Availability of Lender’s Pro Rata Share

Agent may assume that each Revolving Lender will make its Pro Rata Share of each Revolving Credit Advance available to Agent on each funding date. If such Pro Rata Share is not, in fact, paid to Agent by such Revolving Lender when due, Agent will be entitled to recover such amount on demand from such Revolving Lender without setoff, counterclaim or deduction of any kind. If any Revolving Lender fails to pay the amount of its Pro Rata Share forthwith upon Agent’s demand, Agent shall promptly notify Borrower Representative and Borrowers shall immediately repay such amount to Agent. Nothing in this Section 9.9(b) or elsewhere in this Agreement or the other Loan Documents shall be deemed to require Agent to advance funds on behalf of any Revolving Lender or to relieve any Revolving Lender from its obligation to fulfill its Commitments hereunder or to prejudice any rights that Borrowers may have against any Revolving Lender as a result of any default by such Revolving Lender hereunder. To the extent that Agent advances funds to any Borrower on behalf of any Revolving Lender and is not reimbursed therefor on the same Business Day as such Advance is made, Agent shall be entitled to retain for its account all interest accrued on such Advance until reimbursed by the applicable Revolving Lender.

(c) Return of Payments

- (i) If Agent pays an amount to a Lender under this Agreement in the belief or expectation that a related payment has been or will be received by Agent from Borrowers and such related payment is not received by Agent, then Agent will be entitled to recover such amount from such Lender on demand without setoff, counterclaim or deduction of any kind.
- (ii) If Agent determines at any time that any amount received by Agent under this Agreement must be returned to any Borrower or paid to any other Person

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pursuant to any insolvency law or otherwise, then, notwithstanding any other term or condition of this Agreement or any other Loan Document, Agent will not be required to distribute any portion thereof to any Lender. In addition, each Lender will repay to Agent on demand any portion of such amount that Agent has distributed to such Lender, together with interest at such rate, if any, as Agent is required to pay to any Borrower or such other Person, without setoff, counterclaim or deduction of any kind.

(d) Non-Funding Lenders

The failure of any Non-Funding Lender to make any Revolving Credit Advance or any payment required by it hereunder or to purchase any participation in any Swing Line Loan to be made or purchased by it on the date specified therefor shall not relieve any other Lender (each such other Revolving Lender, an **“Other Lender”**) of its obligations to make such Advance or purchase such participation on such date, but neither any Other Lender nor Agent shall be responsible for the failure of any Non-Funding Lender to make an Advance, purchase a participation or make any other payment required hereunder. Notwithstanding anything set forth herein to the contrary, a Non-Funding Lender shall not have any voting or consent rights under or with respect to any Loan Document or constitute a “Lender” or a “Revolving Lender” (or be included in the calculation of “Requisite Lenders” or “Majority Revolving Lenders” hereunder) for any voting or consent rights under or with respect to any Loan Document. At Borrower Representative’s request, Agent or a Person reasonably acceptable to Agent shall have the right with Agent’s consent and in Agent’s sole discretion (but shall have no obligation) to purchase from any Non-Funding Lender, and each Non-Funding Lender agrees that it shall, at Agent’s request, sell and assign to Agent or such Person, all of the Commitments of that Non-Funding Lender for an amount equal to the principal balance of all Loans held by such Non-Funding Lender and all accrued interest and fees with respect thereto through the date of sale, such purchase and sale to be consummated pursuant to an executed Assignment Agreement and in accordance with the recording requirements for transfers in Section 9.1.

(e) Dissemination of Information

Agent shall use reasonable efforts to provide Lenders with (i) any notice of Default or Event of Default received by Agent from, or delivered by Agent to, any Borrower, with notice of any Event of Default of which Agent has actually become aware and with notice of any action taken by Agent following any Event of Default; *provided*, that Agent shall not be liable to any Lender for any failure to do so, except to the extent that such failure is attributable solely to Agent’s gross negligence or willful misconduct as finally determined by a court of competent jurisdiction and (ii) any Equipment Inventory Appraisals, P&E Appraisals and Collateral audits received by Agent. Lenders acknowledge that Borrowers are required to provide Financial Statements and Collateral

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Reports to Lenders in accordance with Annexes E and F hereto and agree that Agent shall have no duty to provide the same to Lenders.

(f) Actions in Concert

Anything in this Agreement to the contrary notwithstanding, each Lender hereby agrees with each other Lender that no Lender shall take any action to protect or enforce its rights arising out of this Agreement or the Notes (including exercising any rights of setoff) without first obtaining the prior written consent of Agent and Requisite Lenders, it being the intent of Lenders that any such action to protect or enforce rights under this Agreement and the Notes shall be taken in concert and at the direction or with the consent of Agent or Requisite Lenders.

## 10. SUCCESSORS AND ASSIGNS

### 10.1 Successors and Assigns

This Agreement and the other Loan Documents shall be binding on and shall inure to the benefit of each Credit Party, Agent, Lenders and their respective successors and assigns (including, in the case of any Credit Party, a debtor-in-possession on behalf of such Credit Party), except as otherwise provided herein or therein. No Credit Party may assign, transfer, hypothecate or otherwise convey its rights, benefits, obligations or duties hereunder or under any of the other Loan Documents without the prior express written consent of Agent and Requisite Lenders. Any such purported assignment, transfer, hypothecation or other conveyance by any Credit Party without the prior express written consent of Agent and Requisite Lenders shall be void. The terms and provisions of this Agreement are for the purpose of defining the relative rights and obligations of each Credit Party, Agent and Lenders with respect to the transactions contemplated hereby and no Person shall be a third party beneficiary of any of the terms and provisions of this Agreement or any of the other Loan Documents.

## 11. MISCELLANEOUS

### 11.1 Complete Agreement; Modification of Agreement

The Loan Documents constitute the complete agreement between the parties with respect to the subject matter thereof and may not be modified, altered or amended except as set forth in Section 11.2. Any letter of interest, commitment letter or fee letter (other than the GE Capital Fee Letter) or confidentiality agreement, if any, between any Credit Party and Agent or any Lender or any of their respective Affiliates, predating this Agreement and relating to a financing of substantially similar form, purpose or effect shall be superseded by this Agreement.

- (a) Except for actions expressly permitted to be taken by Agent, no amendment, modification, termination or waiver of any provision of this Agreement or any other Loan Document, or any consent to any departure by any Credit Party therefrom, shall in any

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event be effective unless the same shall be in writing and signed by Agent and Borrowers, and by Requisite Lenders or all affected Lenders, as applicable. Except as set forth in clauses (b) and (c) below, all such amendments, modifications, terminations or waivers requiring the consent of any Lenders shall require the written consent of Requisite Lenders.

- (b) No amendment, modification, termination or waiver of or consent with respect to any provision of this Agreement that increases the percentage advance rates set forth in the definition of the Great Northern Borrowing Base or the H&E Borrowing Base, in each case, above the Original Advance Rates, shall be effective unless the same shall be in writing and signed by Agent, Lenders and Borrowers. No amendment, modification, termination or waiver of or consent with respect to any provision of this Agreement that waives compliance with the conditions precedent set forth in Section 2.2 to the making of any Loan or the incurrence of any Letter of Credit Obligations, shall be effective unless the same shall be in writing and signed by Agent, Requisite Lenders and Borrowers.
- (c) No amendment, modification, termination or waiver shall, unless in writing and signed by Agent and each Lender directly affected thereby: (i) increase the principal amount of any Lender's Commitment (which action shall be deemed to directly affect all Lenders); (ii) reduce the principal of, rate of interest on or Fees payable with respect to any Loan or Letter of Credit Obligations of any affected Lender; (iii) extend any scheduled payment date (other than payment dates of mandatory prepayments under Sections 1.3(b)(ii)-and (iii)) or final maturity date of the principal amount of any Loan of any affected Lender; (iv) waive, forgive, defer, extend or postpone any payment of interest or Fees payable to any affected Lender, (v) release any Guaranty or, (vi) except as otherwise permitted herein or in the other Loan Documents, permit any Credit Party to sell or otherwise dispose of any Collateral with a value exceeding \$5,000,000 in the aggregate (which action shall be deemed to directly affect all Lenders); (vii) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Loans that shall be required for Lenders, or any of them to take any action hereunder; (viii) amend the definition of Prohibited Swing Line Advance; (ix) change Section 1.1(b)(i) in any manner that increases the obligations of the Lenders with respect to any Swing Line Advance, (x) eliminate or make less restrictive any condition to lending under Section 2.2; or (xi) amend or waive this Section 11.2 or the definitions of the terms "Requisite Lenders" or "Majority Revolving Lenders" insofar as such definitions affect the substance of this Section 11.2. Furthermore, no amendment, modification, termination or waiver affecting the rights or duties of Agent or L/C Issuer under this Agreement or any other Loan Document shall be effective unless in writing and signed by Agent or L/C Issuer, as the case may be, in addition to Lenders required hereinabove to take such action. Each amendment, modification, termination or waiver shall be effective only in the specific instance and for the specific purpose for which it was given. No amendment, modification, termination or waiver shall be required for Agent to take additional Collateral pursuant to any Loan Document. No amendment, modification, termination or

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waiver of any provision of any Note shall be effective without the written concurrence of the holder of that Note. No notice to or demand on any Credit Party in any case shall entitle such Credit Party or any other Credit Party to any other or further notice or demand in similar or other circumstances. Any amendment, modification, termination, waiver or consent effected in accordance with this Section 11.2 shall be binding upon each Lender.

- (d) If, in connection with any proposed amendment, modification, waiver or termination (a "**Proposed Change**"): (i) requiring the consent of all affected Lenders, the consent of Requisite Lenders is obtained, but the consent of other Lenders whose consent is required is not obtained (any such Lender whose consent is not obtained as described in this clause (i) and in clauses (ii) and (iii) below being referred to as a "**Non-Consenting Lender**"), or (ii) requiring the consent of Requisite Lenders, the consent of Revolving Lenders holding 51% or more of the aggregate Revolving Loan Commitments is obtained, but the consent of Requisite Lenders is not obtained,

then, so long as Agent is not a Non-Consenting Lender, at Borrower Representative's request, Agent, or a Person reasonably acceptable to Agent, shall have the right with Agent's consent and in Agent's sole discretion (but shall have no obligation) to purchase from such Non-Consenting Lenders, and such Non-Consenting Lenders agree that they shall, upon Agent's request, sell and assign to Agent or such Person, all of the Commitments of such Non-Consenting Lenders for an amount equal to the principal balance of all Loans held by the Non-Consenting Lenders and all accrued interest and Fees with respect thereto through the date of sale, such purchase and sale to be consummated pursuant to an executed Assignment Agreement.

- (e) Upon payment in full in cash and performance of all of the Obligations (other than Unasserted Contingent Obligations), termination of the Commitments and all Letters of Credit (or the cash collateralization or backing with standby letters of credit of all Letters of Credit in accordance with Annex B) and a release of all claims against Agent and Lenders, and so long as no suits, actions, proceedings or claims are pending or threatened against any Indemnified Person asserting any damages, losses or liabilities that are Indemnified Liabilities, Agent shall deliver to the Credit Parties payoff letters, termination statements, mortgage releases and other documents necessary or appropriate to evidence the termination of the Liens securing payment of the Obligations.

### 11.3 Fees and Expenses

Borrowers shall reimburse (i) Agent and Arranger for all fees, costs and expenses (including the reasonable fees and expenses of all of its counsel, advisors, consultants and auditors) and (ii) Agent and Arranger (and, with respect to clauses (c) and (d) below, all Lenders) for all fees,

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costs and expenses, including the reasonable fees, costs and expenses of counsel or other advisors (including environmental and management consultants and appraisers), incurred in connection with the negotiation and preparation of the Loan Documents as well as those incurred in connection with:

- (a) the forwarding to any Borrower or any other Person on behalf of any Borrower by Agent of the proceeds of any Loan;
- (b) any amendment, modification or waiver of, consent with respect to, or termination of, any of the Loan Documents or Related Transactions Documents or advice in connection with the syndication and administration of the Loans made pursuant hereto or its rights hereunder or thereunder;
- (c) any litigation, contest, dispute, suit, proceeding or action (whether instituted by Agent, any Lender, any Borrower or any other Person and whether as a party, witness or otherwise) in any way relating to the Collateral, any of the Loan Documents or any other agreement to be executed or delivered in connection herewith or therewith, including any litigation, contest, dispute, suit, case, proceeding or action, and any appeal or review thereof, in connection with a case commenced by or against any or all of the Borrowers or any other Person that may be obligated to Agent by virtue of the Loan Documents; including any such litigation, contest, dispute, suit, proceeding or action arising in connection with any work-out or restructuring of the Loans during the pendency of one or more Events of Default; *provided*, that in the case of reimbursement of counsel for Lenders other than Agent, such reimbursement shall be limited to one counsel for all such Lenders; *provided further*, that no Person shall be entitled to reimbursement under this clause (c) in respect of any litigation, contest, dispute, suit, proceeding or action to the extent any of the foregoing results from such Person's gross negligence or willful misconduct;
- (d) any attempt to enforce any remedies of Agent or any Lender against any or all of the Credit Parties or any other Person that may be obligated to Agent or any Lender by virtue of any of the Loan Documents, including any such attempt to enforce any such remedies in the course of any work-out or restructuring of the Loans during the pendency of one or more Events of Default; *provided*, that in the case of reimbursement of counsel for Lenders other than Agent, such reimbursement shall be limited to one counsel for all such Lenders;
- (e) any workout or restructuring of the Loans during the pendency of one or more Events of Default; and
- (f) efforts to (i) monitor the Loans or any of the other Obligations, (ii) evaluate, observe or assess any Credit Party or its affairs, and (iii) verify, protect, evaluate, assess, appraise, collect, sell, liquidate or otherwise dispose of any of the Collateral in accordance with the terms of the Loan Documents;

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including, as to each of clauses (a) through (f) above, all reasonable attorneys' and other professional and service providers' fees arising from such services and other advice, assistance or other representation, including those in connection with any appellate proceedings, and all expenses, costs, charges and other fees incurred by such counsel and others in connection with or relating to any of the events or actions described in this Section 11.3, all of which shall be payable, on demand, by Borrowers to Agent. Without limiting the generality of the foregoing, such expenses, costs, charges and fees may include: fees, costs and expenses of accountants, environmental advisors, appraisers, investment bankers, management and other consultants and paralegals; court costs and expenses; photocopying and duplication expenses; court reporter fees, costs and expenses; long distance telephone charges; air express charges; telegram or telecopy charges; secretarial overtime charges; and expenses for travel, lodging and food paid or incurred in connection with the performance of such legal or other advisory services.

#### 11.4 No Waiver

Agent's or any Lender's failure, at any time or times, to require strict performance by any Credit Party of any provision of this Agreement or any other Loan Document shall not waive, affect or diminish any right of Agent or such Lender thereafter to demand strict compliance and performance herewith or therewith. Any suspension or waiver of an Event of Default shall not suspend, waive or affect any other Event of Default whether the same is prior or subsequent thereto and whether the same or of a different type. Subject to the provisions of Section 11.2, none of the undertakings, agreements, warranties, covenants and representations of any Credit Party contained in this Agreement or any of the other Loan Documents and no Default or Event of Default by any Credit Party shall be deemed to have been suspended or waived by Agent or any Lender, unless such waiver or suspension is by an instrument in writing signed by an officer of or other authorized employee of Agent and the applicable required Lenders and directed to Borrowers specifying such suspension or waiver.

#### 11.5 Remedies

Agent's and Lenders' rights and remedies under this Agreement shall be cumulative and nonexclusive of any other rights and remedies that Agent or any Lender may have under any other agreement, including the other Loan Documents, by operation of law or otherwise. Recourse to the Collateral shall not be required.

#### 11.6 Severability

Wherever possible, each provision of this Agreement and the other Loan Documents shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement or any other Loan Document shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement or such other Loan Document.

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#### 11.7 Conflict of Terms

Except as otherwise provided in this Agreement or any of the other Loan Documents by specific reference to the applicable provisions of this Agreement, if any provision contained in this Agreement conflicts with any provision in any of the other Loan Documents, the provision contained in this Agreement shall govern and control.

## 11.8 Confidentiality

Agent and each Lender agree to use commercially reasonable efforts (equivalent to the efforts Agent or such Lender applies to maintain the confidentiality of its own confidential information) to maintain as confidential all confidential information provided to them by any Credit Party and designated as confidential for a period of two (2) years following receipt thereof, except that Agent and each Lender may disclose such information (a) to Persons employed or engaged by Agent or such Lender; (b) to any bona fide assignee or participant or potential assignee or participant that has agreed to comply with the covenant contained in this Section 11.8 (and any such bona fide assignee or participant or potential assignee or participant may disclose such information to Persons employed or engaged by them as described in clause (a) above); (c) as required or requested by any Governmental Authority or reasonably believed by Agent or such Lender to be compelled by any court decree, subpoena or legal or administrative order or process; (d) as, in the opinion of Agent's or such Lender's counsel, is required by law; (e) in connection with the exercise of any right or remedy under the Loan Documents or in connection with any Litigation to which Agent or such Lender is a party; or (f) that ceases to be confidential through no fault of Agent or any Lender.

## 11.9 GOVERNING LAW

**EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN ANY OF THE LOAN DOCUMENTS, IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THE LOAN DOCUMENTS AND THE OBLIGATIONS SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE-AND PERFORMED IN THAT STATE AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. EACH CREDIT PARTY, AGENT AND LENDERS HEREBY CONSENT AND AGREE THAT THE STATE OR FEDERAL COURTS LOCATED IN NEW YORK, NEW YORK SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN ANY CREDIT PARTY, AGENT AND LENDERS PERTAINING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS, PROVIDED, THAT AGENT, LENDERS AND CREDIT PARTIES ACKNOWLEDGE THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF NEW YORK, NEW YORK AND, PROVIDED, FURTHER NOTHING IN THIS AGREEMENT SHALL**

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**BE DEEMED OR OPERATE TO PRECLUDE AGENT FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF AGENT. EACH CREDIT PARTY, AGENT AND LENDERS EXPRESSLY SUBMIT AND CONSENT IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND EACH CREDIT PARTY, AGENT AND LENDERS HEREBY WAIVE ANY OBJECTION WHICH ANY CREDIT PARTY, AGENT OR ANY LENDER MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS AND HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. EACH CREDIT PARTY HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINTS AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO SUCH CREDIT PARTY AT THE ADDRESS SET FORTH IN ANNEX I OF THIS AGREEMENT AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF EACH CREDIT PARTY'S ACTUAL RECEIPT THEREOF OR THREE (3) DAYS AFTER DEPOSIT IN THE U.S. MAILES, PROPER POSTAGE PREPAID.**

## 11.10 Notices

Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other parties, or whenever any of the parties desires to give or serve upon any other parties any communication with respect to this Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be deemed to have been validly served, given or delivered (a) upon actual receipt in the case of notice sent by United States Mail, registered or certified mail, return receipt requested, with proper postage prepaid, (b) upon transmission, when sent by telecopy or other similar facsimile transmission (with such telecopy or facsimile promptly confirmed by delivery of a copy by personal delivery or United States Mail as otherwise provided in this Section. 11.10), (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address or facsimile number indicated in Annex I or to such other address (or facsimile number) as may be substituted by notice given as herein provided. The giving of any notice required hereunder may be waived in writing by the party entitled to receive such notice. Failure or delay in delivering copies of any notice, demand, request, consent, approval, declaration or other communication to any Person (other than Borrower Representative or Agent) designated in Annex I to receive copies shall in no way adversely affect the effectiveness of such notice, demand, request, consent, approval, declaration or other communication.

## 11.11 Section Titles

The Section titles and Table of Contents contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

## 11.12 Counterparts

This Agreement may be executed in any number of separate counterparts, each of which shall collectively and separately constitute one agreement.

## 11.13 WAIVER OF JURY TRIAL

**BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE**

**AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG AGENT, LENDERS AND ANY CREDIT PARTY ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH, THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS RELATED THERETO.**

#### 11.14 Press Releases and Related Matters

Each Credit Party agrees that neither it nor its Affiliates will in the future issue any press releases or other public disclosure with respect to the transactions contemplated by this Agreement using the name of GE Capital, any of the Lenders parties hereto or any of their affiliates or referring to this Agreement, the other Loan Documents or the Related Transactions Documents without at least two (2) Business Days' prior notice to such party and without the prior written consent of such party unless (and only to the extent that) such Credit Party or Affiliate is required to do so under law and then, in any event, such Credit Party or Affiliate will consult with such party before issuing such press release or other public disclosure. Each Credit Party consents to the publication by Agent or any Lender of a tombstone or similar advertising material relating to the financing transactions contemplated by this Agreement. Agent reserves the right to provide to industry trade organizations information necessary and customary for inclusion in league table measurements.

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#### 11.15 Reinstatement

This Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against any Credit Party for liquidation or reorganization, should any Credit Party become insolvent or make an assignment for the benefit of any creditor or creditors or should a receiver or trustee be appointed for all or any significant part of any Credit Party's assets, and shall continue to be effective or to be reinstated, as the case may be, if at any time payment and performance of the Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

#### 11.16 Advice of Counsel

Each of the parties represents to each other party hereto that it has discussed this Agreement and, specifically, the provisions of Sections 11.9 and 11.13, with its counsel.

#### 11.17 No Strict Construction

The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

### 12. CROSS-GUARANTY

#### 12.1 Cross-Guaranty

Each Borrower hereby agrees that such Borrower is jointly and severally liable for, and hereby absolutely and unconditionally guarantees to Agent and Lenders and their respective successors and assigns, the full and prompt payment (whether at stated maturity, by acceleration or otherwise) and performance of, all Obligations owed or hereafter owing to Agent and Lenders by each other Borrower. Each Borrower agrees that its guaranty obligation hereunder is a continuing guaranty of payment and performance and not of collection, that its obligations under this Section 12 shall not be discharged until payment and performance, in full, of the Obligations has occurred, and that its obligations under this Section 12 shall be absolute and unconditional, irrespective of, and unaffected by:

(a) the genuineness, validity, regularity, enforceability or any future amendment of, or change in, this Agreement, any other Loan Document or any other agreement, document or instrument to which any Borrower is or may become a party;

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(b) the absence of any action to enforce this Agreement (including this Section 12) or any other Loan Document or the waiver or consent by Agent and Lenders with respect to any of the provisions thereof;

(c) the existence, value or condition of, or failure to perfect its Lien against, any security for the Obligations or any action, or the absence of any action, by Agent and Lenders in respect thereof (including the release of any such security);

(d) the insolvency of any Credit Party; or

(e) any other action or circumstances that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor.

Each Borrower shall be regarded, and shall be in the same position, as principal debtor with respect to the Obligations guaranteed hereunder.

#### 12.2 Waivers by Borrowers

Each Borrower expressly waives all rights it may have now or in the future under any statute, or at common law, or at law or in equity, or otherwise, to compel Agent or Lenders to marshal assets or to proceed in respect of the Obligations guaranteed hereunder against any other Credit Party, any

other party or against any security for the payment and performance of the Obligations before proceeding against, or as a condition to proceeding against, such Borrower. It is agreed among each Borrower, Agent and Lenders that the foregoing waivers are of the essence of the transaction contemplated by this Agreement and the other Loan Documents and that, but for the provisions of this Section 12 and such waivers, Agent and Lenders would decline to enter into this Agreement.

### 12.3 Benefit of Guaranty

Each Borrower agrees that the provisions of this Section 12 are for the benefit of Agent and Lenders and their respective successors, transferees, endorsees and assigns, and nothing herein contained shall impair, as between any other Borrower and Agent or Lenders, the obligations of such other Borrower under the Loan Documents.

### 12.4 Subordination of Subrogation, Etc.

Notwithstanding anything to the contrary in this Agreement or in any other Loan Document, and except as set forth in Section 12.7, each Borrower hereby expressly and irrevocably subordinates to payment of the Obligations any and all rights at law or in equity to subrogation, reimbursement, exoneration, contribution, indemnification or set off and any and all defenses available to a surety, guarantor or accommodation co-obligor until the Obligations are indefeasibly paid in full in cash. Each Borrower acknowledges and agrees that this subordination and waiver is intended to benefit Agent and Lenders and shall not limit or otherwise affect such Borrower's liability hereunder or the enforceability of this Section 12, and that Agent, Lenders and their respective successors and assigns are intended third party beneficiaries of the waivers and agreements set forth in this Section 12.4.

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### 12.5 Election of Remedies

If Agent or any Lender may, under applicable law, proceed to realize its benefits under any of the Loan Documents giving Agent or such Lender a Lien upon any Collateral, whether owned by any Borrower or by any other Person, either by judicial foreclosure or by non-judicial sale or enforcement, Agent or any Lender may, at its sole option, determine which of its remedies or rights it may pursue without affecting any of its rights and remedies under this Section 12. If, in the exercise of any of its rights and remedies, Agent or any Lender shall forfeit any of its rights or remedies, including its right to enter a deficiency judgment against any Borrower or any other Person, whether because of any applicable laws pertaining to "election of remedies" or the like, each Borrower hereby consents to such action by Agent or such Lender and waives any claim based upon such action, even if such action by Agent or such Lender shall result in a full or partial loss of any rights of subrogation that each Borrower might otherwise have had but for such action by Agent or such Lender. Any election of remedies that results in the denial or impairment of the right of Agent or any Lender to seek a deficiency judgment against any Borrower shall not impair any other Borrower's obligation to pay the full amount of the Obligations. In the event Agent or any Lender shall bid at any foreclosure or trustee's sale or at any private sale permitted by law or the Loan Documents, Agent or such Lender may bid all or less than the amount of the Obligations and the amount of such bid need not be paid by Agent or such Lender but shall be credited against the Obligations. The amount of the successful bid at any such sale, whether Agent, Lender or any other party is the successful bidder, shall be conclusively deemed to be the fair market value of the Collateral and the difference between such bid amount and the remaining balance of the Obligations shall be conclusively deemed to be the amount of the Obligations guaranteed under this Section 12, notwithstanding that any present or future law or court decision or ruling may have the effect of reducing the amount of any deficiency claim to which Agent or any Lender might otherwise be entitled but for such bidding at any such sale.

### 12.6 Limitation

Notwithstanding any provision herein contained to the contrary, each Borrower's liability under this Section 12 (which liability is in any event in addition to amounts for which such Borrower is primarily liable under Section 1) shall be limited to an amount not to exceed as of any date of determination the greater of:

- (a) the net amount of all Loans advanced to any other Borrower under this Agreement and then re-loaned or otherwise transferred to, or for the benefit of, such Borrower; and
- (b) the amount that could be claimed by Agent and Lenders from such Borrower under this Section 12 without rendering such claim voidable or avoidable under Section 548 of Chapter 11 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law after taking into account, among other things, such Borrower's right of contribution and indemnification from each other Borrower under Section 12.7.

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### 12.7 Contribution with Respect to Guaranty Obligations

- (a) To the extent that any Borrower shall make a payment under this Section 12 of all or any of the Obligations (other than Loans made to that Borrower for which it is primarily liable) (a "**Guarantor Payment**") that, taking into account all other Guarantor Payments then previously or concurrently made by any other Borrower, exceeds the amount that such Borrower would otherwise have paid if each Borrower had paid the aggregate Obligations satisfied by such Guarantor Payment in the same proportion that such Borrower's "**Allocable Amount**" (as defined below) (as determined immediately prior to such Guarantor Payment) bore to the aggregate Allocable Amounts of each of the Borrowers as determined immediately prior to the making of such Guarantor Payment, then, following indefeasible payment in full in cash of the Obligations and termination of the Commitments, such Borrower shall be entitled to receive contribution and indemnification payments from, and be reimbursed by, each other Borrower for the amount of such excess, *pro rata* based upon their respective Allocable Amounts in effect immediately prior to such Guarantor Payment.
- (b) As of any date of determination, the "**Allocable Amount**" of any Borrower shall be equal to the maximum amount of the claim that could then be recovered from such Borrower under this Section 12 without rendering such claim voidable or avoidable under Section 548 of Chapter 11 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law.

- (c) This Section 12.7 is intended only to define the relative rights of Borrowers and nothing set forth in this Section 12.7 is intended to or shall impair the obligations of Borrowers, jointly and severally, to pay any amounts as and when the same shall become due and payable in accordance with the terms of this Agreement, including Section 12.1. Nothing contained in this Section 12.7 shall limit the liability of any Borrower to pay the Loans made directly or indirectly to that Borrower and accrued interest, Fees and expenses with respect thereto for which such Borrower shall be primarily liable.
  - (d) The parties hereto acknowledge that the rights of contribution and indemnification hereunder shall constitute assets of the Borrower to which such contribution and indemnification is owing.
  - (e) The rights of the indemnifying Borrowers against other Credit Parties under this Section 12.7 shall be exercisable upon the full and indefeasible payment in full in cash of the Obligations and the termination of the Commitments and Letters of Credit (or the cash collateralization or backing with standby letters of credit of all Letters of Credit in accordance with Annex B).
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12.8 Liability Cumulative

The liability of Borrowers under this Section 12 is in addition to and shall be cumulative with all liabilities of each Borrower to Agent and Lenders under this Agreement and the other Loan Documents to which such Borrower is a party or in respect of any Obligations or obligation of the other Borrower, without any limitation as to amount, unless the instrument or agreement evidencing or creating such other liability specifically provides to the contrary.

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**IN WITNESS WHEREOF**, this Credit Agreement has been duly executed as of the date first written above.

**H&E EQUIPMENT SERVICES L.L.C.,**  
as Borrower

By: \_\_\_\_\_  
Name:  
Title:

**GREAT NORTHERN EQUIPMENT, INC.,**  
as Borrower

By: \_\_\_\_\_  
Name:  
Title:

**GENERAL ELECTRIC CAPITAL CORPORATION,**  
as Agent and Lender

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**BANK OF AMERICA, N.A.,**  
as Syndication Agent and Lender

By: \_\_\_\_\_  
Name:  
Title:

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**FLEET CAPITAL CORPORATION,**  
as Documentation Agent and Lender

By: \_\_\_\_\_  
Name:  
Title:

**PNC BANK, NATIONAL ASSOCIATION,**



as Lender

By: \_\_\_\_\_  
Name:  
Title:

**LASALLE BUSINESS CREDIT, INC.,**  
as Lender

By: \_\_\_\_\_  
Name:  
Title:

**ORIX FINANCIAL SERVICES, INC.,**  
as Lender

By: \_\_\_\_\_  
Name:  
Title:

The following Persons are signatories to this Credit Agreement in their capacity as Credit Parties and not as Borrowers:

**H&E HOLDINGS L.L.C.,**  
as a Credit Party

By: \_\_\_\_\_  
Name:  
Title:

**GNE INVESTMENTS, INC.,**  
as a Credit Party

By: \_\_\_\_\_  
Name:  
Title:

**H&E FINANCE CORP.,**  
as a Credit Party

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT 1.1(a)(i)**

to

**CREDIT AGREEMENT**

**FORM OF NOTICE OF REVOLVING CREDIT ADVANCE**

**[H&E EQUIPMENT SERVICES L.L.C./GREAT NORTHERN EQUIPMENT INC.]**

**Notice of Revolving Credit Advance**

Capitalized terms used herein which are defined in the Credit Agreement dated as of June 17, 2002 (as it may be amended, restated, supplemented or otherwise modified and in effect from time to time, the "**Credit Agreement**") among H&E EQUIPMENT SERVICES L.L.C., a Louisiana limited liability company ("**H&E**"), GREAT NORTHERN EQUIPMENT, INC., a Montana corporation ("**Great Northern**" and together with H&E, each individually, a "**Borrower**", and collectively and jointly and severally, the "**Borrowers**"), the other persons named therein as Credit Parties, GENERAL ELECTRIC CAPITAL CORPORATION, as Agent (in such capacity, "**Agent**"), GENERAL ELECTRIC CAPITAL CORPORATION as Arranger (in such capacity, "**Arranger**"), BANK OF AMERICA, N.A. as Syndication Agent and FLEET CAPITAL CORPORATION as Documentation Agent, shall have the meanings therein defined. The undersigned hereby certifies that on the date hereof and on the borrowing date set forth below, and after giving effect to the Advances requested hereby: (i) there exists and shall exist no Default or Event of Default under the Credit Agreement; (ii) each of the representations and warranties



If any payment on this Revolving Note becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

Upon and after the occurrence of any Event of Default, this Revolving Note may, as provided in the Credit Agreement, and without demand, notice or legal process of any kind, be declared, and immediately shall become, due and payable.

Time is of the essence of this Revolving Note. Demand, presentment, protest and notice of nonpayment and protest are hereby waived by Borrower.

Except as provided in the Credit Agreement, this Revolving Note may not be assigned by Lender to any Person.

**THIS REVOLVING NOTE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO ITS CONFLICTS OF LAW RULES WHICH SHALL BE DEEMED NOT TO INCLUDE SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF NEW YORK).**

**[H&E EQUIPMENT SERVICES L.L.C./GREAT NORTHERN EQUIPMENT INC.]**

By:

\_\_\_\_\_

Name:

Title:

**EXHIBIT 1.1(b)(ii)  
to  
CREDIT AGREEMENT**

**FORM OF SWING LINE NOTE**

[            ], 2002

New York, New York  
\$

FOR VALUE RECEIVED, the undersigned, [H&E EQUIPMENT SERVICES L.L.C., a Louisiana limited liability company/GREAT NORTHERN EQUIPMENT, INC., a Montana corporation] ("**Borrower**"), HEREBY PROMISES TO PAY to the order of GENERAL ELECTRIC CAPITAL CORPORATION ("**Swing Line Lender**"), at the offices of GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation, as Agent for Lenders (in such capacity, "**Agent**") at Agent's address at 335 Madison Avenue, 12<sup>th</sup> Floor, New York, NY, 10017, or at such other place as Agent may designate from time to time in writing, in lawful money of the United States of America and in immediately available funds, the amount of MILLION DOLLARS AND NO CENTS (\$)            ) or if less, the aggregate unpaid amount of all Swing Line Advances made to the undersigned under the Credit Agreement (as hereinafter defined). All capitalized terms used but not otherwise defined herein have the meanings given to them in the Credit Agreement or in Annex A thereto.

This Swing Line Note is issued pursuant to that certain Credit Agreement dated as of June 17, 2002 (as it may be amended, restated, supplemented or otherwise modified and in effect from time to time, the "**Credit Agreement**") among [H&E EQUIPMENT SERVICES L.L.C., a Louisiana limited liability company,] [GREAT NORTHERN EQUIPMENT, INC., a Montana corporation,] the other persons named therein as Credit Parties, the lenders party thereto from time to time, Agent, GENERAL ELECTRIC CAPITAL CORPORATION as Arranger (in such capacity, "**Arranger**"), BANK OF AMERICA, N.A. as Syndication Agent and FLEET CAPITAL CORPORATION as Documentation Agent, and is entitled to the benefit and security of the Credit Agreement, the Security Agreements and all of the other Loan Documents. Reference is hereby made to the Credit Agreement for a statement of all of the terms and conditions under which the Loans evidenced hereby are made and are to be repaid. The date and amount of each Swing Line Advance made by Swing Line Lender to Borrower, the rate of interest applicable thereto and each payment made on account of the principal thereof, shall be recorded by Agent on its books; *provided* that the failure of Agent to make any such recordation shall not affect the obligations of Borrower to make a payment when due of any amount owing under the Credit Agreement or this Swing Line Note in respect of the Swing Line Advances made by Swing Line Lender to Borrower.

The principal amount of the indebtedness evidenced hereby shall be payable in the amounts and on the dates specified in the Credit Agreement, the terms of which are hereby incorporated herein by reference.

Interest thereon shall be paid until such principal amount is paid in full at such interest rates and at such times, and pursuant to such calculations, as are specified in the Credit Agreement.

If any payment of this Swing Line Note becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

Upon and after the occurrence of any Event of Default, this Swing Line Note may, as provided in the Credit Agreement, and without demand, notice or legal process of any kind, be declared, and immediately shall become, due and payable.

Time is of the essence of this Swing Line Note. Demand, presentment, protest and notice of nonpayment and protest are hereby waived by Borrower.

**THIS SWING LINE NOTE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO ITS CONFLICTS OF LAW RULES WHICH SHALL BE DEEMED NOT TO INCLUDE SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW**

OF NEW YORK).

[H&E EQUIPMENT SERVICES L.L.C./GREAT NORTHERN EQUIPMENT, INC.]

By:

Name:  
Title:

EXHIBIT 1.5(e)  
to  
CREDIT AGREEMENT

FORM OF NOTICE OF CONVERSION/CONTINUATION

Pursuant to Section 1.5(e)(i), (ii) and (iv) of the Credit Agreement (the "Credit Agreement") among, *inter alia*, the undersigned and General Electric Capital Corporation, as Agent, dated as of June 17, 2002, (defined terms used herein shall have the meanings set forth in the Credit Agreement), the undersigned hereby requests that the following portions of the following loans be converted into LIBOR Loans, or continued as a LIBOR Loan, with the following LIBOR Periods:

Loan	Amount	LIBOR Period

The effective date for these conversions is \_\_\_\_\_, 2002.

[H&E EQUIPMENT SERVICES L.L.C./GREAT NORTHERN EQUIPMENT, INC.]

By:

Name:  
Title:

EXHIBIT 4.1(b)

to

CREDIT AGREEMENT

FORM OF BORROWING BASE CERTIFICATE

Borrowing Base Certificate

Pursuant to the Credit Agreement dated as of June 17, 2002 (as it may amended, restated, supplemented or otherwise in effect from time to time, the "Credit Agreement") among H&E EQUIPMENT SERVICES L.L.C., a Louisiana limited liability company (the "H&E"), GREAT NORTHERN EQUIPMENT, INC., a Montana corporation ("Great Northern" and together with H&E, each individually, a "Borrower", and collectively and jointly and severally, the "Borrowers"), the other Persons named therein as Credit Parties, the lenders party thereto from time to time, GENERAL ELECTRIC CAPITAL CORPORATION, as Agent (in such capacity, "Agent"), GENERAL ELECTRIC CAPITAL CORPORATION as Arranger (in such capacity, "Arranger"), BANK OF AMERICA, N.A, as Syndication Agent and FLEET CAPITAL CORPORATION as Documentation Agent, the undersigned certifies that as of the close of business on the date set forth below, the Borrowing Base (as defined in the Credit Agreement) for H&E and Great Northern are computed as set forth on Schedule I hereto. Capitalized terms used herein and not otherwise defined herein shall have the meanings specified in the Credit Agreement or in Annex A thereto.

The undersigned represents and warrants that this Borrowing Base Certificate is a true and correct statement of and that the information contained herein is true and correct in all material respects regarding, the status of Eligible Accounts, Eligible Rentals, Eligible Rolling Stock, Eligible Parts and Tools Inventory and Eligible Equipment Inventory and that the amounts reflected herein are in compliance with the provisions of the Credit Agreement and the Appendices thereto. The undersigned further represents and warrants that there is no Default or Event of Default and all representations and warranties contained in the Credit Agreement and other Loan Documents are true and correct in all material respects. The undersigned understands that the Revolving Lenders will extend loans in reliance upon the information contained herein. In the event of a conflict between the following summary of eligibility criteria and Sections 1.6, 1.6A, 1.6B, 1.7 and 1.7A of the Credit Agreement, the Credit Agreement shall govern.

H&E EQUIPMENT SERVICES L.L.C.,  
as Borrower Representative

By:

Name:  
Title:

**Schedule I**

<b>Accounts Balance</b> (as of [    ], 200[    ])	\$ _____
<b>Less:</b> Contingent or Not Enforceable (§ 1.6(b)):	\$ _____
Progress billing (§ 1.6(d)):	\$ _____
Not a Completed Sale (§ 1.6(e)):	\$ _____
Unacceptable Invoice (§ 1.6(f)):	\$ _____
Not owned/first lien (§ 1.6(q)):	\$ _____
Bill and hold (§ 1.6(l)):	\$ _____
Reps not true (§ 1.6(p)):	\$ _____
Past Due Cust Accts > 90 Days / 60 Days (§ 1.6(m)(i)):	\$ _____
Credit Bal > 90 Days (Incl In Over 90) (§ 1.6(c)):	\$ _____
Cross Age > 50% (§ 1.6(n)):	\$ _____
Contra Accounts (§ 1.6(c) and § 1.6(k)):	\$ _____
Foreign Accts (§ 1.6(j)):	\$ _____
Fed Gov Accts (§ 1.6(I)):	\$ _____
Bankruptcy Accounts (§ 1.6(m)(i) and (iii)):	\$ _____
Collection Agency/Legal Accts (§ 1.6(m)(i)):	\$ _____
Accts Rec Surplus Returns (§ 1.6(e)):	\$ _____
Accts Rec Warranty (§ 1.6(e)):	\$ _____
Cash Sales (§ 1.6(e)):	\$ _____
Intercompany/Related Party A/R (§ 1.6(h)):	\$ _____
Preassigned A/R (§ 1.6(g)):	\$ _____
Above Credit Limit (§ 1.6(r)):	\$ _____
Finance Charges (§ 1.6(e)):	\$ _____
Customers on Payment Plans (§ 1.6(m)):	
Credit Memo Reserve (§ 1.6(c)):	
Unprocessed Credit Memos (§ 1.6(c)):	
Not in Dollars (§ 1.6(s)):	
Otherwise Not Acceptable (§ 1.6(t)):	
Unapproved Lease (§ 1.6(a)):	
Rental Not Due < 90 days (§ 1.6B(a)):	
AR For Unpaid Yale Rentals	
AR For Unpaid OBS Rentals	
AR PER Inter Creditor Agrmts	
Total Ineligible Accounts	-\$ _____
Eligible Account	\$ _____
<b>85% of Eligible Accounts</b>	<b>A \$ _____</b>
<b>Eligible Rolling Stock Balance</b> (as of [    ], 200[    ])	<b>\$ _____</b>

<u>Less:</u>	Free and Clear Rolling Stock:	\$ _____
	Location Rolling Stock:	\$ _____
	Titled Rolling Stock:	\$ _____
	Excess, obsolete, damaged Rolling Stock:	\$ _____
	Sale or Lease Rolling Stock:	\$ _____
	Prior Liens:	\$ _____
	Untrue Representations and Warranties:	\$ _____
	Uninsured:	\$ _____

	Unacceptable Rolling Stock:	\$ _____
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Total Ineligible Rolling Stock -\$ \_\_\_\_\_

Eligible Rolling Stock \$ \_\_\_\_\_

**50% of the Orderly Liquidation Value (“OLV”) of Rolling Stock** **B** \$ \_\_\_\_\_

**Parts and Tools Inventory (“PTI”) Balance** (as of [ ], 200[ ]) \$ \_\_\_\_\_

<u>Less:</u>	Free and Clear PTI:	\$ _____
	Location PTI:	\$ _____
	Consignment, in Transit:	\$ _____
	Negotiable Document of Title:	\$ _____
	Excess, obsolete, unsalable or damaged PTI:	\$ _____
	Display items, etc.:	\$ _____
	Not held for sale:	\$ _____
	Prior Liens:	\$ _____
	Untrue Representations and Warranties:	\$ _____
	Hazardous Materials, etc.:	\$ _____
	Uninsured:	\$ _____
	Unacceptable PTI:	\$ _____

Total Ineligible Parts and Tools Inventory -\$ \_\_\_\_\_

Eligible Parts and Tools Inventory \$ \_\_\_\_\_

Net Book Value (“NBV”) of Eligible Parts and Tools Inventory \$ \_\_\_\_\_

**50% of NBV of Eligible Parts and Tools Inventory** **C** \$ \_\_\_\_\_

**Eligible new Equipment Inventory (“new EI”) Balance** (as of [ ], 200[ ]) \$ \_\_\_\_\_

<u>Less:</u>	Free and Clear new EI:	\$ _____
	Location new EI:	\$ _____
	Consignment:	\$ _____
	Negotiable Document of Title:	\$ _____

Obsolete, unsalable or damaged new EI:	\$	_____
Not held for sale:	\$	_____
Prior Liens:	\$	_____
Untrue Representations and Warranties:	\$	_____
Uninsured:	\$	_____
Unacceptable new EI:	\$	_____

Total Ineligible new Equipment Inventory	\$	_____
Eligible new Equipment Inventory	\$	_____
NBV of Eligible new Equipment Inventory	\$	_____
<b>100% of NBV of Eligible new Equipment Inventory</b>	<b>D \$</b>	_____

**Eligible used Equipment Inventory (“used EI”) Balance**

(as of [ ], 200[ ])

\$ \_\_\_\_\_

<u>Less:</u> Free and Clear used EI:	\$	_____
Location used EI:	\$	_____
Consignment:	\$	_____
Negotiable Document of Title:	\$	_____

Obsolete, unsalable or damaged used EI:	\$	_____
Not held for sale:	\$	_____
Prior Liens:	\$	_____
Untrue Representations and Warranties:	\$	_____
Uninsured:	\$	_____
Unacceptable used EI:	\$	_____

Total Ineligible used Equipment Inventory	-\$	_____
Eligible used Equipment Inventory	\$	_____
NBV of Eligible used Equipment Inventory	\$	_____
<b>50% of NBV of Eligible used Equipment Inventory</b>	<b>E \$</b>	_____

**Eligible Equipment Inventory held for lease (“lease EI”) Balance**

(as of [ ], 200[ ])

\$ \_\_\_\_\_

<u>Less:</u> Free and Clear lease EI:	\$	_____
Location lease EI:	\$	_____
Consignment:	\$	_____
Negotiable Document of Title:	\$	_____
Obsolete, unsalable or damaged lease EI:	\$	_____
Not held for sale:	\$	_____
Prior Liens:	\$	_____
Untrue Representations and Warranties:	\$	_____
Uninsured;	\$	_____

Unacceptable lease EI:

\$

Total Ineligible Equipment Inventory held for lease		-	\$
Eligible Equipment Inventory held for lease			\$
100% of NBV of Eligible Equipment Inventory held for lease		-	\$
80% of OLV Equipment Inventory held for lease		-	\$
<b>Available Equipment Inventory.</b>	(lesser of X and Y)	<b>F</b>	<b>\$</b>
<b>Borrowing Base availability</b>	(A+B+C+D+E+F)		\$
<b>Termination Value of Hedging Obligations (for consideration of Reserves)</b>			\$

**EXHIBIT 9.1(a)**  
**to**  
**CREDIT AGREEMENT**

**FORM OF ASSIGNMENT AGREEMENT**

**THIS ASSIGNMENT AGREEMENT** is made as of [ ], 2002 (this “**Agreement**”) by and between [ ] (“**Assignor Lender**”) and [ ] (“**Assignee Lender**”) and acknowledged and consented to by GENERAL ELECTRIC CAPITAL CORPORATION as Agent under the Credit Agreement defined below (in such capacity, “**Agent**”) and, if no Default or Event of Default shall have occurred and be continuing, or if such assignment is not to a Qualified Assignor (as such term is defined in the Credit Agreement), H&E EQUIPMENT SERVICES L.L.C. (“**H&E**”) as Borrower Representative under the Credit Agreement (“**Borrower Representative**”). All capitalized terms used in this Agreement and not otherwise defined herein will have the respective meanings set forth in the Credit Agreement or in Annex A thereto.

**WHEREAS:**

- (A) H&E, Great Northern Equipment, Inc. (“**Great Northern**”) and together with H&E each individually, a “**Borrower**”, and collectively and jointly and severally, the “**Borrowers**”), the other Persons named therein as Credit Parties, Agent, Assignor Lender, General Electric Capital Corporation as Arranger, BANK OF AMERICA, N.A. as Syndication Agent, FLEET CAPITAL CORPORATION as Documentation Agent and other Persons party thereto as Lenders have entered into that certain Credit Agreement dated as of June 17, 2002 (as it may be amended, restated, supplemented or otherwise modified and in effect from time to time, the “**Credit Agreement**”) pursuant to which Assignor Lender has agreed to make certain Loans to, and incur certain Letter of Credit Obligations for, Borrowers;
- (B) Assignor Lender desires to assign to Assignee Lender [all/a portion] of its interest in the Loans (as described below), the Letter of Credit Obligations and the Collateral and to delegate to Assignee Lender [all/a portion] of its Commitments and other duties with respect to such Loans, Letter of Credit Obligations and Collateral;
- (C) Assignee Lender desires to become a Lender under the Credit Agreement and to accept such assignment and delegation from Assignor Lender; and
- (D) Assignee Lender desires to appoint Agent to serve as agent for Assignee Lender under the Credit Agreement.

**NOW, THEREFORE**, in consideration of the premises and the agreements, provisions, and covenants herein contained, Assignor Lender and Assignee Lender agree as follows:

**1. ASSIGNMENT, DELEGATION AND ACCEPTANCE**

1.1 Assignment

Assignor Lender hereby transfers and assigns to Assignee Lender, without recourse and without representations or warranties of any kind (except as set forth in Section 3.2), [all/such percentage] of Assignor Lender’s right, title, and interest in the Revolving Loan, Letter of Credit Obligations, Loan Documents and Collateral as will result in Assignee Lender having as of the Effective Date (as hereinafter defined) a Pro Rata Share thereof, as follows:

<u>Assignee Lender’s Loans</u>	<u>Principal Amount</u>	<u>Pro Rata Share</u>
Revolving Loan (H&E)	\$ [ ]	[ ]%
Revolving Loan (Great Northern)	\$ [ ]	[ ]%

1.2 Delegation



[Assignor Lender hereby irrevocably assigns and delegates to Assignee Lender [all/a portion] of its Commitments and its other duties and obligations as a Lender under the Loan Documents equivalent to [100%/[ ]% of Assignor Lender's Revolving Loan Commitment to H&E (such percentage representing a commitment of \$[ ]) and [100%/[ ]% of Assignor Lender's Revolving Loan Commitment to Great Northern (such percentage representing a commitment of \$[ ]).]

### 1.3 Acceptance by Assignee Lender

By its execution of this Agreement, Assignee Lender irrevocably purchases, assumes and accepts such assignment and delegation and agrees to be a Lender with respect to the delegated interest under the Loan Documents and to be bound by the terms and conditions thereof. By its execution of this Agreement, Assignor Lender agrees, to the extent provided herein, to relinquish its rights and be released from its obligations and duties under the Credit Agreement.

### 1.4 Effective Date

Such assignment and delegation by Assignor Lender and acceptance by Assignee Lender will be effective and Assignee Lender will become a Lender under the Loan Documents as of the date of this Agreement ("**Effective Date**") and upon payment of the Assigned Amount and the Assignment Fee (as each term is defined below). Interest and Fees accrued prior to the Effective Date are for the account of Assignor Lender, and Interest and Fees accrued from and after the Effective Date are for the account of Assignee Lender.

## 2. INITIAL PAYMENT AND DELIVERY OF NOTES.

### 2.1 Payment of the Assigned Amount

Assignee Lender will pay to Assignor Lender, in immediately available funds, not later than 12:00 noon (New York time) on the Effective Date, an amount equal to its Pro Rata Share of the then

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outstanding principal amount of the Loans as set forth above in Section 1.1 together with accrued interest, fees and other amounts as set forth on Schedule 2.1 (the "**Assigned Amount**").

### 2.2 Payment of Assignment Fee

Assignor Lender and/or Assignee Lender will pay to Agent, for its own account in immediately available funds, not later than 12:00 noon (New York time) on the Effective Date, the assignment fee in the amount of \$3,500 (the "**Assignment Fee**") as required pursuant to Section 9.1(a) of the Credit Agreement.

### 2.3 Execution and Delivery of Notes

Following payment of the Assigned Amount and the Assignment Fee, Assignor Lender will deliver to Agent the Notes previously delivered to Assignor Lender for redelivery to Borrower and Agent will obtain from Borrower for delivery to [Assignor Lender and] Assignee Lender, new executed Notes evidencing Assignee Lender's [and Assignor Lender's respective] Pro Rata Share[s] in the Loans after giving effect to the assignment described in Section 1. Each new Note will be issued in the aggregate maximum principal amount of the [applicable] Commitment [of the Lender to whom such Note is issued] or [the Assignee Lender].

## 3. REPRESENTATIONS, WARRANTIES AND COVENANTS

### 3.1 Assignee Lender's Representations, Warranties and Covenants

Assignee Lender hereby represents, warrants, and covenants the following to Assignor Lender and Agent:

- (a) this Agreement is a legal, valid, and binding agreement of Assignee Lender, enforceable according to its terms;
- (b) the execution and performance by Assignee Lender of its duties and obligations under this Agreement and the Loan Documents will not require any registration with, notice to, or consent or approval by any Governmental Authority;
- (c) Assignee Lender is familiar with transactions of the kind and scope reflected in the Loan Documents and in this Agreement;
- (d) Assignee Lender has made its own independent investigation and appraisal of the financial condition and affairs of each Credit Party, has conducted its own evaluation of the Loans and Letter of Credit Obligations, the Loan Documents and each Credit Party's creditworthiness, has made its decision to become a Lender to Borrowers under the Credit Agreement independently and without reliance upon Assignor Lender or Agent, and will continue to do so;
- (e) Assignee Lender is entering into (his Agreement in the ordinary course of its business, and is acquiring its interest, in the Loans and Letter of Credit Obligations for its own account and not with a view to or for sale in connection with any subsequent distribution; *provided, however,* that at all times the distribution of Assignee Lender's property shall, subject to the terms of the Credit Agreement, be and remain within its control;

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- (f) no future assignment or participation granted by Assignee Lender pursuant to Section 9.1 of the Credit Agreement will require Assignor Lender, Agent, or Borrower to file any registration statement with the Securities and Exchange Commission or to apply to qualify under the blue sky laws of any state;

- (g) Assignee Lender has no loans to, written or oral agreements with, or equity or other ownership interest in any Credit Party;
- (h) Assignee Lender will not enter into any written or oral agreement with, or acquire any equity or other ownership interest in, any Credit Party without the prior written consent of Agent; and
- (i) as of the Effective Date, Assignee Lender (i) is entitled to receive payments of principal and interest in respect of the Obligations without deduction for or on account of any Taxes, and simultaneously herewith Assignee Lender is delivering to Agent and Borrower all forms required to be delivered by it pursuant to Section 1.15 of the Credit Agreement, (ii) is not subject to capital adequacy or similar requirements under Section 1.16(a) of the Credit Agreement, (iii) does not require the payment of any increased costs under Section 1.16(a) or (b) of the Credit Agreement, and (iv) is not unable to fund LIBOR Loans under Section 1.16(c) of the Credit Agreement, and Assignee Lender will indemnify Agent from and against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, or expenses that result from Assignee Lender's failure to fulfill its obligations under the terms of Section 1.16(c) of the Credit Agreement or from any other inaccuracy in the foregoing.

### 3.2 Assignor Lender's Representations, Warranties and Covenants

Assignor Lender hereby represents, warrants and covenants the following to Assignee Lender:

- (a) Assignor Lender is the legal and beneficial owner of the Assigned Amount;
- (b) this Agreement is a legal, valid and binding agreement of Assignor Lender, enforceable according to its terms;
- (c) the execution and performance by Assignor Lender of its duties and obligations under this Agreement and the Loan Documents will not require any registration with, notice to or consent or approval by any Governmental Authority;
- (d) Assignor Lender has full power and authority, and has taken all action necessary to execute and deliver this Agreement and to fulfil the obligations hereunder and to consummate the transactions contemplated hereby;
- (e) Assignor Lender is the legal and beneficial owner of the interests being assigned hereby, free and clear of any adverse claim, lien, encumbrance, security interest, restriction on transfer, purchase option, call or similar right of a third party; and
- (f) this Assignment by Assignor Lender to Assignee Lender complies, in all material respects, with the terms of the Loan Documents.

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## 4. LIMITATIONS OF LIABILITY

Neither Assignor Lender (except as provided in Section 3.2) nor Agent makes any representations or warranties of any kind, nor assumes any responsibility or liability whatsoever, with regard to (a) the Loan Documents or any other document or instrument furnished pursuant thereto or the Loans, Letter of Credit Obligations or other Obligations, (b) the creation, validity, genuineness, enforceability, sufficiency, value or collectibility of any of them, (c) the amount, value or existence of the Collateral, (d) the perfection or priority of any Lien upon the Collateral, or (e) the financial condition of any Credit Party or other obligor or the performance or observance by any Credit Party of its obligations under any of the Loan Documents. Neither Assignor Lender nor Agent has or will have any duty, either initially or on a continuing basis, to make any investigation, evaluation, appraisal of, or any responsibility or liability with respect to the accuracy or completeness of, any information provided to Assignee Lender which has been provided to Assignor Lender or Agent by any Credit Party. Nothing in this Agreement or in the Loan Documents shall impose upon the Assignor Lender or Agent any fiduciary relationship in respect of the Assignee Lender.

## 5. FAILURE TO ENFORCE

No failure or delay on the part of Agent or Assignor Lender in the exercise of any power, right, or privilege hereunder or under any Loan Document will impair such power, right, or privilege or be construed to be a waiver of any default or acquiescence therein. No single or partial exercise of any such power, right, or privilege will preclude further exercise thereof or of any other right, power, or privilege. All rights and remedies existing under this Agreement are cumulative with, and not exclusive of, any rights or remedies otherwise available.

## 6. NOTICES

Unless otherwise specifically provided herein, any notice or other communication required or permitted to be given will be in writing and addressed to the respective party as set forth below its signature hereunder, or to such other address as the party may designate in writing to the other.

## 7. AMENDMENTS AND WAIVERS

No amendment, modification, termination, or waiver of any provision of this Agreement will be effective without the written concurrence of Assignor Lender, Agent and Assignee Lender.

## 8. SEVERABILITY

Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law. In the event any provision of this Agreement is or is held to be invalid, illegal, or unenforceable under applicable law, such provision will be ineffective only to the extent of such invalidity, illegality, or unenforceability, without invalidating the remainder of such provision or the remaining provisions of the Agreement. In addition, in the event any provision of or obligation under this Agreement is or is held to be invalid, illegal, or unenforceable in any jurisdiction, the validity, legality, and enforceability of the remaining

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provisions or obligations in any other jurisdictions will not in any way be affected or impaired thereby.

**9. SECTION TITLES**

Section and Subsection titles in this Agreement are included for convenience of reference only, do not constitute a part of this Agreement for any other purpose, and have no substantive effect.

**10. SUCCESSORS AND ASSIGNS**

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

**11. APPLICABLE LAW**

THIS AGREEMENT WILL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE.

**12. COUNTERPARTS**

This Agreement and any amendments, waivers, consents, or supplements may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which, when so executed and delivered, will be deemed an original and all of which shall together constitute one and the same instrument.

**IN WITNESS WHEREOF**, this Agreement has been duly executed as of the date first written above.

**ASSIGNEE LENDER:**

By: \_\_\_\_\_  
Name:  
Title:  
  
Notice Address:  
  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**ASSIGNOR LENDER:**

By: \_\_\_\_\_  
Name:  
Title:  
  
\_\_\_\_\_  
  
Notice Address:  
  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**ACKNOWLEDGED AND CONSENTED TO:**

**GENERAL ELECTRIC CAPITAL CORPORATION,**

as Agent

By: \_\_\_\_\_  
Name:  
Title:

**ACKNOWLEDGED AND CONSENTED TO as and when required under Clause 9.1(a) of the Credit Agreement:**

**H&E EQUIPMENT SERVICES L.L.C.,**

as Borrower Representative

By: \_\_\_\_\_  
Name:

Title:

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**SCHEDULE 2.1**

<b>Assignor Lender's Loans</b>	<b>\$</b>
<b>Principal Amount</b>	<b>\$</b>
Revolving Loan (H&E)	\$
Revolving Loan (Great Northern)	\$
Subtotal	\$
Accrued Interest	\$
Unused Line Fee	\$
Other + or -	\$
<b>Total</b>	<b>\$</b>

All determined as of the Effective Date.

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**EXHIBIT B-1(a)**

to

**CREDIT AGREEMENT**

**FORM OF NOTICE OF LETTER OF CREDIT ISSUANCE**

**[H&E EQUIPMENT SERVICES, L.L.C./GREAT NORTHERN EQUIPMENT INC.]**

**Notice of Letter of Credit Issuance**

General Electric Capital Corporation, as Agent under the Credit Agreement defined below \_\_\_\_\_, 200[ ]

Ladies and Gentlemen:

We hereby refer to the Credit Agreement dated as of June [ ], 2002 (as it may be amended, restated, supplemented or otherwise modified and in effect from time to time, the "**Credit Agreement**") among H&E EQUIPMENT SERVICES, L.L.C., a Delaware limited liability company ("**H&E**"), GREAT NORTHERN EQUIPMENT INC., a Montana corporation ("**Great Northern**" and together with H&E, each individually, a "**Borrower**", and collectively and jointly and severally, the "**Borrowers**"), the other persons named therein as Credit Parties, GENERAL ELECTRIC CAPITAL CORPORATION, as Agent (in such capacity, "**Agent**"), GENERAL ELECTRIC CAPITAL CORPORATION, as Arranger (in such capacity, "**Arranger**"), BANK OF AMERICA, N.A. as Syndication Agent and FLEET CAPITAL as Documentation Agent. Capitalized terms used in the Credit Agreement, and Annex A thereto, shall have the meanings therein defined.

We hereby give you notice that, pursuant to the Credit Agreement and upon the terms and subject to the conditions contained therein, we wish a Letter of Credit to be issued to [H&E Equipment Services, L.L.C./Great Northern Equipment Inc.] on \_\_\_\_\_, 200[ ]. The undersigned hereby certifies that on the date hereof and on the date of the issuance of the Letter of Credit, the issuance of the Letter of Credit

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hereby requested is permitted under clause (1) or clause (12) of the definition of "Permitted Debt" as contained in the Senior Note Indenture.

Very truly yours,

H&E EQUIPMENT SERVICES, L.L.C.,

as Borrower Representative

By: \_\_\_\_\_

Name:

Title:

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ANNEX A (Recitals)

to

CREDIT AGREEMENT

DEFINITIONS

Capitalized terms used in the Loan Documents shall have (unless otherwise provided elsewhere in the Loan Documents) the following respective meanings, and all references to Sections, Exhibits, Schedules or Annexes in the following definitions shall refer to Sections, Exhibits, Schedules or Annexes of or to the Agreement:

“**A Rated Bank**” has the meaning assigned to it in Section 6.2.

“**Account Debtor**” means any Person who may become obligated to a Credit Party under, with respect to, or on account of, an Account, Chattel Paper or General Intangibles (including a payment intangible).

“**Accounting Changes**” has the meaning assigned to it in Annex G.

“**Accounts**” means all “**accounts**,” as such term is defined in the Code, now owned or hereafter acquired by any Credit Party including (a) all accounts receivable, other receivables, book debts and other forms of obligations (other than forms of obligations evidenced by Chattel Paper, or Instruments), (including any such obligations that may be characterized as an account or contract right under the Code), (b) all of each Credit Party’s rights in, to and under all purchase orders or receipts for goods or services, (c) all of each Credit Party’s rights to any goods represented by any of the foregoing (including unpaid sellers’ rights of rescission, replevin, reclamation and stoppage in transit and rights to returned, reclaimed or repossessed goods), (d) all rights to payment due to any Credit Party for property sold, leased, licensed, assigned or otherwise disposed of, for a policy of insurance issued or to be issued, for a secondary obligation incurred or to be incurred, for energy provided or to be provided, for the use or hire of a vessel under a charter or other contract, arising out of the use of a credit card or charge card, or for services rendered or to be rendered by such Credit Party or in connection with any other transaction (whether or not yet earned by performance on the part of such Credit Party), (e) all health care insurance receivables and (f) all collateral security of any kind, given by any Account Debtor or any other Person with respect to any of the foregoing.

“**Adjusted Interest Coverage Ratio**” means, with respect to H&E Holdings and its Subsidiaries on a consolidated basis for any period, the ratio of (a) EBITDAR to (b) (i) Interest Expense plus (ii) Operating Lease Payments plus (iii) Capital Lease Payments plus, to the extent not already included under sub clause (i), (ii) or (iii) of this clause (b), Restricted Payments. For the purposes of this definition, Interest Expense for the Fiscal Quarters ending on September 30, 2001, December 31, 2001, and March 31, 2002 shall be deemed to be \$8,600,000 for each such Fiscal Quarter.

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“**Adjusted Leverage Ratio**” means, with respect to H&E Holdings and its Subsidiaries, on a consolidated basis, the ratio of (i) Funded Debt as of any date of determination plus Operating Lease Payoff Value, to (ii) EBITDAR for the period of four consecutive Fiscal Quarters ending on that date of determination.

“**Advance**” means any Revolving Credit Advance or Swing Line Advance, as the context may require.

“**Affiliate**” means, with respect to any Person, (a) each Person that, directly or indirectly, owns or controls, whether beneficially, or as a trustee, guardian or other fiduciary, ten percent (10%) or more of the Stock having ordinary voting power in the election of directors of such Person, (b) each Person that controls, is controlled by or is under common control with such Person, (c) each of such Person’s officers, directors, joint venturers and partners and (d) in the case of any Credit Party, the immediate family members, spouses and lineal descendants of individuals who are Affiliates of such Credit Party. For the purposes of this definition, “control” of a Person means the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise; *provided*, that the term “Affiliate” shall specifically include Don Wheeler and John Engquist and exclude Agent and each Lender.

“**Agent**” means GE Capital in its capacity as Administrative Agent for Lenders or its successor appointed pursuant to Section 9.7.

“**Aggregate Borrowing Base**” means, as of any date of determination, an amount equal to the sum of the Great Northern Borrowing Base and the H&E Borrowing Base.

“**Agreement**” means the Credit Agreement by and among the Credit Parties party thereto, GE Capital, as Arranger, GE Capital, as Administrative Agent and Lender and the other Lenders from time to time party thereto, as the same may be amended, supplemented, amended and restated or otherwise modified from time to time.

“**Appendices**” has the meaning assigned to it in the recitals to the Agreement.

“**Applicable L/C Margin**” means the per annum fee, from time to time in effect, payable with respect to outstanding Letter of Credit Obligations as determined by reference to Section 1.5(a).

“**Applicable Margins**” means collectively the Applicable L/C Margin, the Applicable Unused Line Fee Margin, the Applicable Revolver Index Margin and the Applicable Revolver LIBOR Margin all as set forth in Section 1.5(a).

“**Applicable Revolver Index Margin**” means the per annum interest rate margin from time to time in effect and payable in addition to the Index Rate applicable to the Revolving Credit Advances, the Swingline Advances, unreimbursed Letter of Credit Obligations and other Obligations (excluding LIBOR Loans) as determined by reference to Section 1.5(a).

“**Applicable Revolver LIBOR Margin**” means the per annum interest rate from time to time in effect and payable in addition to the LIBOR Rate applicable to LIBOR Loans, as determined by reference to Section 1.5(a).

“**Applicable Unused Line Fee Margin**” means the per annum fee, from time to time in effect, payable in respect of Borrowers’ non-use of committed funds pursuant to Section 1.9(b), which fee is determined by reference to Section 1.5(a).

“**Arranger**” has the meaning assigned to it in the recitals to the Agreement.

“**Assignment Agreement**” has the meaning assigned to it in Section 9.1(a).

“**Authorized Officer**” means any of the following officers of each Credit Party: the chief executive officer, the chief operating officer, the chief financial officer, executive vice president, the secretary and the treasurer.

“**Bankruptcy Code**” means the provisions of Title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.*

“**Authorized Representative**” has the meaning assigned to it in Section 7.3.

“**Blocked Account Agreement**” has the meaning assigned to it in Annex C.

“**Blocked Accounts**” has the meaning assigned to it in Annex C.

“**Borrower**” has the meaning assigned to it in the preamble to the Agreement.

“**Borrower Representative**” means H&E in its capacity as Borrower Representative pursuant to the provisions of Section 1.1(c).

“**Borrowing Availability**” means as of any date of determination (a) as to all Borrowers, the lesser of (i) the Maximum Amount and (ii) the Aggregate Borrowing Base, in each case, less the sum of the aggregate Revolving Loan and Swing Line Loan then outstanding, or (b) as to an individual Borrower, the lesser of (i) the Maximum Amount less the sum of the Revolving Loan and Swing Line Loan outstanding to all other Borrowers and (ii) that Borrower’s separate Borrowing Base, less the sum of the Revolving Loan and Swing Line Loan outstanding to that Borrower, *provided*, that in the case of determining Borrowing Availability under this clause (b), with respect to any requested H&E/Great Northern Advance, “such Borrower’s separate Borrowing Base” shall mean the Great Northern Borrowing Base.

“**Borrowing Base**” means, as the context may require, the H&E Borrowing Base, the Great Northern Borrowing Base or the Aggregate Borrowing Base.

“**Borrowing Base Certificate**” means a certificate to be executed and delivered from time to time by Borrower Representative on behalf of each Borrower in the form attached to the Agreement as Exhibit 4.1(b).

“**BRS**” means collectively Bruckmann, Rosser, Sherrill & Co., L.P., a Delaware limited partnership, BRS Partners, LP and BRSE LLP.

“**BRS Management Agreement**” has the meaning assigned to it in Section 3.14.

“**BRS Management Co.**” has the meaning assigned to it in Section 3.14.

“**BRS Related Party**” means (1) any stockholder having more than 5% of any class of stock of any entity that comprises BRS, any individual controlling any such stockholder, any immediate family member of any such stockholder (if an individual) or of any such individual and any majority owned Subsidiary, of BRS; or (2) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons beneficially holding a majority interest of any of the entities that comprise BRS and/or such other Persons referred to in the immediately preceding clause (1).

“**Business Day**” means any day that is not a Saturday, a Sunday or a day on which banks are required or permitted to be closed in the State of [Utah] or the State of New York and in reference to LIBOR Loans means any such day that is also a LIBOR Business Day.

“**Capital Lease**” means, with respect to any Person, any lease of any property (whether real, personal or mixed) by such Person as lessee that, in accordance with GAAP, would be required to be classified and accounted for as a capital lease on a balance sheet of such Person.

“**Capital Lease Obligation**” means as of any date of determination, with respect to any Capital Lease of any Person, the amount of the obligation of the lessee thereunder that, in accordance with GAAP, would appear on a balance sheet of such lessee in respect of such Capital Lease as of the date of determination.

“**Capital Lease Payments**” means during any period for any Person, all payments (other than any portion of any payment included in Interest Expense for such period) required to be made by such Person during such period in respect of Capital Lease Obligations.

“**Cash Collateral Account**” has the meaning assigned to it Annex B.

“**Cash Equivalents**” has the meaning assigned to it in Annex B.

“Cash Management Systems” has the meaning assigned to it in Section 1.8.

“Certificate of Exemption” has the meaning assigned to it in Section 1.15(c).

“Change of Control” any event, transaction or occurrence as a result of which (a) prior to any initial public offering of the Stock of H&E Holdings, BRS together with any BRS Related Party shall cease to own and control directly or indirectly all of the voting rights associated with ownership of at least fifty-one percent (51%) of the outstanding membership interests (or other outstanding Stock) of H&E Holdings, (b) following any such initial public offering of the Stock of H&E Holdings, BRS together with any BRS Related Party together with John Engquist (and

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the immediate family members, spouse and lineal descendants of John Engquist) shall cease to own and control directly or indirectly all of the economic and voting rights associated with ownership of at least forty percent (40%) of the outstanding membership interests (or other outstanding Stock) of H&E Holdings, (c) H&E Holdings shall cease to own and control all of the economic and voting rights associated with ownership of at least one hundred percent (100%) of the outstanding membership interests (or other outstanding Stock) of H&E, (d) H&E shall cease to own and control all of the economic and voting rights associated with ownership of at least one hundred percent (100%) of the outstanding capital Stock of H&E Finance and GNE Investments, each on a fully diluted basis, (e) GNE Investments shall cease to own and control all of the economic and voting rights associated with ownership of at least one hundred percent (100%) of the outstanding capital Stock of Great Northern on a fully diluted basis, in each case except pursuant to a merger as provided in Section 6.1(b) or (f) there shall occur any “Change of Control” as such term is defined in the Senior Note Indenture or the Senior Subordinated Note Indenture.

“Charges” means all federal, state, county, city, municipal, local, foreign or other governmental taxes (including taxes owed to the PBGC at the time due and payable), levies, assessments, charges, liens, claims or encumbrances upon or relating to (a) the Collateral, (b) the Obligations, (c) the employees, payroll, income or gross receipts of any Credit Party, (d) any Credit Party’s ownership or use of any properties or other assets, or (e) any other aspect of any Credit Party’s business.

“Chattel Paper” means any “chattel paper,” as such term is defined in the Code, including electronic chattel paper, now owned or hereafter acquired by any Credit Party.

“Closing Checklist” means the schedule, including all appendices, exhibits or schedules thereto, listing certain documents and information to be delivered in connection with the Agreement, the other Loan Documents and the transactions contemplated thereunder, substantially in the form attached hereto as Annex D.

“Closing Date” means June 17, 2002.

“Code” means the Uniform Commercial Code as the same may, from time to time, be enacted and in effect in the State of New York; *provided*, that to the extent that the Code is used to define any term herein or in any Loan Document and such term is defined differently in different Articles of the Code, the definition of such term contained in Article 9 of the Code shall govern; *provided, further*, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of, or remedies with respect to, Agent’s or any Lender’s Lien on any Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of New York, the term “Code” shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority or remedies and for purposes of definitions related to such provisions.

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“Collateral” means the property covered by the Security Agreements and the other Collateral Documents and any other property, real or personal, tangible or intangible, now existing or hereafter acquired, that may at any time be or become subject to a security interest or Lien in favor of Agent, on behalf of itself and Lenders, to secure the Obligations.

“Collateral Agent” means the Trustee for the Senior Notes, in its capacity as “Collateral Agent.”

“Collateral Documents” means the Security Agreements, the Pledge Agreements, the Guaranties, the Patent Security Agreements, the Trademark Security Agreements, the Copyright Security Agreements and all similar agreements entered into guaranteeing payment of, or granting a Lien upon property as security for payment of, the Obligations.

“Collateral Reports” means the reports with respect to the Collateral referred to in Annex F.

“Collection Account” means that certain account of Agent, account number 502-328-54 in the name of Agent at Bankers Trust Company in New York, New York ABA No. 021 001 033, or such other account as may be specified in writing by Agent as the “Collection Account”.

“Commitment Termination Date” means the earliest of (a) June 17, 2007, (b) the date of termination of Lenders’ obligations to make Advances and to incur Letter of Credit Obligations or permit existing Loans to remain outstanding pursuant to Section 8.2(b), and (c) the date of indefeasible prepayment in full in cash by Borrowers of the Loans and the cancellation and return (or stand-by guarantee) of all Letters of Credit or the cash collateralization of all Letter of Credit Obligations pursuant to Annex B, and the permanent reduction of all Commitments to zero dollars (\$0) or the termination of all Commitments (or the cash collateralization or backing with standby letters of credit of all Letters of Credit in accordance with Annex B), in accordance with the provisions of Section 1.3(a).

“Commitments” means (a) as to any Lender, such Lender’s Revolving Loan Commitment (including without duplication the Swing Line Lender’s Swing Line Commitment as a subset of its Revolving Loan Commitment) as set forth on the signature page to the Agreement or in the most recent Assignment Agreement executed by such Lender and (b) as to all Lenders, the aggregate of all Lenders’ Revolving Loan Commitments (including without duplication the Swing Line Lender’s Swing Line Commitment as a subset of its Revolving Loan Commitment), which aggregate

commitment shall be One Hundred Fifty Million Dollars (\$150,000,000) on the Closing Date, as such amount may be reduced, amortized or adjusted from time to time in accordance with the Agreement.

“**Compliance Certificate**” has the meaning assigned to it in Annex E.

“**Concentration Account**” has the meaning assigned to it in Annex C.

“**Contracts**” means all “contracts,” as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, in any event, including all contracts, undertakings, or agreements (other than rights evidenced by Chattel Paper, Documents or Instruments) in or under which any

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Credit Party may now or hereafter have any right, title or interest, including any agreement relating to the terms of payment or the terms of performance of any Account.

“**Contribution Agreement and Plan of Reorganization**” has the meaning assigned to it in the recitals to the Agreement.

“**Control Letter**” means a letter agreement between Agent and (i) the issuer of uncertificated securities with respect to uncertificated securities in the name of any Credit Party, (ii) a securities intermediary with respect to securities, whether certificated or uncertificated, securities entitlements and other financial assets held in a securities account in the name of any Credit Party, (iii) a futures commission merchant or clearing house, as applicable, with respect to commodity accounts and commodity contracts held by any Credit Party, whereby, among other things, the issuer, securities intermediary or futures commission merchant disclaims any security interest in the applicable financial assets, acknowledges the Lien of Agent, on behalf of itself and Lenders, on such financial assets; and agrees to follow the instructions or entitlement orders of Agent without further consent by the affected Credit Party.

“**Copyright License**” means any and all rights now owned or hereafter acquired by any Credit Party under any written agreement granting any right to use any Copyright or Copyright registration.

“**Copyright Security Agreements**” means the Copyright Security Agreements made in favor of Agent, on behalf of itself and Lenders, by each applicable Credit Party.

“**Copyrights**” means all of the following now owned or hereafter acquired by any Credit Party: (a) all copyrights and General Intangibles of like nature (whether registered or unregistered), all registrations and recordings thereof, and all applications in connection therewith, including all registrations, recordings and applications in the United States Copyright Office or in any similar office or agency of the United States, any state or territory thereof, or any other country or any political subdivision thereof, and (b) all reissues, extensions or renewals thereof.

“**Credit Parties**” means each Borrower and each Guarantor.

“**Default**” means any event that, with the passage of time or notice or both, would, unless cured or waived, become an Event of Default.

“**Default Notice**” has the meaning assigned to it in Section 7.3.

“**Default Rate**” has the meaning assigned to it in Section 1.5(d).

“**Deposit Accounts**” means all “deposit accounts” as such term is defined in the Code, now or hereafter held in the name of any Credit Party.

“**Disbursement Accounts**” has the meaning assigned to it on Annex C.

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“**Disclosure Schedules**” means the Schedules prepared by Borrowers and denominated as Disclosure Schedules 1.4 through 6.7 in the Index to the Agreement.

“**Documents**” means all “documents,” as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located.

“**Dollars**” or “**\$**” means lawful currency of the United States of America.

“**EBITDA**” means, with respect to any Person for any fiscal period, without duplication an amount equal to (a) consolidated net income of such Person for such period determined in accordance with GAAP, minus (b) the sum of (i) income tax credits, (ii) interest income, (iii) gain from extraordinary items for such period, and (iv) any aggregate net gain (but not any aggregate net loss) during such period arising from the sale, exchange or other disposition of capital assets by such Person (including any fixed assets, whether tangible or intangible, all inventory sold in conjunction with the disposition of fixed assets and all securities), and (v) any other non-cash gains that have been added in determining consolidated net income, in each case to the extent included in the calculation of consolidated net income of such Person for such period in accordance with GAAP, but without duplication, plus (c) the sum of (i) any provision for income taxes, (ii) Interest Expense, (iii) loss from extraordinary items for such period, (iv) the amount of non-cash charges (including depreciation and amortization) for such period, (v) amortized debt discount for such period, (vi) the amount of any deduction to consolidated net income as the result of any grant to any members of the management of such Person of any Stock, in each case to the extent included in the calculation of consolidated net income of such Person for such period in accordance with GAAP, but without duplication and (vii) amounts not exceeding [\$2,000,000] paid on or about the Closing Date in respect of transaction expenses relating to the Related Transactions. For purposes of this definition, the following items shall be excluded in determining consolidated net income of a Person: (1) the income (or deficit) of any other Person accrued prior to the date it became a Subsidiary of, or was merged or consolidated into, such Person or any of such Person’s Subsidiaries; (2) the income (or deficit) of any other Person (other than a Subsidiary) in which such Person has an ownership interest, except to the extent any such income has actually been received by such Person in the form of cash dividends or distributions; (3) the undistributed earnings of any Subsidiary of such Person to the extent that the declaration or payment of dividends or similar distributions by such



Subsidiary is not at the time permitted by the terms of any contractual obligation or requirement of law applicable to such Subsidiary; (4) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made out of income accrued during such period; (5) any write-up of any asset; (6) any net gain from the collection of the proceeds of life insurance policies; (7) any net gain arising from the acquisition of any securities, or the extinguishment, under GAAP, of any Indebtedness, of such Person, (8) in the case of a successor to such Person by consolidation or merger or as a transferee of its assets, any earnings of such successor prior to such consolidation, merger or transfer of assets, and (9) any deferred credit representing the excess of equity in any Subsidiary of such Person at the date of acquisition of such Subsidiary over the cost to such Person of the investment in such Subsidiary. For the purposes of this definition, Interest Expense

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for the Fiscal Quarters ending on September 30, 2001, December 31, 2001, and March 31, 2002 shall be deemed to be \$8,600,000 for each such Fiscal Quarter.

**“EBITDAR”** means, with respect to any Person for any fiscal period, EBITDA of such Person for such Period plus Operating Lease Payments of such Person for such Period.

**“Eligible Accounts”** has the meaning assigned to it in Section 1.6.

**“Eligible Equipment Inventory”** has the meaning assigned to it in Section 1.7A and excludes Eligible Parts and Tools Inventory and Eligible Rolling Stock.

**“Eligible Parts and Tools Inventory”** has the meaning assigned to it in Section 1.7 and excludes Eligible Equipment Inventory and Eligible Rolling Stock.

**“Eligible Rentals”** has the meaning assigned to it in Section 1.6B.

**“Eligible Rolling Stock”** has the meaning assigned to it in Section 1.6A and excludes Eligible Parts and Tools Inventory and Eligible Equipment Inventory.

**“Environmental Laws”** means all applicable federal, state, local and foreign laws, statutes, ordinances, codes, rules, standards and regulations, now or hereafter in effect, and any applicable judicial or administrative interpretation thereof, including any applicable judicial or administrative order, consent decree, order or judgment, imposing liability or standards of conduct for or relating to the regulation and protection of human health or safety, the environment and natural resources (including ambient air, surface water, groundwater, wetlands, land surface or subsurface strata, wildlife, aquatic species and vegetation). Environmental Laws include the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. §§ 9601 et seq.) (“CERCLA”); the Hazardous Materials Transportation Authorization Act of 1994 (49 U.S.C. §§ 5101 et seq.); the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. §§ 136 et seq.); the Solid Waste Disposal Act (42 U.S.C. §§ 6901 et seq.); the Toxic Substance Control Act (15 U.S.C. §§ 2601 et seq.); the Clean Air Act (42 U.S.C. §§ 7401 et seq.); the Federal Water Pollution Control Act (33 U.S.C. §§ 1251 et seq.); the Occupational Safety and Health Act (29 U.S.C. §§ 651 et seq.); and the Safe Drinking Water Act (42 U.S.C. §§ 300(f) et seq.), and any and all regulations promulgated thereunder, and all analogous state, local and foreign counterparts or equivalents and any transfer of ownership notification or approval statutes.

**“Environmental Liabilities”** means, with respect to any Person, all liabilities, obligations, responsibilities, response, remedial and removal costs, investigation and feasibility study costs, capital costs, operation and maintenance costs, losses, damages, punitive damages, property damages, natural resource damages, consequential damages, treble damages, costs and expenses (including all reasonable fees, disbursements and expenses of counsel, experts and consultants), fines, penalties, sanctions and interest incurred as a result of or related to any claim, suit, action, investigation, proceeding or demand by any Person, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute or common law, including any arising

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under or related to any Environmental Laws, Environmental Permits, or in connection with any Release or threatened Release or presence of a Hazardous Material whether on, at, in, under, from or about or in the vicinity of any real or personal property.

**“Environmental Permits”** means all permits, licenses, authorizations, certificates, approvals, registrations or other written documents required by any Governmental Authority under any Environmental Laws.

**“Equipment Inventory”** means Inventory of any Borrower consisting of equipment held for sale or lease to third parties and Inventory of such Borrower while on lease to third parties.

**“Equipment Inventory Appraisal”** means each periodic appraisal of Borrowers’ Equipment Inventory and Parts and Tools Inventory conducted at the Borrowers’ cost and expense by appraisers reasonably satisfactory to Agent and using a methodology reasonably satisfactory to Agent, *provided*, that unless an Event of Default is continuing, the Borrowers’ shall be responsible for the cost and expense of not more than four (4) such appraisals during the first twelve months following the Closing Date and not more than three (3) such appraisals per year thereafter, it being agreed that so long as such limit is in effect, each item of Equipment Inventory shall be appraised pursuant to a visit to sites of any one or more Credit Parties on one occasion during each year and the balance of such appraisals of such item in such year shall be done as a “desk appraisal.” An appraisal of Equipment Inventory and of Parts and Tools Inventory shall, for the purposes of the preceding sentence, constitute one appraisal.

**“Equipment Inventory Rental Revenues”** means, with respect to any Person for any fiscal period, an amount equal to the gross revenues of such Person derived from the lease of Equipment Inventory owned by such Person to third parties (excluding revenues in respect of taxes, freight insurance and like items).

**“Equipment Inventory Rental Expenditures”** means, with respect to any Person at any time, the aggregate acquisition cost (including all costs of initial acquisition, improvements and additions) of all Equipment Inventory owned by such Person at such time.

**“ERISA”** means the Employee Retirement Income Security Act of 1974, and any regulations promulgated thereunder.

**“ERISA Affiliate”** means, with respect to any Credit Party, any trade or business (whether or not incorporated) that, together with such Credit Party, is treated as a single employer within the meaning of Sections 414(b), (c), (m) or (o) of the IRC.

**“ERISA Event”** means, with respect to any Credit Party or any ERISA Affiliate, (a) any event described in Section 4043(c) of ERISA with respect to a Title IV Plan (other than an event with respect to which the reporting requirement has been waived); (b) the withdrawal of such Credit Party or ERISA Affiliate from a Title IV Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (c) the complete or partial withdrawal of such Credit Party or any ERISA Affiliate from any

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Multiemployer Plan; (d) the filing of a notice of intent to terminate a Title IV Plan or the treatment of a plan amendment as a termination under Section 4041 of ERISA; (e) the institution of proceedings to terminate a Title IV Plan or Multiemployer Plan by the PBGC; (f) the failure by such Credit Party or ERISA Affiliate to make when due required contributions to a Multiemployer Plan or Title IV Plan unless such failure is cured within 30 days; (g) any other event or condition that might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Title IV Plan or Multiemployer Plan or for the imposition of liability under Section 4069 or 4212(c) of ERISA; or (h) the termination of a Multiemployer Plan under Section 4041A of ERISA or the reorganization or insolvency of a Multiemployer Plan under Section 4241 or 4245 of ERISA or (i) the loss of a Qualified Plan’s qualification or tax exempt status; or (j) the termination of a Title IV Plan described in Section 4064 of ERISA.

**“Eurocurrency Liabilities”** has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

**“Event of Default”** has the meaning assigned to it in Section 8.1.

**“Fair Labor Standards Act”** means the Fair Labor Standards Act, 29 U.S.C. §201 *et seq.*

**“Fair Salable Balance Sheet”** means a balance sheet of Borrowers prepared in accordance with Section 3.4(d).

**“Federal Funds Rate”** means, for any day, a floating rate equal to the weighted average of the rates on overnight Federal funds transactions among members of the Federal Reserve System, as determined by Agent in its sole discretion, which determination shall be final, binding and conclusive (absent manifest error).

**“Federal Reserve Board”** means the Board of Governors of the Federal Reserve System.

**“Fees”** means any and all fees payable to Agent or any Lender pursuant to the Agreement or any of the other Loan Documents.

**“Financial Covenants”** means the financial covenants set forth in Annex G.

**“Financial Statements”** means the consolidated and consolidating income statements, statements of cash flows and balance sheets of Borrowers delivered in accordance with Section 3.4 and Annex E.

**“FIRREA”** means the Financial Institutions Reform, Recovery and Enforcement Act of 1989.

**“Fiscal Month”** means any of the monthly accounting periods of Borrowers.

**“Fiscal Quarter”** means any of the quarterly accounting periods of Borrowers, ending on March 31, June 30, September 30, and December 31 of each year.

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**“Fiscal Year”** means any of the annual accounting periods of Borrowers ending on December 31 of each year.

**“Fixtures”** means all “fixtures” as such term is defined in the Code, now owned or hereafter acquired by any Credit Party.

**“Floor Plan Equipment Inventory”** means Equipment Inventory purchased by any Credit Party for sale or lease in the ordinary course of business and subject to a purchase money Lien in favor of the seller thereof or a third party financing source.

**“Foreign Lender”** has the meaning assigned to it in Section 1.15(c).

**“Funded Debt”** means, with respect to any Person, without duplication, all Indebtedness for borrowed money evidenced by notes, bonds, debentures, or similar evidences of Indebtedness that by its terms matures more than one year from, or is directly or indirectly renewable or extendible at such Person’s option under a revolving credit or similar agreement obligating the lender or lenders to extend credit over a period of more than one year from the date of creation thereof, and specifically including Capital Lease Obligations, current maturities of long-term debt, revolving credit and short-term debt extendible beyond one year at the option of the debtor, and including without limitation, in the case of Borrowers, the Obligations (calculated with reference to the average outstanding balance of the Obligations during the six month period ending immediately prior to the relevant date of determination (or such shorter period that begins on the Closing Date and ends immediately prior to such relevant date of determination)), the Senior Debt and the Subordinated Debt.

“GAAP” means generally accepted accounting principles in the United States of America consistently applied as such term is further defined in Annex G to the Agreement.

“GE Capital” means General Electric Capital Corporation, a Delaware corporation.

“GE Capital Fee Letter” has the meaning assigned to it in Section 1.9(a).

“General Intangibles” means all “general intangibles,” as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, including all right, title and interest that such Credit Party may now or hereafter have in or under any Contract, all payment intangibles, customer lists, Licenses, Copyrights, Trademarks, Patents, and all applications therefor and reissues, extensions or renewals thereof, rights in Intellectual Property, interests in partnerships, joint ventures and other business associations, licenses, permits, copyrights, trade secrets, proprietary or confidential information, inventions (whether or not patented or patentable), technical information, procedures, designs, knowledge, know-how, software, data bases, data, skill, expertise, experience, processes, models, drawings, materials and records, goodwill (including the goodwill associated with any Trademark or Trademark License), all rights and claims in or under insurance policies (including insurance for fire, damage, loss and casualty, whether covering personal property, real property, tangible rights or intangible rights, all liability, life, key man and business interruption insurance, and all unearned premiums), uncertificated

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securities, choses in action, deposit, checking and other bank accounts, rights to receive tax refunds and other payments, rights to receive dividends, distributions, cash, Instruments and other property in respect of or in exchange for pledged Stock and Investment Property, rights of indemnification, all books and records, correspondence, credit files, invoices and other papers, including without limitation all tapes, cards, computer runs and other papers and documents in the possession or under the control of such Credit Party or any computer bureau or service company from time to time acting for such Credit Party.

“GNE Investments” has the meaning assigned to it in the recitals to the Agreement.

“GNE Investments Pledge Agreement” means the Pledge Agreement dated as of the Closing Date executed by GNE Investments in favor of Agent, on behalf of itself and Lenders, pledging all Stock of its Subsidiaries owned or held by GNE Investments.

“Goods” means all “goods” as defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located, including embedded software to the extent included in “goods” as defined in the Code, manufactured homes, standing timber that is cut and removed for sale and unborn young of animals.

“Governmental Authority” means any nation or government, any state or other political subdivision thereof, and any agency, department or other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Great Northern” has the meaning assigned to it in the recitals to the Agreement.

“Great Northern Advance” shall mean an advance by H&E to Great Northern of the proceeds of an H&E/Great Northern Advance.

“Great Northern Borrowing Base” means, as of any date of determination by Agent, from time to time, an amount equal to the sum at such time of:

- (a) up to eighty-five percent (85%) of Great Northern’s Eligible Accounts plus up to eighty five percent (85%) of Great Northern’s Eligible Rentals, less any Reserves (without duplication) established by Agent in good faith using reasonable credit judgment as of such time; plus
- (b) up to fifty percent (50%) of the Net Book Value of Great Northern’s Eligible Parts and Tools Inventory, less any Reserves (without duplication) established by Agent in good faith using reasonable credit judgment as of such time; plus
- (c) up to one hundred percent (100%) of the Net Book Value of Great Northern’s new Eligible Equipment Inventory held for sale, less any Reserves (without duplication) established by Agent in good faith using reasonable credit judgment as of such time; plus

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- (d) up to fifty percent (50%) of the Net Book Value of Great Northern’s used Eligible Equipment Inventory held for sale, less any Reserves (without duplication) established by Agent in good faith using reasonable credit judgment as of such time; plus
- (e) the lesser of (i) one hundred percent (100%) of the Net Book Value of Great Northern’s Eligible Equipment Inventory held for lease to third parties or being leased to third parties and (ii) up to eighty percent (80%) of the Orderly Liquidation Value of Great Northern’s Eligible Equipment Inventory held for lease or being leased to third parties, in each case, less any Reserves (without duplication) established by Agent in good faith using reasonable credit judgment as of such time; plus
- (f) up to fifty percent (50%) of the Orderly Liquidation Value of Great Northern’s Eligible Rolling Stock, less any Reserves (without duplication) established by Agent in good faith using reasonable credit judgment as of such time.

“Guaranteed Indebtedness” means, as to any Person, any obligation of such Person guaranteeing, providing comfort or otherwise supporting any Indebtedness, lease, dividend, or other obligation (“primary obligations”) of any other Person (the “primary obligor”) in any manner, including any obligation or arrangement of such Person to (a) purchase or repurchase any such primary obligation, (b) advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet condition of the primary obligor, (c) purchase property, securities or services primarily for

the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, (d) protect the beneficiary of such arrangement from loss (other than product warranties given in the ordinary course of business) or (e) indemnify the owner of such primary obligation against loss in respect thereof. The amount of any Guaranteed Indebtedness at any time shall be deemed to be an amount equal to the lesser at such time of (x) the stated or determinable amount of the primary obligation in respect of which such Guaranteed Indebtedness is incurred and (y) the maximum amount for which such Person may be liable pursuant to the terms of the instrument embodying such Guaranteed Indebtedness, or, if not stated or determinable, the maximum reasonably anticipated liability (assuming full performance) in respect thereof.

**“Guaranties”** means, collectively, the H&E Holdings Guaranty, each Subsidiary Guaranty and any other guaranty executed by any Guarantor in favor of Agent and Lenders in respect of the Obligations.

**“Guarantors”** means H&E Holdings, Great Northern, each Subsidiary of each Borrower (other than each such Subsidiary that is a Borrower) and each other Person, if any, that executes a guaranty or other similar agreement in favor of Agent, for itself and the ratable benefit of Lenders, in connection with the transactions contemplated by the Agreement and the other Loan Documents.

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**“Gulf Wide”** has the meaning assigned to it in the recitals to the Agreement.

**“H&E”** has the meaning assigned to it in the recitals to the Agreement.

**“H&E Borrowing Base”** means, as of any date of determination by Agent, from time to time, an amount equal to the sum at such time of:

- (a) up to eighty-five percent (85%) of H&E’s Eligible Accounts plus up to eighty five percent of H&E’s Eligible Rentals, less any Reserves (without duplication) established by Agent in good faith using reasonable credit judgment as of such time; plus
- (b) up to fifty percent (50%) of the Net Book Value of H&E’s Eligible Parts and Tools Inventory, less any Reserves (without duplication) established by Agent in good faith using reasonable credit judgment as of such time; plus
- (c) up to one hundred percent (100%) of the Net Book Value of H&E’s new Eligible Equipment Inventory held for sale, less any Reserves (without duplication) established by Agent in good faith using reasonable credit judgment as of such time; plus
- (d) up to fifty percent (50%) of the Net Book Value of H&E’s used Eligible Equipment Inventory held for sale, less any Reserves (without duplication) established by Agent in good faith using reasonable credit judgment as of such time; plus
- (e) the lesser of (i) one hundred percent (100%) of the Net Book Value of H&E’s Eligible Equipment Inventory held for lease to third parties or being leased to third parties, and (ii) up to eighty percent (80%) of the Orderly Liquidation Value of H&E’s Eligible Equipment Inventory held for lease to third parties or being leased to third parties, in each case, less any Reserves (without duplication) established by Agent in good faith using reasonable credit judgment as of such time; plus
- (f) up to fifty percent (50%) of the Orderly Liquidation Value of H&E’s Eligible Rolling Stock, less any Reserves (without duplication) established by Agent in good faith using reasonable credit judgment as of such time.

**“H&E Contribution”** has the meaning assigned to it in the recitals to the Agreement.

**“H&E Finance”** has the meaning assigned to it in the recitals to the Agreement.

**“H&E/Great Northern Advance”** shall mean a Revolving Advance or Swing Line Advance made to H&E and identified as an “H&E/Great Northern Advance” on the applicable notice of Revolving Credit Advance, the proceeds of which are to be advanced by H&E to Great Northern as a Great Northern Advance. Payments in respect of the Obligations shall be applied between H&E/Great Northern Advances and Advances other than H&E/Great Northern Advances as determined by Agent.

**“H&E Holdings”** has the meaning assigned to it in the recitals to the Agreement.

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**“H&E Holdings Guaranty”** means the guaranty dated as of the Closing Date executed by H&E Holdings in favor of Agent, on behalf of itself and Lenders, in respect of the Obligations.

**“H&E Holdings Pledge Agreement”** means the Pledge Agreement dated as of the Closing Date executed by H&E Holdings in favor of Agent, on behalf of itself and Lenders, pledging all stock of its Subsidiaries owned or held by H&E Holdings and all Intercompany Notes owing to or held by it.

**“Hazardous Material”** means any substance, material or waste that is regulated by or forms the basis of liability now or hereafter under, any Environmental Laws, including any material or substance that is (a) defined as a “solid waste,” “hazardous waste,” “hazardous material,” “hazardous substance,” “extremely hazardous waste,” “restricted hazardous waste,” “pollutant,” “contaminant,” “hazardous constituent,” “special waste,” “toxic substance” or other similar term or phrase under any Environmental Laws, (b) petroleum or any fraction or by-product thereof, asbestos, polychlorinated biphenyls (PCB’s), or any radioactive substance.

**“Hedging Agreement”** means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement, treasury management products or other interest or currency exchange rate or commodity price hedging arrangement to which a Lender and one or more Credit Parties are parties.

**“Indebtedness”** of any Person means, without duplication, (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property payment for which is deferred six (6) months or more, but excluding obligations to trade creditors incurred in the ordinary course of business that are unsecured and not overdue by more than six (6) months unless being contested in good faith, (b) all reimbursement and other obligations with respect to letters of credit, bankers’ acceptances and surety bonds, whether or not matured, (c) all obligations evidenced by notes, bonds, debentures or similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Capital Lease Obligations and the present value (discounted at the Index Rate as in effect on the Closing Date) of future rental payments under all synthetic leases, (f) all obligations of such Person under commodity purchase or option agreements or other commodity price hedging arrangements, in each case whether contingent or matured, (g) all obligations of such Person under any foreign exchange contract, currency swap agreement, interest rate swap, cap or collar agreement or other similar agreement or arrangement designed to alter the risks of that Person arising from fluctuations in currency values or interest rates, in each case whether contingent or matured, (h) all Indebtedness referred to above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property or other assets (including accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness, and (i) the Obligations.

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**“Indemnified Liabilities”** has the meaning assigned to it in Section 1.13.

**“Indemnified Person”** has the meaning assigned to it in Section 1.13.

**“Index Rate”** means, for any day, a floating rate equal to the higher of (i) the rate publicly quoted from time to time by *The Wall Street Journal* as the “base rate on corporate loans posted by at least 75% of the nation’s 30 largest banks” (or, if *The Wall Street Journal* ceases quoting a base rate of the type described, the highest per annum rate of interest published by the Federal Reserve Board in Federal Reserve statistical release H.15 (519) entitled “Selected Interest Rates” as the Bank prime loan rate or its equivalent), and (ii) the Federal Funds Rate plus fifty (50) basis points per annum. Each change in any interest rate provided for in the Agreement based upon the Index Rate shall take effect at the time of such change in the Index Rate.

**“Index Rate Loan”** means a Loan or portion thereof bearing interest by reference to the Index Rate.

**“Inspection”** has the meaning assigned to it in Section 1.14.

**“Instruments”** means any “instrument,” as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located, and, in any event, including all certificated securities, all certificates of deposit, and all promissory notes and other evidences of indebtedness, other than instruments that constitute, or are a part of a group of writings that constitute, Chattel Paper.

**“Intellectual Property”** means any and all Licenses, Patents, Copyrights, Trademarks, and the goodwill associated with such Trademarks.

**“Intercompany Notes”** has the meaning assigned to it in Section 6.3.

**“Inter-Creditor Agreement”** means, the intercreditor agreement of even date herewith entered into by and among Bank of New York as Collateral Agent, Agent, H&E Finance and H&E.

**“Interest Expense”** means, with respect to any Person for any fiscal period, interest expense paid in cash of such Person determined in accordance with GAAP for the relevant period ended on such date, including expense with respect to any Funded Debt of such Person and interest expense for the relevant period that has been capitalized on the balance sheet of such Person.

**“Interest Payment Date”** means (a) as to any Index Rate Loan, the first Business Day of each month to occur while such Loan is outstanding and (b) as to any LIBOR Loan, the last day of the applicable LIBOR Period; *provided*, that in the case of any LIBOR Period greater than three months in duration, interest shall be payable at three month intervals and on the last day of such LIBOR Period; and *provided, further*, that, in addition to the foregoing, each of (x) the date upon which all of the Commitments have been terminated and the Loans have been paid in full and (y) the Commitment Termination Date shall be deemed to be an “Interest Payment Date” with respect to any interest that has then accrued under the Agreement.

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**“Inventory”** means all “inventory,” as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located, and in any event including inventory, merchandise, goods and other personal property that are held by or on behalf of any Credit Party for sale or lease or are furnished or are to be furnished under a contract of service, or that constitute raw materials, work in process, finished goods, returned goods, or materials or supplies of any kind, nature or description used or consumed or to be used or consumed in such Credit Party’s business or in the processing, production, packaging, promotion, delivery or shipping of the same, including all supplies and embedded software.

**“Investment Property”** means all “investment property” as such term is defined in the Code now owned or hereafter acquired by any Credit Party, wherever located, including (i) all securities, whether certificated or uncertificated, including stocks, bonds, interests in limited liability companies, partnership interests, treasuries, certificates of deposit, and mutual fund shares; (ii) all securities entitlements of any Credit Party, including the rights of any Credit Party to any securities account and the financial assets held by a securities intermediary in such securities account and any free credit balance or other money owing by any securities intermediary with respect to that account; (iii) all securities accounts of any Credit Party; (iv) all commodity contracts of any Credit Party; and (v) all commodity accounts of any Credit Party.

**“IRC”** means the Internal Revenue Code of 1986 and all regulations promulgated thereunder. “IRS” means the Internal Revenue Service.

“**L/C Issuer**” means (a) any Lender, any Affiliate of any Lender and, with respect to any Lender that is an investment fund that invests in commercial loans, any other investment fund that invests in commercial loans and that is managed or advised by the same investment advisor as such Lender or by an Affiliate of such investment advisor, and (b) any commercial bank, savings and loan association or savings bank or any other entity which is an “accredited investor” (as defined in Regulation D under the Securities Act of 1933) which extends credit, buys loans or provides letters of credit as one of its businesses, including insurance companies, mutual funds, lease financing companies and commercial finance companies, in each case, which has a rating of BBB or higher from S&P and a rating of Baa2 or higher from Moody’s at the date that it becomes an L/C Issuer; *provided*, that no Person or Affiliate of such Person (other than a Person that is already a Lender) holding Subordinated Debt or Stock issued by any Credit Party shall be an L/C Issuer.

“**L/C Sublimit**” has the meaning assigned to such term in Annex B.

“**Lenders**” means GE Capital, the other initial Lenders named on the signature pages of the Agreement, and, if any such Lender shall decide to assign all or any portion of the Obligations, such term shall include any registered assignee of such Lender.

“**Letter of Credit Fee**” has the meaning assigned to it in Annex B.

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“**Letter of Credit Obligations**” means all outstanding obligations incurred by Agent and Lenders at the request of any Borrower, whether direct or indirect, contingent or otherwise, due or not due, in connection with the issuance of Letters of Credit by Agent or any other L/C Issuer or the purchase of a participation as set forth in Annex B with respect to any Letter of Credit. The amount of such Letter of Credit Obligations shall equal the maximum amount that may be payable at such time or at any time thereafter by Agent or Lenders thereupon or pursuant thereto.

“**Letters of Credit**” means documentary or standby letters of credit issued for the account of any Borrower by any L/C Issuer, and bankers’ acceptances issued by any Borrower, for which Agent and Lenders have incurred Letter of Credit Obligations.

“**Letter of Credit Rights**” means “letter of credit rights” as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, including rights to payment or performance under a letter of credit, whether or not such Credit Party, as beneficiary, has demanded or is entitled to demand payment or performance.

**Leverage Ratio**” means, with respect to H&E Holdings and its Subsidiaries, on a consolidated basis, the ratio of (i) Funded Debt of H&E Holdings and its Subsidiaries as of any date of determination, to (ii) EBITDA of H&E Holdings and its Subsidiaries for the twelve-month period ending on that date of determination.

“**LIBOR Business Day**” means a Business Day on which banks in the City of London are generally open for interbank or foreign exchange transactions.

“**LIBOR Loan**” means a Loan or any portion thereof bearing interest by reference to the LIBOR Rate.

“**LIBOR Period**” means, with respect to any LIBOR Loan, each period commencing on a LIBOR Business Day selected by Borrower Representative pursuant to the Agreement and ending one, two, three or six months thereafter, as selected by Borrower Representative’s irrevocable notice to Agent as set forth in Section 1.5(e); *provided*, that the foregoing provision relating to LIBOR Periods is subject to the following:

- (a) if any LIBOR Period would otherwise end on a day that is not a LIBOR Business Day, such LIBOR Period shall be extended to the next succeeding LIBOR Business Day unless the result of such extension would be to carry such LIBOR Period into another calendar month in which event such LIBOR Period shall end on the immediately preceding LIBOR Business Day;
- (b) any LIBOR Period that would otherwise extend beyond the Commitment Termination Date shall end 1 LIBOR Business Days prior to such date;
- (c) any LIBOR Period that begins on the last LIBOR Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the

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end of such LIBOR Period) shall end on the last LIBOR Business Day of a calendar month;

- (d) Borrower Representative shall select LIBOR Periods so as not to require a payment or prepayment of any LIBOR Loan during a LIBOR Period for such Loan; and
- (e) Borrower Representative shall select LIBOR Periods so that there shall be no more than ten (10) separate LIBOR Loans in existence at any one time.

“**LIBOR Rate**” means for each LIBOR Period, (a) a rate of interest determined by Agent equal to the offered rate for deposits in United States Dollars for the applicable LIBOR Period that appears on Telerate Page 3750 as of 11:00 a.m., London time, on the second full LIBOR Business Day next preceding the first day of such LIBOR Period (unless such date is not a Business Day, in which event the next succeeding Business Day will be used); divided by (b) a number equal to 4.0 minus the aggregate (but without duplication) of the rates (expressed as a decimal fraction) of reserve requirements in effect on the day that is 2 LIBOR Business Days prior to the beginning of such LIBOR Period (including basic, supplemental, marginal and emergency reserves under any regulations of the Federal Reserve Board or other Governmental Authority having jurisdiction with respect thereto, as now and from time to time in effect) for Eurocurrency funding (currently referred to as “Eurocurrency Liabilities” in Regulation D of the Federal Reserve Board that are required to be maintained by a member bank of the Federal Reserve System. If such interest rate shall cease to

be available from Telerate News Service, the LIBOR Rate shall be determined from such financial reporting service or other information as shall be mutually acceptable to Agent and Borrower Representative.

“**License**” means any Copyright License, Patent License, Trademark License or other license of rights or interests now held or hereafter acquired by any Credit Party.

“**Lien**” means any mortgage or deed of trust, pledge, hypothecation, assignment, deposit arrangement, lien, charge, claim, security interest, easement or encumbrance, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any lease or title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement perfecting a security interest under the Code or comparable law of any jurisdiction).

“**Litigation**” has the meaning assigned to it in Section 3.13.

“**Loan Account**” has the meaning assigned to it in Section 1.12.

“**Loan Documents**” means the Agreement, the Notes, the GE Capital Fee Letter, the Syndication Letter and the Collateral Documents and all other agreements, instruments, documents and certificates identified in the Closing Checklist executed and delivered to, or in favor of, Agent or any Lenders and including all other pledges, powers of attorney, consents, assignments, contracts, notices, and all other written matter whether heretofore, now or hereafter executed by or on

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behalf of any Credit Party, and delivered to Agent or any Lender in connection with the Agreement or the transactions contemplated thereby. Any reference in the Agreement, any other Loan Document or the Syndication Letter to a Loan Document shall include all appendices, exhibits or schedules thereto, and all amendments, restatements, supplements or other modifications thereto, and shall refer to the Agreement or such Loan Document as the same may be in effect at any and all times such reference becomes operative.

“**Loans**” means the Revolving Loan and the Swing Line Loan.

“**Lock Boxes**” has the meaning assigned to it in Annex C.

“**Majority Revolving Lenders**” means (a) Lenders having more than 50% of the Commitments of all Lenders, or (b) if the Commitments have been terminated, more than 50% of the aggregate outstanding amount of the Loans (without giving effect to the Swing Line Loan) and Letter of Credit Obligations.

“**Margin Stock**” has the meaning assigned to in Section 3.10.

“**Material Adverse Effect**” means a material adverse effect on (a) the business, assets, operations, prospects or financial or other condition of Credit Parties considered as a whole, (b) Borrowers’ ability to pay any of the Loans or any of the other Obligations in accordance with the terms of the Agreement, (c) the Collateral or Agent’s Liens, on behalf of itself and Lenders, on the Collateral or the priority of such Liens, or (d) Agent’s or any Lender’s rights and remedies under the Agreement and the other Loan Documents.

“**Maximum Amount**” means, as of any date of determination, an amount equal to the Revolving Loan Commitment of all Lenders as of that date.

“**Mergers**” has the meaning assigned to it in the recitals to the Agreement.

“**Multiemployer Plan**” means a “multiemployer plan” as defined in Section 4001 (a)(3) of ERISA, and to which any Credit Party or an ERISA Affiliate is making or is obligated to make, contributions on behalf of participants who are or were employed by any of them.

“**Net Book Value**” means book value as determined in accordance with GAAP, lower of cost and market, and after taking into account depreciation and excluding all “freight-in” costs and preparatory costs.

“**Non-Funding Lender**” has the meaning assigned to it in Section 9.9(d).

“**Notes**” means, collectively, the Revolving Notes and the Swing Line Notes.

“**Notice of Conversion/Continuation**” has the meaning assigned to it in Section 1.5(e).

“**Notice of Revolving Credit Advance**” has the meaning assigned to it in Section 1.1(a).

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“**Obligations**” means (a) all loans, advances, debts, liabilities and obligations for the performance of covenants, tasks or duties or for payment of monetary amounts (whether or not such performance is then required or contingent, or such amounts are liquidated or determinable) owing by any Credit Party to Agent or any Lender, and all covenants and duties regarding such amounts, of any kind or nature, present or future, whether or not evidenced by any note, agreement or other instrument, arising under the Agreement or any of the other Loan Documents and (b) for the purposes of the application of payments under Section 1.11(a) and the Collateral Documents, all liabilities, indebtedness and obligations of any Borrower arising under any Hedging Agreement. This term includes all principal, interest (including all interest that accrues after the commencement of any case or proceeding by or against any Credit Party in bankruptcy, whether or not allowed in such case or proceeding), Fees, Charges, expenses, attorneys’ fees and any other sum chargeable to any Credit Party under the Agreement or any of the other Loan Documents or any Hedging Agreement.

**“Off Balance Sheet Equipment Inventory”** means Equipment Inventory that has been leased by any Credit Party as lessee under an operating lease, and held for sublease by such Credit Party to third parties in the ordinary course of business.

**“Operating Lease Payments”** means, for any Person during any period, all payments required to be made by such Person during such Period in respect of leases by such Person as lessee of Equipment Inventory, excluding any payment under any Capital Lease Obligation as lessee of such Equipment Inventory.

**“Operating Lease Payoff Value”** means, with respect to any operating lease of Equipment Inventory to which any Borrower or Guarantor is a lessee, at any time, the sum of the then remaining lease payments under such operating lease, discounted to present value at the notional interest rate for such operating lease.

**“Orderly Liquidation Value”** shall mean (i) with respect to Eligible Equipment Inventory, the orderly liquidation value thereof as determined by the most recent Equipment Inventory Appraisal and (ii) with respect to Eligible Rolling Stock, the orderly liquidation value thereof as determined by the most recent P&E Appraisal.

**“Original Advance Rate”** means, with respect to any percentage advance rate contained in the Great Northern Borrowing Base or the H&E Borrowing Base, such advance rate as in effect on the Closing Date.

**“P&E”** means all “equipment,” as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located and, in any event, including all such Credit Party’s machinery and equipment, including processing equipment, conveyors, machine tools, data processing and computer equipment, including embedded software and peripheral equipment and all engineering, processing and manufacturing equipment, office machinery, furniture, materials handling equipment, tools, attachments, accessories, automotive equipment, trailers, trucks, forklifts, molds, dies, stamps, motor vehicles, rolling stock and other equipment of every kind and

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nature, trade fixtures and fixtures not forming a part of real property, together with all additions and accessions thereto, replacements therefor, all parts therefor, all substitutes for any of the foregoing, fuel therefor, and all manuals, drawings, instructions, warranties and rights with respect thereto and all products and proceeds thereof and condemnation awards and insurance proceeds with respect thereto. P&E excludes Equipment Inventory and Fixtures.

**“P&E Appraisal”** means each periodic appraisal of Borrowers’ P&E conducted at the Borrowers’ cost and expense by appraisers reasonably satisfactory to Agent and using a methodology reasonably satisfactory to Agent, *provided*, that unless an Event of Default has occurred and is continuing, the Borrowers shall be responsible for the cost and expense of not more than four (4) such appraisals during the first twelve months following the Closing Date and not more than three (3) such appraisals per year thereafter, it being agreed that so long as such limit is in effect, each item of Equipment Inventory shall be appraised pursuant to a visit to sites of any one or more Credit Parties on one occasion during each year and the balance of such appraisals of such item in such year shall be done as a “desk appraisal.”

**“P&E Capital Expenditures”** means, with respect to any Person, all expenditures (by the expenditure of cash or the incurrence of Indebtedness) by such Person during any measuring period for any P&E or improvements or for replacements, substitutions or additions thereto, that have a useful life of more than one year and that are required to be capitalized under GAAP (excluding any such expenditures related to Permitted Acquisitions).

**“Parts and Tool Inventory”** means Inventory of any Borrower consisting of parts, tools and supplies.

**“Patent License”** means rights under any written agreement now owned or hereafter acquired by any Credit Party granting any right with respect to any invention on which a Patent is in existence.

**“Patent Security Agreements”** means the Patent Security Agreements made in favor of Agent, on behalf of itself and Lenders, by each applicable Credit Party.

**“Patents”** means all of the following in which any Credit Party now holds or hereafter acquires any interest: (a) all letters patent of the United States or of any other country, all registrations and recordings thereof, and all applications for letters patent of the United States or of any other country, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State or any other country, and (b) all reissues, continuations, continuations-in-part or extensions thereof.

**“PBGC”** means the Pension Benefit Guaranty Corporation.

**“Pension Plan”** means a Plan described in Section 3(2) of ERISA.

**“Permitted Acquisition”** has the meaning assigned to it in Section 6.1.

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**“Permitted Encumbrances”** means the following encumbrances: (a) Liens for taxes or assessments or other governmental Charges not yet due and payable, or which are being contested in accordance with Section 5.2(b); (b) pledges or deposits of money securing statutory obligations under workmen’s compensation, unemployment insurance, social security or public liability laws or similar legislation (excluding Liens under ERISA); (c) pledges or deposits of money securing bids, tenders, contracts (other than contracts for the payment of money) or teases to which any Borrower is a party as lessee in the ordinary course of business; (d) deposits of money securing statutory obligations of any Borrower; (e) inchoate and unperfected workers’, mechanics’ or similar liens arising in the ordinary course of business, so long as such Liens attach only to P&E, Fixtures and/or Real Estate; (f) carriers’, warehousemen’s, suppliers’ or other similar possessory liens arising in the ordinary course of business and securing liabilities, so long as such Liens attach only to Equipment Inventory; (g) deposits securing, or in lieu of, surety, appeal or customs bonds in proceedings to which any Borrower is a party; (h) any attachment or judgment lien not constituting an Event of Default under Section 8.1(j); (i) zoning restrictions,



easements, licenses, or other restrictions on the use of any Real Estate or other minor irregularities in title (including leasehold title) thereto, so long as the same do not materially impair the use, value, or marketability of such Real Estate; (j) presently existing or hereafter created Liens in favor of Agent, on behalf of Lenders, and to the extent subject to the Inter-Creditor Agreement, in favor of Collateral Agent, on behalf of the holders of Senior Notes; and (k) Liens of landlords or mortgages arising by operation of law or pursuant to the terms of real property leases, *provided*, that the mortgage or rental payments secured thereby are not yet overdue, and the applicable mortgage or lease is not otherwise in default in a manner which could permit the applicable mortgagee or lessee to take enforcement action with respect to such Liens.

“**Person**” means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, public benefit corporation, other entity or government (whether federal, state, county, city, municipal, local, foreign, or otherwise, including any instrumentality, division, agency, body or department thereof).

“**Plan**” means, at any time, an “employee benefit plan”, as defined in Section 3(3) of ERISA, that any Credit Party maintains, contributes to or has an obligation to contribute to or has any liability under.

“**Pledge Agreements**” means the H&E Holdings Pledge Agreement, the H&E Pledge Agreement, the GNE Investments Pledge Agreement and any other pledge agreement entered into after the Closing Date in connection herewith (as required by the Agreement or any other Loan Document).

“**Prior Lenders**” means the holders of the Prior Obligations.

“**Prior Obligations**” means collectively, the indebtedness under or pursuant to, as applicable, (i) the Credit Agreement dated as of February 4, 1998, as amended and restated as of July 31, 1998, among ICM, Great Northern Equipment, Inc., Williams Bros. Construction, Inc., the Prior

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Lenders, Bankers Trust Company as Syndication Agent and Co-Agent, GE Capital as Documentation Agent and Co-Agent and The CIT Group/Equipment Financing, Inc. as Agent, as subsequently amended; (ii) the Loan Agreement dated August 10, 1998 between The CIT Group/Equipment Financing, Inc. and H&E, as subsequently amended; and (iii) the 10% Senior Subordinated Promissory Note dated February 20, 2002 issued by ICM to John Engquist.

“**Proceeds**” means “proceeds.” as such term is defined in the Code, including (a) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to any Credit Party from time to time with respect to any of the Collateral, (b) any and all payments (in any form whatsoever) made or due and payable to any Credit Party from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any Governmental Authority (or any Person acting under color of governmental authority), (c) any claim of any Credit Party against third parties (i) for past, present or future infringement of any Patent or Patent License, or (ii) for past, present or future infringement or dilution of any Copyright, Copyright License, Trademark or Trademark License, or for injury to the goodwill associated with any Trademark or Trademark License, (d) any recoveries by any Credit Party against third parties with respect to any litigation or dispute concerning any of the Collateral, including claims arising out of the loss or nonconformity of, interference with the use of, defects in, or infringement of rights in, or damage to, Collateral, (e) all amounts collected on, or distributed on account of, other Collateral, including dividends, interest, distributions and Instruments with respect to Investment Property and pledged Stock, and (i) any and all other amounts, rights to payment or other property acquired upon the sale, lease, license, exchange or other disposition of Collateral and all rights arising out of Collateral.

“**Pro Forma**” means the unaudited consolidated and consolidating balance sheet of Borrowers and their Subsidiaries as of March 31, 2002 after giving *pro forma* effect to the Related Transactions.

“**Prohibited Swing Line Advance**” means a Swing Line Advance (i) that was made without satisfaction of the condition contained in Section 2.2(e) by virtue of such Swing Line Advance exceeding Swing Line Availability due to the limitation imposed by Section 1.1(b)(i)(A) or 1.1(b)(i)(B)(x) (but not 1.1(b)(i)(B)(y)), or (ii) (x) that was made without satisfaction of the condition contained in Section 2.2(e) by virtue of such Swing Line Advance exceeding Swing Line Availability due to the limitation imposed by Section 1.1(b)(i)(B)(y) based on the Aggregate Borrowing Base as reflected in the most recent Borrowing Base Certificate delivered to the Agent prior to the making of such Swing Line Advance and (y) that (A) exceeds \$4,000,000, or (B) when added to any Swing Line Advances (described in clause (ii)(x) of this definition) made (1) during the period of 10 Business Days ending on (and including) the date of making of such Swing Line Advance, exceeds \$4,000,000 or (2) during the period from and after the Closing Date, exceeds \$10,000,000.

“**Projections**” means Borrowers’ forecasted consolidated and consolidating (a) balance sheets; (b) profit and loss statements; (c) cash flow statements; and (d) capitalization statements, all prepared on a Subsidiary by Subsidiary or division-by-division basis, if applicable, and otherwise

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consistent with the historical Financial Statements of Borrowers, together with appropriate supporting details and a statement of underlying assumptions.

“**Properly Elects**” has the meaning assigned to it in Section 7.3.

“**Pro Rata Share**” means with respect to all matters relating to any Lender and with respect to the Revolving Loan, the percentage obtained by dividing (i) the Revolving Loan Commitment of that Lender by (ii) the aggregate Revolving Loan Commitments of all Lenders.

“**Qualified Assignee**” means (a) any Lender, any Affiliate of any Lender and, with respect to any Lender that is an investment fund that invests in commercial loans, any other investment fund that invests in commercial loans and that is managed or advised by the same investment advisor as such Lender or by an Affiliate of such investment’ advisor, and (b) any commercial bank, savings and loan association or savings bank or any other entity which is an “accredited investor” (as defined in Regulation D under the Securities Act of 1933) which extends credit or buys loans as one of its businesses, including insurance companies, mutual funds, lease financing companies and commercial finance companies, in each case, which has a rating of BBB or higher from S&P and a rating of Baa2 or higher from Moody’s at the date that it becomes a Lender and which, through its

applicable lending office, is capable of lending to Borrowers without the imposition of any withholding or similar taxes; *provided*, that no Person determined by Agent to be acting in the capacity of a vulture fund or distressed debt purchaser shall be a Qualified Assignee, and no Person or Affiliate of such Person (other than a Person that is already a Lender) holding Subordinated Debt or Stock issued by any Credit Party shall be a Qualified Assignee.

“**Qualified Plan**” means a Pension Plan that is intended to be tax-qualified under Section 401(a) of the IRC.

“**Real Estate**” has the meaning assigned to it in Section 3.6.

“**Refinancing**” means the repayment in full by Borrowers of the Prior Obligations on the Closing Date.

“**Refunded Swing Line Loan**” has the meaning assigned to it in Section 1.1(b)(iii).

“**Related Transactions Documents**” means the initial borrowing under the Commitments on the Closing Date, the Mergers, contributions and other transactions to occur under the Contribution Agreement and Plan of Reorganization, the Refinancing, the issuance of the Senior Notes, the issuance of the Senior Subordinated Notes and the related preferred and common units, the payment of all fees, costs and expenses associated with all of the foregoing and the execution and delivery of all of the Related Transactions.

“**Related Transactions Documents**” means the Loan Documents, the Contribution Agreement and Plan of Reorganization, the Senior Note Indenture, the Senior Subordinated Note Indenture and all other agreements and instruments executed and delivered in connection with the Related Transactions.

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“**Release**” means any release, threatened release, spill, emission, leaking, pumping, pouring, emitting, emptying, escape, injection, deposit, disposal, discharge, dispersal, dumping, leaching or migration of Hazardous Material in the indoor or outdoor environment, including the movement of Hazardous Material through or in the air, soil, surface water, ground water or property.

“**Rentals**” means rental payments due to any Borrower from the rental of (i) Equipment Inventory owned by such Borrower or (ii) inventory leased by such Borrower.

“**Requisite Lenders**” means (a) Lenders having at least 66 2/3% of the Commitments of all Lenders, or (b) if the Commitments have been terminated, at least 66 2/3% of the aggregate outstanding amount of the Loans (without giving effect to the Swing Line Loan) and Letter of Credit Obligations.

“**Reserves**” means, with respect to the Borrowing Base of any Borrower (a) reserves established by Agent from time to time against Eligible Parts and Tools Inventory or Eligible Equipment Inventory pursuant to Section 5.9, (b) reserves established pursuant to Section 5.4(c), and (c) such other reserves against Eligible Accounts, Eligible Rentals, Eligible Parts and Tools Inventory, Eligible Rolling Stock, Eligible Equipment Inventory or Borrowing Availability of such Borrower that Agent may, in good faith and in its reasonable credit judgment, establish from time to time. Without limiting the generality of the foregoing, Reserves established to ensure the payment of accrued Interest Expenses shall be deemed to be a reasonable exercise of Agent’s credit judgment.

“**Restricted Payment**” means, with respect to any Credit Party, (a) the declaration or payment of any dividend or the incurrence of any liability to make any other payment or distribution of cash or other property or assets in respect of such Credit Party’s Stock; (b) any payment on account of the purchase, redemption, defeasance, sinking fund or other retirement of such Credit Party’s Stock or any other payment or distribution made in respect thereof, either directly or indirectly, (c) any payment or prepayment of principal of, premium, if any, or interest, fees or other charges on or with respect to, and any redemption, purchase, retirement, defeasance, sinking fund or similar payment and any claim for rescission with respect to, any Subordinated Debt; (d) any payment made to redeem, purchase, repurchase or retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire Stock of such Credit Party now or hereafter outstanding; (e) any payment of a claim for the rescission of the purchase or sale of, or for material damages arising from the purchase or sale of, any shares of such Credit Party’s Stock or of a claim for reimbursement, indemnification or contribution arising out of or related to any such claim for damages or rescission; (f) any payment, loan, contribution, or other transfer of funds or other property to any Stockholder of such Credit Party other than payment of compensation and directors’ fees in the ordinary course of business to Stockholders who are employees of such Person; (g) any payment of management fees (or other fees of a similar nature) by such Credit Party to any Stockholder of such Credit Party or its Affiliates and (h) any optional payment or prepayment of principal of the Senior Notes or the Senior Subordinated Notes, any prepayment of premium, if any, or interest, fees, or other charges on or with respect to

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the Senior Notes or the Senior Subordinated Notes, and any redemption, purchase, retirement, defeasance, subleasing fund or similar optional payment with respect to the Senior Notes or the Senior Subordinated Notes.

“**Retiree Welfare Plan**” means, at any time, a Welfare Plan that provides for continuing coverage or benefits for any participant or any beneficiary of a participant after such participant’s termination of employment, other than continuation coverage provided pursuant to Section 4980B of the IRC and at the sole expense of the participant or the beneficiary of the participant.

“**Revolving Credit Advance**” has the meaning assigned to it in Section 1.1(a)(i).

“**Revolving Lenders**” means, as of any date of determination, Lenders having a Revolving Loan Commitment.

“**Revolving Loan**” means, at any time, the sum of (i) the aggregate amount of Revolving Credit Advances outstanding, as the context may require, to any Borrower or all Borrowers plus (ii) the aggregate Letter of Credit Obligations incurred on behalf of any Borrower or all Borrowers. Unless the context otherwise requires, references to the outstanding principal balance of the Revolving Loan shall include the outstanding balance of Letter of

Credit Obligations. A Letter of Credit issued for the account of a Borrower shall be included in calculating the Letter of Credit Obligations of, and consequently the outstanding principal balance of the Revolving Loan made to, such Borrower.

**“Revolving Loan Commitment”** means (a) as to any Revolving Lender, the aggregate commitment of such Revolving Lender to make Revolving Credit Advances or incur Letter of Credit Obligations as set forth on Annex J or in the most recent Assignment Agreement executed by such Revolving Lender and (b) as to all Revolving Lenders, the aggregate commitment of all Revolving Lenders to make Revolving Credit Advances or incur Letter of Credit Obligations, which aggregate commitment shall be One Hundred Fifty Million Dollars (\$150,000,000) on the Closing Date, as such amount may be adjusted, if at all, from time to time in accordance with the Agreement, *provided, however*, that in the event that the maximum amount permitted under clause (1) of the definition of “Permitted Debt” contained in the Senior Note Indenture or the Senior Subordinated Note Indenture is reduced by virtue of the application to “Senior Debt” (as defined in the Senior Note Indenture or Senior Subordinated Note Indenture) of “Net Proceeds” of “Assets Sales” (as such terms are defined in the Senior Note Indenture or Senior Subordinated Note Indenture), then and in such event the Revolving Loan Commitment shall be reduced automatically by the amount of each such reduction, with any such reduction to the Revolving Loan Commitment to be allocated to all Lenders pro rata.

**“Revolving Note”** has the meaning assigned to it in Section 1.1(a)(ii).

**“Security Agreements”** means each Security Agreement of even date herewith entered into by and among Agent, on behalf of itself and Lenders, and each Credit Party that is a signatory thereto.

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**“Senior Debt”** of any Person, means all Indebtedness and Capital Lease Obligations of such Person, other than Subordinated Debt of such Person.

**“Senior Debt to Tangible Assets Ratio”** means, with respect to any Person for any fiscal period, the ratio of Senior Debt of such Person to Tangible Assets of such Person.

**“Senior Note Indenture”** has the meaning assigned to it in the recitals to the Agreement.

**“Senior Notes”** has the meaning assigned to it in the recitals to the Agreement.

**“Senior Subordinated Note Indenture”** has the meaning assigned to it in the recitals to the Agreement.

**“Senior Subordinated Notes”** has the meaning assigned to it the recitals to the Agreement.

**“Settlement Date”** has the meaning assigned to it in Section 9.10(a)(ii).

**“Software”** means all “software” as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, other than software embedded in any category of Goods, including all computer programs and all supporting information provided in connection with a transaction related to any program.

**“Solvent”** means, with respect to any Person on a particular date, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including contingent liabilities, of such Person; (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured; (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person’s ability to pay as such debts and liabilities mature; and (d) such Person is not engaged in a business or transaction, and is not about to engage in a business or transaction, for which such Person’s property would constitute an unreasonably small capital. The amount of contingent liabilities (such as litigation, guaranties and pension plan liabilities) at any time shall be computed as the amount that, in light of all the facts and circumstances existing at the time, represents the amount that can be reasonably be expected to become an actual or matured liability.

**“Stock”** means all shares, options, warrants, general or limited partnership interests, membership interests or other equivalents (regardless of how designated) of or in a corporation, partnership, limited liability company or equivalent entity whether voting or nonvoting, including common stock, preferred stock or any other “equity security” (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934).

**“Stockholder”** means, with respect to any Person, each holder of Stock of such Person.

**“Subject Property”** has the meaning assigned to it in Section 7.3.

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**“Subordinated Debt”** means Indebtedness evidenced by the Senior Subordinated Notes and any other Indebtedness of any Borrower subordinated to the Obligations in a manner and form satisfactory to Agent and Lenders in their sole discretion, as to right and time of payment and as to any other rights and remedies thereunder.

**“Subsidiary”** means, with respect to any Person, (a) any corporation of which an aggregate of more than 50% of the outstanding Stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, Stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, owned legally or beneficially by such Person or one or more Subsidiaries of such Person, or with respect to which any such Person has the right to vote or designate the vote of 50% or more of such Stock whether by proxy, agreement, operation of law or otherwise, and (b) any partnership or limited liability company in which such Person and/or one or more Subsidiaries of such Person shall have an interest (whether in the form of voting or participation in profits or capital contribution) of more than fifty percent (50%) or of which any such Person is a general partner or may

exercise the powers of a general partner. Unless the context otherwise requires, each reference to a Subsidiary shall be a reference to a Subsidiary of a Borrower.

**“Subsidiary Guaranties”** means each Subsidiary Guaranty executed by each Subsidiary, of even date herewith or at any time thereafter, of each Borrower in favor of Agent, on behalf of itself and Lenders.

**“Supporting Obligations”** means all “supporting obligations” as such term is defined in the Code, including letters of credit and guaranties issued in support of Accounts, Chattel, Paper, Documents, General Intangibles, Instruments or Investment Property.

**“Swing Line Advance”** has the meaning assigned to it in Section 1.1(b)(i).

**“Swing Line Availability”** has the meaning assigned to it in Section 1.1(b)(i).

**“Swing Line Commitment”** means, as to the Swing Line Lender, the commitment of the Swing Line Lender to make Swing Line Loans as set forth on Annex J which commitment constitutes a subfacility of the Revolving Loan Commitment of the Swing Line Lender.

**“Swing Line Lender”** means GE Capital.

**“Swing Line Loan”** means at any time, as the context may require, the aggregate amount of Swing Line Advances outstanding to any Borrower or to all Borrowers.

**“Swing Line Note”** has the meaning assigned to it in Section 1.1(b)(ii).

**“Syndication Letter”** means the letter agreement of every date herewith among the Borrowers and the Agent.

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**“Tangible Assets”** means, with respect to any Person, all tangible assets of such Person as of any date of determination calculated in accordance with GAAP.

**“Target”** has the meaning assigned to it in Section 6.1.

**“Taxes”** means taxes, levies, imposts, deductions, Charges or withholdings, and all liabilities with respect thereto, excluding taxes imposed on or measured by the net income of Agent or a Lender by the jurisdictions under the laws of which Agent and lenders are organized or conduct business or any political subdivision thereof.

**“Termination Date”** means the date on which (a) the Loans have been indefeasibly repaid in full in cash, (b) all other Obligations (other than contingent obligations for which no claim has been asserted), under the Agreement and the other Loan Documents have been completely discharged, (c) all Letter of Credit Obligations have been cash collateralized, canceled or backed by standby letters of credit in accordance with Annex B, and (d) none of the Borrowers shall have any further right to borrow any monies under the Agreement.

**“Title IV Plan”** means an “employee pension benefit plan” as defined in Section 3(2) of ERISA (other than a Multiemployer Plan), that is covered by Title IV of ERISA, and that any Credit Party or ERISA Affiliate maintains, contributes to or has an obligation to contribute to or has any liability with respect to on behalf of participants who are or were employed by any of them.

**“Trademark Security Agreements”** means the Trademark Security Agreements made in favor of Agent, on behalf of Lenders, by each applicable Credit Party.

**“Trademark License”** means rights under any written agreement now owned or hereafter acquired by any Credit Party granting any right to use any Trademark.

**“Trademarks”** means all of the following now owned or hereafter existing, adopted or acquired by any Credit Party: (a) all trademarks, trade names, limited liability company names, corporate names, business names, trade styles, service marks, logos, other source or business identifiers, prints and labels on which any of the foregoing have appeared or appear, designs and general intangibles of like nature (whether registered or unregistered), all registrations and recordings thereof, and all applications in connection therewith, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state or territory thereof, or any other country or any political subdivision thereof; (b) all reissues, extensions or renewals thereof; and (c) all goodwill associated with or symbolized by any of the foregoing.

**“Trustee”** means Bank of New York as trustee for (i) the holders of Senior Notes under the Senior Note Indenture and (ii) the holders of Senior Subordinated Notes under the Senior Subordinated Note Indenture.

**“Unasserted Contingent Obligations”** means, at any time, Obligations for taxes, costs, indemnifications, reimbursements, damages and other liabilities (except for (i) the principal of and interest and premium (if any) on, and fees relating to, any Indebtedness and (ii) contingent

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reimbursement obligations in respect of amounts that may be drawn under Letters of Credit) in respect of which no claim or demand for payment has been made (or, in the case of Obligations for indemnification, no notice for indemnification has been issued by the indemnitee) at such time.

**“Unfunded Pension Liability”** means, at any time, the aggregate amount, if any, of the sum of the amount by which the present value of all accrued benefits under each Title IV Plan exceeds the fair market value of all assets of such Title IV Plan, all determined as of the most recent valuation date

for each such Title IV Plan using the actuarial assumptions for funding purposes in effect under such Title IV Plan.

**“Utilization Rate of Equipment Inventory Ratio”** means with respect to any Person for any fiscal period, the ratio of Equipment Inventory Rental Revenues to Equipment Inventory Rental Expenditures of such Person for such period.

**“Vendor Inter-Creditor Agreement”** means an agreement in the form of Exhibit 6.7(d)(iii)(A) or Exhibit 6.7(d)(iii)(B), in each case, with such changes thereto as may be approved by the Agent, between the Agent and the holder of a purchase money Lien in Equipment Inventory or such other form of intercreditor agreement as the Agent may approve.

**“Welfare Plan”** means a Plan described in Section 3(1) of ERISA.

Rules of construction with respect to accounting terms used in the Agreement or the other Loan Documents shall be as set form in Annex G. All other undefined terms contained in any of the Loan Documents shall, unless the context indicates otherwise, have the meanings provided for by the Code to the extent the same are used or defined therein; in the event that any term is defined differently in different Articles of the Code, the definition contained in Article 9 shall control. Unless otherwise specified, references in the Agreement or any of the Appendices to a Section, subsection or clause refer to such Section, subsection or clause as contained in the Agreement. The words “herein,” “hereof” and “hereunder” and other words of similar import refer to the Agreement as a whole, including all Annexes, Exhibits and Schedules, as the same may from time to time be amended, restated, modified or supplemented, and not to any particular section, subsection or clause contained in the Agreement or any such Annex, Exhibit or Schedule.

Wherever from the context it appears appropriate, each term stated in either the singular or plural shall include the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and neuter genders. The words “including”, “includes” and “include” shall be deemed to be followed by the words “without limitation”; the word “or” is not exclusive; references to Persons include their respective successors and assigns (to the extent and only to the extent permitted by the Loan Documents) or, in the case of governmental Persons, Persons succeeding to the relevant functions of such Persons; and all references to statutes and related regulations shall include any amendments of the same and any successor statutes and regulations. Whenever any provision in any Loan Document refers to the knowledge (or an analogous phrase) of any Credit Party, such words are intended to signify that such Credit Party has actual knowledge or awareness of a particular fact or

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circumstance or that such Credit Party, if it had exercised reasonable diligence, would have known or been aware of such fact or circumstance.

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## ANNEX B (Section 1.2)

to

### CREDIT AGREEMENT

### LETTERS OF CREDIT

(a) Issuance

Subject to the terms and conditions of the Agreement, Agent and Revolving Lenders agree to incur, from time to time prior to the Commitment Termination Date, upon the request of Borrower Representative on behalf of the applicable Borrower and for such Borrower’s account, Letter of Credit Obligations by causing Letters of Credit to be issued by an L/C Issuer for such Borrower’s account and guaranteed by Agent; *provided*, that if the L/C Issuer is a Revolving Lender, then such Letters of Credit shall not be guaranteed by Agent but rather each Revolving Lender shall, subject to the terms and conditions hereinafter set forth, purchase (or be deemed to have purchased) risk participations in all such Letters of Credit issued with the written consent of Agent, as more fully described in paragraph (b)(ii) below. The aggregate amount of all such Letter of Credit Obligations shall not at any time exceed the least of (i) Ten Million Dollars (\$10,000,000) (the **“L/C Sublimit”**), and (ii) the Maximum Amount less the aggregate outstanding principal balance of the Revolving Credit Advances and the Swing Line Loan, and (iii) the Aggregate Borrowing Base less the aggregate outstanding principal balance of the Revolving Credit Advances and the Swing Line Loan. Furthermore, the aggregate amount of any Letter of Credit Obligations incurred on behalf of any Borrower shall not at any time exceed such Borrower’s separate Borrowing Base less the aggregate principal balance of the Revolving Credit Advances and the Swing Line Loan to such Borrower. No such Letter of Credit shall have an expiry date that is more than one year following the date of issuance thereof, unless otherwise determined by Agent in its sole discretion, and neither Agent nor Revolving Lenders shall be under any obligation to incur Letter of Credit Obligations in respect of, or purchase risk participations in, any Letter of Credit having an expiry date that is later than the date that is referred to in clause (a) of the definition of Commitment Termination Date. Each issuance of a Letter of Credit shall be made on notice by Borrower Representative on behalf of the applicable Borrower to the representative of Agent identified in Schedule 1.1 at the address specified therein. Any such notice must be given no later noon (New York time) on the date which is three (3) Business Days prior to the proposed issuance of such Letter of Credit. Each such notice (a **“Notice of Issuance of Letter of Credit”**) must be given in writing (by telecopy or overnight courier) substantially in the form of Exhibit B-l(a) and shall include the information required in such Exhibit and such other administrative information as may be reasonably required by Agent.

(b) Advances Automatic; Participations

(i) In the event that Agent or any Revolving Lender shall make any payment on or pursuant to any Letter of Credit Obligation, such payment shall men be deemed automatically to constitute a Revolving Credit Advance to the applicable Borrower under Section 1.1(a) of

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the Agreement regardless of whether a Default or Event of Default has occurred and is continuing and notwithstanding any Borrower's failure to satisfy the conditions precedent set forth in Section 2, and each Revolving Lender shall be obligated to pay its Pro Rata Share thereof in accordance with the Agreement. The failure of any Revolving Lender to make available to Agent for Agent's own account its Pro Rata Share of any such Revolving Credit Advance or payment by Agent under or in respect of a Letter of Credit shall not relieve any other Revolving Lender of its obligation hereunder to make available to Agent its Pro Rata Share thereof, but no Revolving Lender shall be responsible for the failure of any other Revolving Lender to make available such other Revolving Lender's Pro Rata Share of any such payment.

- (ii) If it shall be illegal or unlawful for any Borrower to incur Revolving Credit Advances as contemplated by paragraph (b)(i) above because of an Event of Default described in Section 8.1(h) or Section 8.1(i) or otherwise or if it shall be illegal or unlawful for any Revolving Lender to be deemed to have assumed a ratable share of the reimbursement obligations owed to an L/C Issuer, or if the L/C Issuer is a Revolving Lender, then (A) immediately and without further action whatsoever, each Revolving Lender shall be deemed to have irrevocably and unconditionally purchased from Agent (or such L/C Issuer, as the case may be) an undivided interest and participation equal to such Revolving Lender's Pro Rata Share (based on the Revolving Loan Commitments) of the Letter of Credit Obligations in respect of all Letters of Credit then outstanding and (B) thereafter, immediately upon issuance of any Letter of Credit, each Revolving Lender shall be deemed to have irrevocably and unconditionally purchased from Agent (or such L/C Issuer, as the case may be) an undivided interest and participation in such Revolving Lender's Pro Rata Share (based on the Revolving Loan Commitments) of the Letter of Credit Obligations with respect to such Letter of Credit on the date of such issuance. Each Revolving Lender shall fund its participation in all payments or disbursements made under the Letters of Credit in the same manner as provided in the Agreement with respect to Revolving Credit Advances.

(c) Cash Collateral

- (i) If Borrowers are required to provide cash collateral for any Letter of Credit Obligations pursuant to the Agreement prior to the Commitment Termination Date, each Borrower will pay to Agent for the ratable benefit of itself and Revolving Lenders cash or cash equivalents acceptable to Agent ("**Cash Equivalents**") in an amount equal to 105% of the maximum amount then available to be drawn under each applicable Letter of Credit outstanding for the benefit of such Borrower. Such funds or Cash Equivalents shall be held by Agent in a cash collateral account (the "**Cash Collateral Account**") maintained at a bank or financial institution acceptable to Agent. The Cash Collateral Account shall be in the name of the applicable Borrower and shall be pledged to, and subject to the control of, Agent, for the benefit of Agent and Lenders, in a manner reasonably satisfactory to Agent. Each Borrower hereby pledges and grants to Agent, on behalf of itself and Lenders, a security interest in all such funds and Cash Equivalents held in the

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Cash Collateral Account from time to time and all proceeds thereof, as security for the payment of all amounts due in respect of the Letter of Credit Obligations and other Obligations, whether or not then due. The Agreement, including this Annex B, shall constitute a security agreement under applicable law.

- (ii) If any Letter of Credit Obligations, whether or not then due and payable, shall for any reason be outstanding on the Commitment Termination Date, Borrowers shall either (A) provide cash collateral therefor in the manner described above, or (B) cause all such Letters of Credit and guaranties thereof, if any, to be canceled and returned, or (C) deliver a stand-by letter (or letters) of credit in guaranty of such Letter of Credit Obligations, which stand-by letter (or letters) of credit shall be of like tenor and duration as, and in an amount equal to 105% of the aggregate maximum amount then available to be drawn under, the Letters of Credit to which such outstanding Letter of Credit Obligations relate and shall be issued by a Person, and shall be subject to such terms and conditions, as are "be satisfactory to Agent in its sole discretion.
- (iii) From time to time after funds are deposited in the Cash Collateral Account by any Borrower, whether before or after the Commitment Termination Date, Agent may apply such funds or Cash Equivalents then held in the Cash Collateral Account to the payment of any amounts, and in such order as Agent may elect, as shall be or shall become due and payable by such Borrower to Agent and Lenders with respect to such Letter of Credit Obligations of such Borrower and, upon the satisfaction in full of all Letter of Credit Obligations of such Borrower, to any other Obligations of any Borrower then due and payable.
- (iv) No Borrower nor any Person claiming on behalf of or through any Borrower shall have any right to withdraw any of the funds or Cash Equivalents held in the Cash Collateral Account, except that upon the termination of all Letter of Credit Obligations and the payment of all amounts payable by Borrowers to Agent and Lenders in respect thereof, any funds remaining in the Cash Collateral Account shall be applied to other Obligations then due and owing and upon payment in full of such Obligations, any remaining amount, shall be paid to Borrowers or as otherwise required by law. Interest earned on deposits in the Cash Collateral Account shall be for the account of Agent.

(d) Fees and Expenses

Borrowers agree to pay to Agent for the benefit of Revolving Lenders, as compensation to such Lenders for Letter of Credit Obligations incurred hereunder, (i) all costs and expenses incurred by Agent or any Lender on account of such Letter of Credit Obligations, and (ii) for each month during which any Letter of Credit Obligation shall remain outstanding, a fee (the "Letter of Credit Fee") in an amount equal to the Applicable L/C Margin from time to time in effect multiplied by the maximum amount available from time to time to be drawn under the applicable Letter of Credit. Such fee shall be paid to Agent for the benefit of the Revolving Lenders in arrears, on the first day of each month and on the Commitment Termination Date. In addition, Borrowers shall pay to any L/C Issuer, on demand, such fees (including all per annum fees),

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charges and expenses of such L/C Issuer in respect of the issuance, negotiation, acceptance, amendment, transfer and payment of such Letter of Credit or otherwise payable pursuant to the application and related documentation under which such Letter of Credit is issued.

(e) Request for Incurrence of Letter of Credit Obligations

Borrower Representative shall give Agent at least two (2) Business Days' prior written notice requesting the incurrence of any Letter of Credit Obligation. The notice shall be accompanied by the form of the Letter of Credit (which shall be acceptable to the L/C Issuer). Notwithstanding anything contained herein to the contrary, Letter of Credit applications by Borrower Representative and approvals by Agent and the L/C Issuer may be made and transmitted pursuant to electronic codes and security measures mutually agreed upon and established by and among Borrower Representative, Agent and the L/C Issuer.

(f) Obligation Absolute

The obligation of Borrowers to reimburse Agent and Revolving Lenders for payments made with respect to any Letter of Credit Obligation shall be absolute, unconditional and irrevocable, without necessity of presentment, demand, protest or other formalities, and the obligations of each Revolving Lender to make payments to Agent with respect to Letters of Credit shall be unconditional and irrevocable. Such obligations of Borrowers and Revolving Lenders shall be paid strictly in accordance with the terms hereof under all circumstances including the following:

- (i) any lack of validity or enforceability of any Letter of Credit or the Agreement or the other Loan Documents or any other agreement;
- (ii) the existence of any claim, setoff, defense or other right that any Borrower or any of its Affiliates or any Lender may at any time have against a beneficiary or any transferee of any Letter of Credit (or any Persons or entities for whom any such transferee may be acting), Agent, any Lender, or any other Person, whether in connection with the Agreement, the Letter of Credit, the transactions contemplated herein or therein or any unrelated transaction (including any underlying transaction between any Borrower or any of its Affiliates and the beneficiary for which the Letter of Credit was procured);
- (iii) any draft, demand, certificate or any other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;
- (iv) payment by Agent (except as otherwise expressly provided in paragraph (g)(ii)(C) below) or any L/C Issuer under any Letter of Credit or guaranty thereof against presentation of a demand, draft or certificate or other document that does not comply with the terms of such Letter of Credit or such guaranty;
- (v) any other circumstance or event whatsoever, that is similar to any of the foregoing; or
- (vi) the fact that a Default or an Event of Default has occurred and is continuing.

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(g) Indemnification; Nature of Lenders' Duties

- (i) In addition to amounts payable as elsewhere provided in the Agreement, Borrowers hereby agree to pay and to protect, indemnify, and save harmless Agent and each Lender from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable attorneys' fees and allocated costs of internal counsel) that Agent or any Lender may incur or be subject to as a consequence, direct or indirect, of (A) the issuance of any Letter of Credit or guaranty thereof, or (B) the failure of Agent or any Lender seeking indemnification or of any L/C Issuer to honor a demand for payment under any Letter of Credit or guaranty thereof as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority, in each case other than to the extent solely as a result of the gross negligence or willful misconduct of Agent or such Lender (as finally determined by a court of competent jurisdiction).
- (ii) As between Agent and any Lender and Borrowers, Borrowers assume all risks of the acts and omissions of, or misuse of any Letter of Credit by beneficiaries of any Letter of Credit. In furtherance and not in limitation of the foregoing, to the fullest extent permitted by law neither Agent nor any Lender shall be responsible for: (A) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document issued by any party in connection with the application for and issuance of any Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (B) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, that may prove to be invalid or ineffective for any reason; (C) failure of the beneficiary of any Letter of Credit to comply fully with conditions required in order to demand payment under such Letter of Credit; *provided that*, in the case of any payment by Agent under any Letter of Credit or guaranty thereof, Agent shall be liable to the extent such payment was made solely as a result of its gross negligence or willful misconduct (as finally determined by a court of competent jurisdiction) in determining that the demand for payment under such Letter of Credit or guaranty thereof complies on its face with any applicable requirements for a demand for payment under such Letter of Credit or guaranty thereof; (D) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they may be in cipher, (E) errors in interpretation of technical terms; (F) any loss or delay in the transmission or otherwise of any document required in order to make a payment under any Letter of Credit or guaranty thereof or of the proceeds thereof; (G) the credit of the proceeds of any drawing under any Letter of Credit or guaranty thereof; and (H) any consequences arising from causes beyond the control of Agent or any Lender. None of the above shall affect, impair, or prevent the vesting of any of Agent's or any Lender's rights or powers hereunder or under the Agreement.

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- (iii) Nothing contained herein shall be deemed to limit or to expand any waivers, covenants or indemnities made by Borrowers in favor of any L/C Issuer in any letter of credit application, reimbursement agreement or similar document, instrument or agreement between or among Borrowers and such L/C Issuer.

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ANNEX C (Section 1.8)

to

CREDIT AGREEMENT

CASH MANAGEMENT SYSTEMS

Borrowers shall and shall cause each other Credit Party to establish and maintain the Cash Management Systems described below:

- (a) On or before the Closing Date, and until the Termination Date, each Borrower shall (i) establish lock boxes (“**Lock Boxes**”) or at Agent’s discretion, blocked accounts (“**Blocked Accounts**”) at one or more of the banks set forth in Disclosure Schedule (3.19), and shall request in writing and otherwise take such reasonable steps to ensure that all Account Debtors (except as set forth below) forward payment directly to such Lock Boxes, and (ii) deposit and cause its Subsidiaries to deposit or cause to be deposited promptly, and in any event no later than the first Business Day after the date of receipt thereof, all cash, checks, drafts or other similar items of payment relating to or constituting payments made in respect of any and all Collateral (whether or not otherwise delivered to a Lock Box) into one or more Blocked Accounts in such Borrower’s name or any such Subsidiary’s name and at a bank identified in Disclosure Schedule (3.19) (each, a “**Relationship Bank**”). At the request of Agent, each Borrower shall have established a concentration account in its name (each a “**Concentration Account**” and collectively, the “**Concentration Accounts**”) at the bank which shall be designated as the Concentration Account bank for such Borrower in Disclosure Schedule (3.19) (the “**Concentration Account Bank**” and, collectively, the “**Concentration Account Banks**”) which bank shall be reasonably satisfactory to Agent and Borrowers.
- (b) Each Borrower may maintain, in its name, an account (each a “**Disbursement Account**” and collectively, the “**Disbursement Accounts**”) at a bank reasonably acceptable to Agent into which Agent shall, from time to time, deposit proceeds of Revolving Credit Advances and Swing Line Advances made to such Borrower pursuant to Section 1.1 for use by such Borrower solely in accordance with the provisions of Section 1.4. No Credit Party shall maintain any deposit account other than a deposit account that is subject to a Blocked Account Agreement, *provided*, that until the date forty-five (45) days following the Closing Date the Credit Parties may maintain not more than ten deposit accounts that are not subject to a Blocked Account Agreement so long as no such deposit account has at any time a balance of more than \$5,000.
- (c) On or before the Closing Date (or such later date as Agent shall consent to in writing), each Concentration Account Bank, each bank where a Disbursement Account is maintained and all other Relationship Banks, shall have entered into tri-party blocked account agreements with Agent, for the benefit of itself and Lenders, and the applicable Credit Party and Subsidiaries thereof, as applicable, in form and substance reasonably acceptable to Agent, which shall become operative on or prior to the Closing Date (a “**Blocked Account Agreement**”). Each such blocked account agreement shall provide, among other things, that (i) all items of payment deposited in

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such account and proceeds thereof deposited in the applicable Concentration Account are held by such bank as agent or bailee-in-possession for Agent, on behalf of itself and Lenders, (ii) the bank executing such agreement has no rights of setoff or recoupment or any other claim against such account, as the case may be, other than for payment of its service fees and other charges directly related to the administration of such account and for returned checks or other items of payment, and (iii) from and after the Closing Date (A) with respect to banks at which a Blocked Account is maintained, such bank agrees, from and after the receipt of a notice (an “**Activation Notice**”) from Agent (which Activation Notice may be given by Agent at any time at which (1) a Default or Event of Default has occurred and is continuing, (2) Agent reasonably believes based upon information available to it that a Default or an Event of Default is likely to occur, (3) Agent reasonably believes that an event or circumstance that is likely to have a Material Adverse Effect has occurred, or (4) Agent reasonably has grounds to believe that the integrity of any Credit Party Cash Management Systems has been compromised or any Credit Party compliance with the provisions of this Annex C or any other provisions of the Loan Documents to the extent related to such Cash Management Systems (any of the foregoing being referred to herein as an “**Activation Event**”), to forward immediately all amounts in each Blocked Account to such Borrower’s Concentration Account Bank and to commence the process of daily sweeps from such Blocked Account into the applicable Concentration Account and (B) with respect to each Concentration Account Bank, such bank agrees from and after the receipt of an Activation Notice from Agent upon the occurrence of an Activation Event, to immediately forward all amounts received in the applicable Concentration Account to the Collection Account through daily sweeps from such Concentration Account into the Collection Account. From and after the date Agent has delivered an Activation Notice to any bank with respect to any Blocked Account(s), no Credit Party shall, or shall cause or permit any Subsidiary thereof to, accumulate or maintain cash in Disbursement Accounts or payroll accounts as of any date of determination in excess of checks outstanding against such accounts as of that date and amounts necessary to meet minimum balance requirements.

- (d) So long as no Default or Event of Default has occurred and is continuing, Credit Parties may amend Disclosure Schedule (3.19) to add or replace a Relationship Bank, Lock Box or Blocked Account or to replace any Concentration Account or any Disbursement Account; *provided*, that (i) Agent shall have consented in writing in advance to the opening of such account or Lock Box with the relevant bank and (ii) prior to the time of the opening of such account or Lock Box, the applicable Credit Party or its Subsidiaries, as applicable, and such bank shall have executed and delivered to Agent a tri-party blocked account agreement, in form and substance reasonably satisfactory to Agent. Each Credit Party shall close any of its accounts (and establish replacement accounts in accordance with the foregoing sentence) promptly and in any event within thirty (30) days following notice from Agent that the creditworthiness of any bank holding an account is no longer acceptable in Agent’s reasonable judgment, or as promptly as practicable and in any event within sixty (60) days following notice from Agent that the operating performance, funds transfer or availability procedures or performance with respect to accounts or Lock Boxes of the bank holding such accounts or Agent’s liability under any tri-party blocked account agreement with such bank is no longer acceptable in Agent’s reasonable judgment.

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- (e) The Lock Boxes, Blocked Accounts, Disbursement Accounts and the Concentration Accounts shall be cash collateral accounts, with all cash, checks and other similar items of payment in such accounts securing payment of the Loans and all other Obligations, and in which the applicable Credit Party and each Subsidiary thereof shall have granted a Lien to Agent, on behalf of itself and Lenders, pursuant to its Security Agreement.



- (f) All amounts deposited in the Collection Account shall be deemed received by Agent in accordance with Section 1.10 and shall be applied (and allocated) by Agent in accordance with Section 1.11. In no event shall any amount be so applied unless and until such amount shall have been credited in immediately available funds to the Collection Account.
- (g) Each Credit Party shall and shall cause its Affiliates, officers, employees, agents, directors or other Persons acting for in concert with such Borrower (each a **“Related Person”**) to (i) hold in trust for Agent, for the benefit of itself and Lenders, all checks, cash and other items or payment constituting proceeds of Collateral received by such Credit Party or any such Related Person, and (ii) within one (1) Business Day after receipt by such Borrower or any such Related Person of any checks, cash or other items or payment, deposit the same into a Blocked Account of such Credit Party. Each Credit Party and each Related Person thereof acknowledges and agrees that all cash, checks or other items of payment constituting proceeds of Collateral are part of the Collateral. All proceeds of the sale or other disposition of any Collateral, shall be deposited directly into the applicable Blocked Accounts.

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**ANNEX D (Section 2.1(a))**

**to**

**CREDIT AGREEMENT**

**CLOSING CHECKLIST**

In addition to, and not in limitation of, the conditions described in Section 2.1 of the Agreement, pursuant to Section 2.1(a), the following items must be received by Agent in form and substance satisfactory to Agent on or prior to the Closing Date (each capitalized term used but not otherwise defined herein has the meaning ascribed thereto in Annex A to the Agreement):

(A) Appendices

All Appendices to the Agreement, in form and substance satisfactory to Agent.

(B) Revolving Notes and Swing Line Note

Duly executed originals of the Revolving Notes and Swing Line Notes for each applicable Lender, dated the Closing Date, if requested by the respective Lenders.

(C) Security Agreements

Duly executed originals of file Security Agreements executed by each Credit Party, dated the Closing Date, and all instruments, documents and agreements executed pursuant thereto.

(D) Insurance

Satisfactory evidence that the insurance policies required by Section 5.4 are in full force and effect, together with appropriate evidence showing loss payable and/or additional insured clauses or endorsements, as requested by Agent, in favor of Agent, on behalf of Lenders.

(E) Security Interests and Code Filings

(a) Evidence satisfactory to Agent that Agent (for the benefit of itself and Lenders) has a valid and perfected first priority security interest in the Collateral, including (i) such documents duly executed by each Credit Party (including financing statements under the Code and other applicable documents under the laws of any jurisdiction with respect to the perfection of Liens) as Agent may request in order to perfect its security interests in the Collateral and (ii) copies of Code search reports listing all effective financing statements that name any Credit Party as debtor, together with copies of such financing statements, none of which shall cover the Collateral, except for those relating to the Prior Obligations (all of which shall be terminated on the Closing Date) or Permitted Encumbrances.

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(b) Evidence satisfactory to Agent, including copies, of all UCC-1 and other financing statements filed in favor of any Credit Party with respect to each location, if any, at which Parts and Tools Inventory or Equipment Inventory may be consigned.

(c) Control Letters from (i) all issuers of uncertificated securities and financial assets held by each Borrower, (ii) all securities intermediaries with respect to all securities accounts and securities entitlements of each Borrower, and (iii) all futures commission agents and clearing houses with respect to all commodities contracts and commodities accounts held by any Borrower.

(d) Notwithstanding the foregoing, each Credit Party shall take all necessary action (including, without limitation, the delivery of all certificates of title to Agent and the addition of Agent as a Lien holder to each such certificate of title), to provide Agent with a first priority perfected security interest in all P&E covered by a certificate of title held by such Credit Party as soon as practicable following the Closing Date; but in no event later than thirty (30) days following the Closing Date.

(F) Payoff Letter; Termination Statements

Copies of a duly executed payoff letter, in form and substance reasonably satisfactory to Agent, by and between all parties to the Prior Lenders' loan documents evidencing repayment in full of all Prior Obligations, together with (a) UCC-3 or other appropriate termination statements, in form and substance reasonably satisfactory to Agent, manually signed by the Prior Lenders releasing all liens of Prior Lender upon any of the personal property of each applicable Credit Party, and (b) termination of all blocked account agreements, bank agency agreements or other similar agreements or arrangements or arrangements in favor of Prior Lender or relating to the Prior Obligations.

(G) Intellectual Property Security Agreements

Duly executed originals of Trademark Security Agreements, Copyright Security Agreements and Patent Security Agreements, each dated the Closing Date and signed by each Credit Party that owns Trademarks, Copyrights and/or Patents, as applicable, all in form and substance reasonably satisfactory to Agent, together with all instruments, documents and agreements executed pursuant thereto.

(H) Initial Borrowing Base Certificate

Duly executed originals of an initial Borrowing Base Certificate from each Borrower, dated the Closing Date, reflecting information concerning Eligible Accounts, Eligible Parts and Tools Inventory, Eligible Rolling Stock and Eligible Equipment Inventory of Borrowers.

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(I) Initial Notice of Revolving Credit Advance

Duly executed originals of a Notice of Revolving Credit Advance, dated the Closing Date, with respect to the initial Revolving Credit Advance to be requested by Borrowers on the Closing Date.

(J) Letter of Direction

Duly executed originals of a letter of direction from Borrowers addressed to Agent, on behalf of itself and Lenders, with respect to the disbursement on the Closing Date of the proceeds of the initial Revolving Credit Advance.

(K) Cash Management System; Blocked Account Agreements

Evidence satisfactory to Agent that, as of the Closing Date, Cash Management Systems complying with Annex C to the Agreement have been established and are currently being maintained in the manner set forth in such Annex C, together with copies of duly executed tri-party blocked account and lock box agreements, reasonably satisfactory to Agent, with the banks as required by Annex C.

(L) Certificate of Formation and Good Standing

For each Credit Party, (a) its articles or certificate of incorporation or certificate of formation, as applicable, and all amendments thereto, (b) good standing certificates (including verification of tax status) in its state of incorporation or formation, as applicable, and (c) good standing certificates (including verification of tax status) and certificates of qualification to conduct business in each jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification, each dated a recent date prior to the Closing Date and certified by the applicable Secretary of State or other authorized Governmental Authority.

(M) By-laws and Resolutions

For each Credit Party, (a) its by-laws or operating agreement, as applicable, together with all amendments thereto and (b) resolutions of such Person's Board of Directors or Board of Members, as applicable, approving and authorizing the execution, delivery and performance of the Loan Documents to which it is a party and the transactions to be consummated in connection therewith, each certified as of the Closing Date by such Person's secretary or an assistant secretary as being in full force and effect without any modification or amendment.

(N) Incumbency Certificates

For each Credit Party, signature and incumbency certificates of the officers of such Person executing any of the Loan Documents, certified as of the Closing Date by such Person's secretary or an assistant secretary as being true, accurate, correct and complete.

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(O) Opinions of Counsel

Duly executed originals of opinions of Kirkland & Ellis, New York counsel for the Credit Parties, together with opinions of Louisiana, Delaware, Washington and Montana counsel, each in form and substance reasonably satisfactory to Agent and its counsel, dated the Closing Date, and each accompanied by a letter addressed to such counsel from the Credit Parties, "authorizing and directing such counsel to address its opinion to Agent, on behalf of Lenders, and to include in such opinion an express statement to the effect that Agent and Lenders are authorized to rely on such opinion.

(P) Pledge Agreements

Duly executed originals of each of each of the Pledge Agreements accompanied by (as applicable) share certificates representing all of the outstanding Stock being pledged pursuant to such Pledge Agreement and stock powers for such share certificates executed in blank.

(Q) Accountants' Letter

A letter from the Credit Parties to the independent auditors authorizing the independent Certified public accountants of the Credit Parties to communicate with Agent and Lenders in accordance with Section 4.2 and acknowledging Lenders' reliance on the auditor's certification of past and future Financial Statements.

(R) Appointment of Agent for Service

An appointment of CT Corporation as each Credit Party's agent for service of process.

(S) Guaranties

Duly executed originals of each Guaranty dated the Closing Date, and all documents, instruments and agreements executed pursuant thereto.

(T) GE Capital Fee Letter

Duly executed originals of the GE Capital Fee Letter in form and substance satisfactory to GE Capital.

(U) Officer's Certificate

Duly executed originals of a certificate of an Authorized Officer of each Credit Party, dated the Closing Date, stating that, since December 31, 2001 (a) no event or condition has occurred or is existing which could reasonably be expected to have a Material Adverse Effect; (b) there has been no material adverse change in the industry in which any Borrower operates; (c) no Litigation has been commenced against such Credit Party which, if successful, would have a Material Adverse Effect or could challenge any of the transactions contemplated by the Agreement and the other Loan Documents; (d) there have been no Restricted Payments made by any Credit Party;

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and (e) there has been no material increase in liabilities, liquidated or contingent, and no material decrease in assets of any Borrower or any of its Subsidiaries.

(V) Waivers

Landlord waivers and consents, bailee letters and mortgagee agreements in form and substance reasonably satisfactory to Agent, in each case as required pursuant to Section 5.9, *provided* that to any one more location as contemplated by Section 5.9 and the various borrowing base definitions.

(W) Appraisals

Equipment Inventory Appraisals and P&E Appraisals conducted by an appraiser reasonably satisfactory to Agent and Borrowers and using a methodology reasonably satisfactory to Agent, each of which shall be in form and substance reasonably satisfactory to Agent.

(X) Environmental Reports

Agent shall have received such environmental review and audit reports with respect to the Real Estate of any Credit Party as Agent shall have requested, and Agent shall be satisfied, in its sole discretion, with the contents of all such environmental reports.

(Y) Audited Financials; Financial Condition

The Financial Statements, Projections and other materials set forth in Section 3.4, certified by an Authorized Officer of Borrower Representative, in each case in form and substance reasonably satisfactory to Agent, and Agent shall be satisfied, in its sole discretion, with all of the foregoing. Agent shall have further received a certificate of an Authorized Officer of each Borrower, based on such Pro Forma and Projections, to the effect that (a) such Borrower will be Solvent upon the consummation of the transactions contemplated herein; (b) the Pro Forma fairly presents the financial condition of such Borrower as of the date thereof after giving effect to the transactions contemplated by the Loan Documents; (c) the Projections are based upon estimates and assumptions stated therein, all of which such Borrower believes to be reasonable and fair in light of current conditions and current facts known to such Borrower and, as of the Closing Date, reflect such Borrower's good faith and reasonable estimates of its future financial performance and of the other information projected therein for the period set forth therein; (d) the Fair Salable Balance Sheet was prepared on the same basis as the Pro Forma, except that Borrowers' assets are set forth therein at their fair salable values on a going concern basis, and the liabilities set forth therein include all contingent liabilities of Borrower stated at the reasonably estimated present values thereof; and (e) containing such other statements with respect to the solvency of such Borrower and matters related thereto as Agent shall request.

(Z) Syndication Letter

Duly executed originals of the Syndication Letter in form and substance satisfactory to GE Capital.

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(AA) Inter-Creditor Agreement

Duly executed originals of the Inter-Creditor Agreement, and all documents, instruments and agreements executed pursuant thereto.

(BB) Vendor Inter-Creditor Agreements

Duly executed originals of- a Vendor-Inter Creditor Agreement for each holder of a Lien described in Section 6.7(d) in the form required by such Section, in each case as required pursuant to Section 6.7(d), *provided* that Agent may waive this condition as to any one or more holders of such a

(CC) Other Documents

Such other certificates, documents and agreements respecting and Credit Party as Agent may, in its sole discretion, request.

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**ANNEX E (Section 4.1 (a))**

to

**CREDIT AGREEMENT**

**FINANCIAL STATEMENTS AND PROJECTIONS — REPORTING**

H&E Holdings and Borrowers shall deliver or cause to be delivered to Agent or to Agent and Lenders, as indicated, the following:

(a) Monthly Financials

To Agent and Lenders, within thirty (30) days after the end of each Fiscal Month, financial information regarding H&E Holdings and its Subsidiaries, certified by an Authorized Officer of Borrower Representative, consisting of consolidated and consolidating, if applicable (i) unaudited balance sheets as of the close of such Fiscal Month (including a summary of the outstanding balance of all Intercompany Notes as of the last day of such Fiscal Month) and the related statements of income and cash flow and shareholders' equity for mat portion of the Fiscal Year ending as of the close of such Fiscal Month and (ii) unaudited statements of income, cash flows and shareholders' equity for such Fiscal Month, setting forth in comparative form the figures for the corresponding period in the prior year and the figures contained in the Projections for such Fiscal Year, all prepared in accordance with GAAP (subject to normal year-end adjustments). Such financial information shall be accompanied by (A) a statement in reasonable detail (each, a "**Compliance Certificate**") showing the calculations used in determining compliance with each Financial Covenant which is tested on a monthly basis as of the end of such Fiscal Quarter, and (B) the certification of an Authorized Officer of Borrower Representative that (i) such financial information presents fairly in accordance with GAAP (subject to normal year-end adjustments) the financial position and results of operations of H&E Holdings and its Subsidiaries, on a consolidated and consolidating basis, if applicable, in each case as at the end of such Fiscal Month and for mat portion of the Fiscal Year then ended and (ii) any other information presented is true, correct and complete in all material respects and that there was no Default or Event of Default in existence as of such time or, if a Default or Event of Default has occurred and is continuing, describing the nature thereof and all efforts undertaken to cure such Default or Event of Default

(b) Quarterly Financials

To Agent and Lenders, within forty-five (45) days after the end of each Fiscal Quarter, consolidated and consolidating, if applicable, financial information regarding H&E Holdings and its Subsidiaries, certified by an Authorized Officer of Borrower Representative, including (i) unaudited balance sheets as of the close of such Fiscal

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Quarter and the related statements of income and cash flow for that portion of the Fiscal Year ending as of the close of such Fiscal Quarter and (ii) unaudited statements of income and cash flows for such Fiscal Quarter, in each case setting forth in comparative form, the figures for the corresponding period in the prior year and the figures contained in the Projections for such Fiscal Year, all prepared in accordance with GAAP (subject to normal year-end adjustments). Such financial information shall be accompanied by (A) a Compliance Certificate in respect of each of the Financial Covenants that are tested on a quarterly basis as at the end of such Fiscal Quarter and (B) the certification of an Authorized Officer of Borrower Representative that (i) such financial information presents fairly in accordance with GAAP (subject to normal year-end adjustments) the financial position, results of operations and statements of cash flows of H&E Holdings and its Subsidiaries, on both a consolidated and consolidating basis, if applicable, as at the end of such Fiscal Quarter and for that portion of the Fiscal Year then ended, (ii) any other information presented is true, correct and complete in all material respects and that there was no Default or Event of Default in existence as of such time or, if a Default or Event of Default has occurred and is continuing, describing the nature thereof and all efforts undertaken to cure such Default or Event of Default. In addition, H&E Holdings and Borrowers shall deliver to Agent and Lenders, within forty-five (45) days after the end of each Fiscal Quarter, a management discussion and analysis that includes a comparison to budget for mat Fiscal Quarter and a comparison of performance for that Fiscal Quarter to the corresponding period in the prior year.

(c) Operating Plan

To Agent and Lenders, as soon as available, but not later than forty-five (45) days after the end of each Fiscal Year, an annual operating plan for H&E Holdings and its Subsidiaries, on a consolidated and consolidating basis, approved by the Board of Directors of H&E Holdings, (a) for the first Fiscal Year following the Closing Date, which (i) includes a statement of all of the material assumptions on which such plan is based and (ii) includes monthly balance sheets, a monthly budget, income statements and statements of cash flow for the following year and (b) for the four Fiscal Years thereafter, which (i) includes a statement of all of the material assumptions on which such plan is based and (ii) includes monthly balance sheets, a monthly budget, income statements and statements of cash flow for the following year, and in each such case, integrates sales, gross profits, operating expenses, operating profit, cash flow projections and Borrowing Availability projections, all prepared on the same basis and in similar detail as that on which operating results are reported (and in the case of cash flow projections, representing management's good faith estimates of future financial performance based on historical performance), and including plans for personnel, Capital Expenditures and facilities.

## (d) Annual Audited Financials

To Agent and Lenders, within ninety (90) days after the end of each Fiscal Year, audited Financial Statements for H&E Holdings and its Subsidiaries on a consolidated and (unaudited) consolidating basis, if applicable, consisting of balance sheets and statements of income and retained earnings and cash flows, setting forth in comparative form in each case the figures for the previous Fiscal Year which Financial Statements shall be prepared in accordance with GAAP and certified without qualification, by an independent certified public accounting firm of national standing or otherwise acceptable to Agent Such Financial Statements shall be accompanied by (i) a statement prepared in reasonable detail showing the calculations used in determining compliance with each of the Financial Covenants as of the end of such such Fiscal Year, (ii) a report from such accounting firm to the effect that, in connection with their audit examination, nothing has come to their attention to cause them to believe that a Default or Event of Default has occurred (or specifying those Defaults and Events of Default that they became aware of), it being understood that such audit examination extended only to accounting matters and that no special investigation was made with respect to the existence of Defaults or Events of Default, (iii) a letter addressed to Agent, on behalf of itself and Lenders, in form and substance reasonably satisfactory to Agent and subject to standard qualifications required by nationally recognized accounting firms, signed by such accounting firm acknowledging that Agent and Lenders are entitled to rely upon such accounting firm's certification of such audited Financial Statements, (iv) the annual letters to such accountants in connection with their audit examination detailing contingent liabilities and material litigation matters, and (v) the certification of an Authorized Officer of Borrower Representative that all such Financial Statements present fairly in accordance with GAAP the financial position, results of operations and statements of cash flows of H&E Holdings and its Subsidiaries on a consolidated and consolidating basis, if applicable, as at the end of such Fiscal Year and for the period men ended, and that there was no Default or Event of Default in existence as of such time or, if a Default or Event of Default has occurred and is continuing, describing the nature thereof and all efforts undertaken to cure such Default or Event of Default.

## (e) Management Letters

To Agent and Lenders, within ten (10) Business Days after receipt thereof by any Credit Party, copies of all management letters, exception reports or similar letters or reports received by such Credit Party from its independent certified public accountants.

## (f) Default Notices

To Agent and Lenders, as soon as practicable, and in any event within five (5) Business Days after an executive officer of any Credit Party has actual knowledge of the existence of any Default, Event of Default or other event that has had a Material Adverse Effect, telephonic or telecopied notice specifying the nature of such Default or Event of Default

or other event, including the anticipated effect thereof, which notice, if given telephonically, shall be promptly confirmed in writing on the next Business Day.

## (g) SEC Filings and Press Releases

To Agent and Lenders, promptly upon their becoming available, copies "of: (i) all Financial Statements, reports, notices and proxy statements made publicly available by any Credit Party to its security holders; (ii) all regular and periodic reports and all registration statements and prospectuses, if any, filed by any Credit Party with any securities exchange or with the Securities and Exchange Commission or any governmental regulatory authority; and (iii) all press releases and other statements made available" by any Credit Party" to the public concerning material adverse changes or developments in the business of such Credit Party.

## (h) Subordinated Debt, Senior Notes and Equity Notices

To Agent and Lenders, as soon as practicable, copies of all material written notices given or received by any Credit Party with respect to any Subordinated Debt (including the Senior Subordinated Notes), the Senior Notes or Stock of such Credit Party, and, within two (2) Business Days after such Credit Party obtains knowledge of any matured or unmatured event of default with respect to any Subordinated Debt (including the Senior Subordinated Notes), or the Senior Notes, notice of such event of default.

## (i) Supplemental Schedules

To Agent, supplemental disclosures, if any, required by Section 5.6.

## (j) Litigation

To Agent and Lenders in writing, promptly upon learning thereof, written notice of any Litigation commenced or threatened against any Credit Party that (i) seeks damages in excess of \$500,000, (ii) seeks injunctive relief, (iii) is asserted or instituted against any Plan, its fiduciaries or its assets or against any Credit Party or ERISA Affiliate in connection with any Plan, (iv) alleges criminal misconduct by any Credit Party, or (v) alleges the violation of any law regarding, or seeks remedies in connection with, any Environmental Liabilities or (vi) involves any product recall.

## (k) Insurance Notices

To Agent, disclosure of losses or casualties required by Section 5.4.

## (l) Default and Other Notices

public warehouse where Collateral is located, and (ii) such other notices or documents as Agent may reasonably request.

(m) Lease Amendments

To Agent within five (5) Business Days after the receipt thereof, copies of all material amendments to any of the five (5) largest real estate leases (by the value of annual payments of the real estate so leased) or to any real estate lease to which Don Wheeler or John Engquist is a lessor.

(n) Other Documents

To Agent Lenders, such "other financial and other information respecting any Credit Party's business or financial condition as Agent or any Lender shall, from time to time, reasonably request.

**ANNEX F (Section 4.1(b))**

**to**

**CREDIT AGREEMENT**

**COLLATERAL REPORTS**

Borrowers shall deliver or cause to be delivered the following:

- (a) To Agent, upon its request, and in no event less frequently than ten (10) Business Days after the end of each Fiscal Month (together with a copy of all or any part of the following reports requested by any Lender in writing after the Closing Date), each of the following reports, each of which shall be prepared by the applicable Borrower as of the last day of the immediately preceding Fiscal Month or the date two (2) days prior to the date of any such request:
- (i) a Borrowing Base Certificate with respect to each Borrower, in each case accompanied by such supporting detail and documentation as shall be requested by Agent in its reasonable discretion;
  - (ii) with respect to each Borrower, a summary of Parts and Tools Inventory and Equipment Inventory by branch location and type with a supporting perpetual Parts and Tools Inventory and Equipment Inventory report, in each case accompanied by such supporting detail and documentation as shall be requested by Agent in its reasonable discretion;
  - (iii) with respect to each Borrower, a monthly trial balance showing Accounts outstanding aged from invoice due date as follows: 1 to 30 days, 31 to 60 days, 61 to 90 days and 91 days or more, accompanied by such supporting detail and documentation as shall be requested by Agent in its reasonable discretion; and
  - (iv) with respect to each Borrower, a report describing outstanding Equipment Inventory rentals for such period and the Equipment Inventory subject thereto.
- (b) To Agent, on a weekly basis or at such more frequent intervals as Agent may request from time to time (together with a copy of all or any part of such delivery requested by any Lender in writing after the Closing Date), collateral reports with respect to each Borrower, including all additions and reductions (cash and non-cash) with respect to Accounts of each Borrower, in each case accompanied by such supporting detail and documentation as shall be requested by Agent in its reasonable discretion each of which shall be prepared by the applicable Borrower as of the last day of the immediately preceding week or the date 2 days prior to the date of any such request;
- (c) To Agent, at the time of delivery of each of the monthly Financial Statements delivered pursuant to Annex E:
- (i) a reconciliation of the Accounts trial balance of each Borrower to such Borrower's most recent Borrowing Base Certificate, general ledger and monthly Financial

Statements delivered pursuant to Annex E, in each case accompanied by such supporting detail and documentation as shall be requested by Agent in its reasonable discretion;

(ii) a reconciliation of the perpetual inventory by branch location of each Borrower to such Borrower's most recent Borrowing Base Certificate, general ledger and monthly Financial Statements delivered pursuant to Annex E, in each case accompanied by such supporting detail and documentation as shall be requested by Agent in its reasonable discretion;

(iii) an aging of accounts payable and a reconciliation of mat accounts payable aging to each Borrower's general ledger and monthly Financial Statements delivered pursuant to Annex E, in each case accompanied by such supporting detail and documentation as shall be requested by Agent in its reasonable discretion; and

(iv) a reconciliation of the outstanding Loans as set forth in the monthly Loan Account statement provided by Agent to each Borrower's general ledger and monthly Financial Statements delivered pursuant to Annex E, in each case accompanied by such supporting detail and documentation as shall be requested by Agent in its reasonable discretion;

- (d) To Agent, at the tune of delivery of each of the quarterly Financial Statements delivered pursuant to Annex E, (i) a listing of government contracts of each Borrower subject to the Federal Assignment of Claims Act of 1940; and (ii) a list of any applications for the registration of any Patent, Trademark or Copyright filed by any Credit Party with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in the prior Fiscal Quarter;
- (e) Each Borrower, at its own expense, shall deliver to Agent the results of each physical verification, if any, that such Borrower or any of its Subsidiaries may in their discretion have made, or caused any other Person to have made on their behalf, of all or any portion of their Parts and Tools Inventory or Equipment Inventory (and, if an Event of Default has occurred and is continuing, each Borrower shall, upon the request of Agent, conduct, and deliver the results of, such physical verifications as Agent may require);
- (f) Each Borrower, at its own expense, shall deliver to Agent monthly, a fleet utilization report, prepared on a "days rented" basis, or on such other basis or format as is reasonably acceptable to the Agent;
- (g) Each Borrower, at its own expense, shall deliver to Agent the Equipment Inventory Appraisal, the P&E Appraisal and such other appraisals of its assets as Agent may request at any time after the occurrence and during the continuance of a Default or an Event of Default, such appraisals to be conducted by an appraiser, and in form and substance, reasonably satisfactory to Agent; and
- (h) Such other reports, statements and reconciliations with respect to the Borrowing Base, Collateral or Obligations of any Borrower or any other Credit Party as Agent shall from time to time request in its reasonable discretion.

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#### ANNEX G (Section 6.10)

to

#### CREDIT AGREEMENT

#### FINANCIAL COVENANTS

Neither H&E Holdings nor any Subsidiary thereof shall breach or fail to comply with any of the following financial covenants, each of which shall be calculated in accordance with GAAP consistently applied:

- (a) **Maximum Senior Debt to Tangible Assets Ratio.** H&E Holdings and its Subsidiaries shall have on a consolidated basis at the end of each Fiscal Quarter, a Senior Debt to Tangible Assets Ratio as of the last day of such Fiscal Quarter of not more than 1.10 to 1.00 for such Fiscal Quarter.
- (b) **Maximum Leverage Ratio.** H&E Holdings and its Subsidiaries on a consolidated basis shall have, at the end of each Fiscal Quarter set forth below, a Leverage Ratio as of the last day of such Fiscal Quarter and for the 12-month period then ended of not more than the following:
- |              |                                                                  |
|--------------|------------------------------------------------------------------|
| 4.60 to 1.00 | for each Fiscal Quarter ending on or prior to December 31, 2004; |
| 4.25 to 1.00 | for each Fiscal Quarter ending thereafter.                       |
- (c) **Maximum Adjusted Leverage Ratio.** H&E Holdings and its Subsidiaries on a consolidated basis shall have, at the end of each Fiscal Quarter set forth below, an Adjusted Leverage Ratio as of the last day of such Fiscal Quarter and for the 12-month period then ended of not more than the following:
- |              |                                                                  |
|--------------|------------------------------------------------------------------|
| 4.60 to 1.00 | for each Fiscal Quarter ending on or prior to December 31, 2004; |
| 4.40 to 1.00 | for each Fiscal Quarter ending thereafter.                       |
- (d) **Minimum Utilization Rate of Equipment Inventory Ratio.** H&E Holdings and its Subsidiaries shall have on a consolidated basis at the end of each Fiscal Quarter set forth below, a Utilization Rate of Equipment Inventory Ratio for the 12-month period then ended of not less than 28% for such Fiscal Quarter.
- (e) **Minimum Adjusted Interest Coverage Ratio.** H&E Holdings and its Subsidiaries on a consolidated basis shall have at the end of each Fiscal Quarter set forth below, an Adjusted Interest Coverage Ratio for the 12-month period then ended of not less than the following:
- |              |                                                                                                |
|--------------|------------------------------------------------------------------------------------------------|
| 1.45 to 1.00 | for each Fiscal Quarter ending on or prior to March 31, 2004;                                  |
| 1.50 to 1.00 | for each Fiscal Quarter ending on or after June 30, 2004 and on or prior to December 31, 2004; |
| 1.60 to 1.00 | for each Fiscal Quarter ending thereafter.                                                     |

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- (f) **Maximum P&E Capital Expenditures.** H&E Holdings and its Subsidiaries on a consolidated basis shall not make P&E Capital Expenditures during any Fiscal Year that exceed in the aggregate \$5,000,000 for such Fiscal Year.

Unless otherwise specifically provided herein, any accounting term used in the Agreement has the meaning customarily given such term in accordance with GAAP, and all financial computations hereunder shall be computed in accordance with GAAP consistently applied. That certain items or computations are explicitly modified by the phrase "in accordance with GAAP" shall in no way be construed to limit the foregoing. If any "Accounting Changes" (as defined below) occur and such changes result in a change in the calculation of the financial covenants, standards or terms used in the Agreement or any other Loan Document, then Borrowers, Agent and Lenders agree to enter into negotiations in order to amend such provisions of the Agreement so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating Borrowers' and their Subsidiaries' financial condition shall be the same after such Accounting Changes as if such Accounting Changes had not been made; *provided*, that the agreement of Requisite Lenders to any required amendments of such provisions shall be sufficient to bind all Lenders. "Accounting Changes" means (a) changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants (or successor thereto or any agency with similar functions), (b) changes in accounting principles concurred in by any Borrower's certified public accountants; (c) purchase accounting adjustments under A.P.B. 16 or 17 and EITF 88-16, and the application of the accounting principles set forth in FASB 109, including the establishment of reserves pursuant thereto and any subsequent reversal (in whole or in part) of such reserves; and (d) the reversal of any reserves established as a result of purchase accounting adjustments. All such adjustments resulting from expenditures made subsequent to the Closing Date (including capitalization of costs and expenses or payment of pre-Closing Date liabilities) shall be treated as expenses in the period the expenditures are made and deducted as part of the calculation of EBITDA in such period. If Agent, Borrowers and Requisite Lenders agree upon the required amendments, then after appropriate amendments have been executed and the underlying Accounting Change with respect thereto has been implemented, any reference to GAAP contained in the Agreement or in any other Loan Document shall, only to the extent of such Accounting Change, refer to GAAP, consistently applied after giving effect to the implementation of such Accounting Change. If Agent, Borrowers and Requisite Lenders cannot agree upon the required amendments within thirty (30) days following the date of implementation of any Accounting Change, then all Financial Statements delivered and all calculations of financial covenants and other standards and terms in accordance with the Agreement and the other Loan Documents shall be prepared, delivered and made without regard to the underlying Accounting Change. For purposes of Section 8.1, a breach of a Financial Covenant contained in this Annex G shall be deemed to have occurred as of any date of determination by Agent as of the last day of any specified measurement period, regardless of when the Financial Statements reflecting such breach are delivered to Agent.

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**ANNEX H (Section 9.10(a))**

**to**

**CREDIT AGREEMENT**

**LENDERS' WIRE TRANSFER INFORMATION**

Name: General Electric Capital Corporation  
Bank: Bankers Trust Company  
New York, New York  
ABA#: 021001033  
Account #: 50232854  
Account Name: GECC/CAF Depository  
Reference: CFC [4121]

Name: Bank of America Business, N.A.  
Bank: Bank of America, N.A.  
ABA #: 121-000-358  
Account #: 1235303848  
Account Name: Bank of America Business Credit  
Reference: H&E Equipment

Name: Fleet Capital Corporation  
Bank: Fleet National Bank  
ABA #: 011-900-571  
Account #: 936-933-7579  
Account Name: For Credit To: Fleet Capital NE Collections  
Reference: H&E Finance

Name: LaSalle Business Credit, IDC.  
Bank: LaSalle National Bank  
ABA #: 071000505  
Account #: 5800333378  
Account Name: LaSalle Business Credit, Inc.  
Reference: Head & Engquist Participation

Name: ORIX Financial Services, Inc.  
Bank: Mellon Bank  
ABA #: 043-000-261  
Account #: 050-2481  
Account Name: ORIX Financial Services, Inc.  
Reference: H&E Equipment Services

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Name: PNC Bank National Association  
Bank: PNC Bank  
ABA #: 031207607  
Account #: 196039957830  
Account Name: PNC Business Credit  
Reference: H&E Equipment Services

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**ANNEX I (Section 11.10)**

**to**

**CREDIT AGREEMENT**

**NOTICE ADDRESSES**

(A) If to Agent or GE Capital, at:

General Electric Capital Corporation  
Capital Funding, Inc.  
335 Madison Avenue  
12th Floor  
New York, NY 10017  
Attention: H&E Equipment Services L.L.C. Account Manager  
Telephone No.: (212)370-8047  
Telecopier No.: (212)682-6031

with copies to:

General Electric Capital Corporation  
Capital Funding, Inc.  
777 Long Ridge, Building B, First Floor  
Stamford, CT 06927  
Attention: Corporate Counsel  
Telephone No.: (203)357-3159  
Telecopier No.: (203) 703-1777

and:

General Electric Capital Corporation  
201 High Ridge Road  
Stamford, CT 06927-5100  
Attention: Corporate Counsel  
Telephone No.: (203) 316-7552  
Telecopier No.: (203) 316-7889

and:

Clifford Chance Rogers & Wells LLP  
200 Park Avenue  
New York, NY 10166  
Attention: Robert S. Finley  
Telephone No.: (212) 878-3194  
Telecopier No.: (212) 878-8375

and

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General Electric Capital Corporation, Commercial Equipment Finance  
44 Old Ridgebury Road  
Danbury, CT 06810  
Attention: Steve Kopitskie  
Telephone No.: (203) 796-2393  
Telecopier No.: (212) 796-2352

(B) If to a Lender other than GE Capital, at the following, as applicable:

PNC Bank, National Association

One PNC Plaza  
249 Fifth Avenue - 6<sup>th</sup> Floor  
Pittsburgh, PA 15222  
Attention: Doug Hoffman  
Telephone No.: (412) 768-1333  
Telecopier No.: (212) 768-4369

LaSalle Business Credit, Inc.  
One Centerpointe Drive  
Suite 500  
Lake Oswego, OR 97035  
Attention: David G. Wilson  
Telephone No.: (503) 431-6142  
Telecopier No.: (503) 684-4665

Fleet Capital Corporation  
1633 Broadway  
29<sup>th</sup> Floor  
New York, NY 10019  
Attention: David Fiorito  
Telephone No.: (646) 366-4374  
Telecopier No.: (646) 366-4395

Orix Financial Services, Inc.  
1177 Avenue of the Americas  
10<sup>th</sup> Floor  
New York, NY 10036  
Telephone No.: (212) 739-1716  
Telecopier No.: (212) 739-1523

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Bank of America, N.A.  
335 Madison Avenue  
6<sup>th</sup> Floor  
New York, NY 10017  
Attention: Ed Kahn  
Telephone No.: (212) 503-7370  
Telecopier No.: (212) 503-7340

- (C) If to any Credit Party, to Borrower Representative at:  
H&E Equipment Services L.L.C.  
11100 Mead Road, Suite 200  
Baton Rouge, LA 70816  
Attention: Terry Eastman  
Telecopier No.: (225) 298-5232  
Telephone No.: (225) 298-5332

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**ANNEX J (from Annex A – Commitments definition)**

**to**

**CREDIT AGREEMENT**

<b>Lender(s):</b>		
<u>General Electric Capital Corporation</u>		
Revolving Loan Commitment:	\$	50,000,000
Swing Line Commitment:	\$	10,000,000
<u>PNC Bank, National Association</u>		
Revolving Loan Commitment	\$	20,000,000
<u>LaSalle Business Credit, Inc.</u>		
Revolving Loan Commitment:	\$	15,000,000
<u>Fleet Capital Corporation</u>		
Revolving Loan Commitment:	\$	30,000,000

Orix Financial Services, Inc.

Revolving Loan Commitment: \$ 10,000,000

Bank of America, N.A.

Revolving Loan Commitment: \$ 25,000,000

**[LOGO] RENTAL AGREEMENT NO:**

**A Division of ICM Equipment Company L.L.C. (hereinafter "ICM")**

**4010 South 22nd Street - Phoenix, AZ 85040 - 602-232-0608 PHOENIX - TUCSON - ALBUQUERQUE - FARMINGTON - EL PASO**

ACCT NO.	FED. I.D. NO.	SHIPPED FROM SHIPMENT	CREDIT APPROVAL OPEN ACCT C.O.D.
DATE	CUST. ORD. NO.	ORDERED BY	TELEPHONES SALESMAN

MAKE	MODEL	SERIAL NUMBER	I.D. NO.	DESCRIPTION	REPLACEMENT VALUE
------	-------	---------------	----------	-------------	-------------------

DIAL INSTRUCTIONS:

RENTAL TIME	DELIVERY/RETURN	RETURN
DATE SERV. METER	OUT VIA DATE B/L NO.	RETURN VIA DATE B/L NO.
IN TOTAL	STANDARD USAGE IS HOURS PER DAY. 40 HOURS PER WEEK, OR 176 HOURS PER MONTH. OVERTIME USAGE IS DETERMINED BY SERVICE METER HOUR READINGS. THE CONTRACT SHALL EXTEND BE-YOND THE TERM, AT THE SAME TERMS, IF THE LESSEE HOLDS THE MACHINE OVER THE SPECIFIED TERM OF THE LEASE.	
IMATED RETURN DATE	INSPECTION	RETURN
RENTAL CHARGES	OUT ITEM	RETURN
DAYS @ \$	MAST	
WEEKS @ \$	GLASS	
MONTH @ \$	OUT RIGGERS	
OVERTIME @ \$	HEADACHE BALL	
	HOCK BLOCK	
	SAFETY	
	OPERATION	
	MANUAL	
	OPERATOR	
	TRAINING	
	RECEIVED	
	FORKS	
	GAUGES	
	SEAT	
	LP TANK	
	BATTERY	
	COOLANT	
	BRAKES	
	CABLES	
	FUEL TANK FULL	
	BATTERY	
	COOLANT	
	BRAKES	
	CABLES	
	FUEL TANK FULL	
	LIGHTS	

SICAL DAMAGE WAIVER \$ LESSEE MUST CHECK ENGINE OIL, WATER AND FUEL DAILY LESSEE AUTHORIZES THE DELETION OF ANY SAFETY EQUIPMENT AND ACCEPTS ALL LIABILITY FOR ANY INJURY OR LOSS INCURRED. LESSEE IS RESPONSIBLE FOR ALL TIRE MAINTENANCE, FUEL, MISSING PARTS AND ALL DAMAGE OTHER THAN NORMAL WEAR. LESSEE IS RESPONSIBLE FOR THE PHYSICAL CLEANLINESS OF LEASED EQUIPMENT AND THE EVENT UNCLEAN EQUIPMENT IS RETURNED IT WILL BE CLEANED BY LESSOR AT THE LESSEES EXPENSE.

PAGE IF LESSEE RETURNS EQUIPMENT WITH LESS THAN A FULL TANK OF FUEL IT WILL BE REFUELED AND CHARGED TO LESSEE.

STATE SALES TAX \$ %  
 FILING FEE \$  
AL DAMAGE WAIVER (off highway usage only) WILL INITIAL BLOW TO DECLINE THE OPTIONAL AL DAMAGE WAIVER AT THE RATE SHOWN UNDER RENTAL CHARGES SECTION FOR EACH EK MONTH OR FRACTION THEREOF:  
 DECLINE

THE TERMS AND CONDITIONS ARE SO IN THE SPECIAL INSTRUCTIONS ABOVE. THE HAS NO OPTION TO PURCHASE THE EQUIP-RENTED ON THIS RENTAL AGREEMENT. HEREBY LEASES THE

LESSEE IS RESPONSIBLE FOR THE MAINTENANCE OF THIS EQUIPMENT WHILE IN THEIR POSSESSION: ANY DAMAGE TO THIS EQUIPMENT RESULTING FROM IMPROPER CARE OR MAINTENANCE WILL BE CHARGED DIRECTLY TO LESSEE.

T LF RF:  
 I  
 R  
 E  
 S LR. RR:

REFERENCED ENT ACCORDING TO  
THE RENTAL TERMS CONDITIONS  
HEREIN AND ON THE REVERSE.

RECOMMENDED SERVICE INTERVALS FOR THIS EQUIPMENT  
ARE:

LESSEE CUSTOMERS SIGNATURE

ICM OUT CHECK

ICM RETURN  
CHECK

LESSOR- ICM EQUIPMENT CO.

FILE COPY

CUST. OUT CHECK

CUST RETURN  
CHECK

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**AMENDMENT NO. 7**

This AMENDMENT No. 7 dated as of March 31, 2005 ("Amendment No. 7"), is entered into by and among H&E EQUIPMENT SERVICES L.L.C., a Louisiana limited liability company ("H&E"), GREAT NORTHERN EQUIPMENT, INC., a Montana corporation ("Great Northern" and together with H&E, individually a "Borrower" and jointly, severally and collectively, the "Borrowers"), H&E HOLDINGS, L.L.C., a Delaware limited liability company, GNE INVESTMENTS, INC., a Washington corporation and H&E FINANCE CORP., a Delaware corporation, the persons designated as "Lenders" on the signature pages hereto, and GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation, as Agent.

WHEREAS, Borrowers, the other Credit Parties, the Lenders (as defined therein) and Agent are party to the Credit Agreement dated as of June 17, 2002 (including all annexes, exhibits and schedules thereto, and as amended by Amendment No. 1 dated as of March 31, 2003, Amendment No. 2 dated as of May 14, 2003, Amendment No. 3 dated as of February 10, 2004, Amendment No. 4 dated as of October 26, 2004, Amendment No. 5 dated as of January 13, 2005 and Amendment No. 6 dated as of March 11, 2005, and as further amended, restated, supplemented or otherwise modified and in effect from time to time, "Original Credit Agreement"; all capitalized terms defined in the Original Credit Agreement and not otherwise defined herein have the meanings assigned to them in the Original Credit Agreement or in Annex A thereto); and

WHEREAS, Borrowers and each Lender, subject to Section 3 hereof, wish to amend the Original Credit Agreement in the manner set forth below.

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, Borrowers, Credit Parties, each Lender and Agent agree as follows:

**SECTION 1.**  
**AMENDMENTS TO ORIGINAL CREDIT AGREEMENT**

Subject to the satisfaction of the conditions to effectiveness referred to in Section 3 hereof, the Original Credit Agreement is hereby amended as follows:

Paragraph (d) of Annex E of the Original Credit Agreement is amended by adding the following new sentence to the end of such paragraph:

Notwithstanding the other provisions of this clause (d), in the case of H&E Holdings' audited Financial Statements for the Fiscal Year ended December 31, 2004 and the accompanying written statement of H&E Holdings' independent public accountants required to be delivered in connection therewith, the Credit Parties shall be deemed to have complied with the requirements of this clause (d) if such Financial Statements and accompanying report are delivered on or before September 30, 2005.

**SECTION 2.**  
**CONSENTS AND WAIVERS**

1. **Waivers.** The Borrowers hereby acknowledge and agree that certain Defaults and Events of Default have occurred and are continuing under the Credit Agreement as a result of the Borrowers' failure to comply with Section 4.03 and 4.04(b) of the Senior Note Indenture and the Senior Subordinated Note Indenture as a result of the Borrowers' failure to timely comply the reporting

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requirements contained therein for the fiscal year ending December 31, 2004 (such Defaults and Events of Default are hereinafter collectively referred to as the "Specified Events of Default"). The Borrowers request, and the Lenders and the Agent hereby agree to waive any Default and Event of Default arising under Section 8.1(e)(ii) and clause (f) of Annex E of the Credit Agreement arising as a result of the occurrence of the Specified Events of Default. The waivers set forth above are limited solely to the Defaults and Events of Default described herein and shall not be deemed to be a waiver of any other Default or Event of Default.

2. Lenders hereby consent to the amendment to the Senior Secured Note Indenture substantially in the form of Exhibit A attached hereto and the amendment to the Senior Subordinated Note Indenture substantially in the form of Exhibit B attached hereto, in each case subject to changes approved by Agent in writing.

**SECTION 3.**  
**CONDITIONS TO EFFECTIVENESS**

This Amendment No. 7 shall become effective on the date, which must be prior to March 31, 2005 (the "Effective Date") on which the following conditions shall have been satisfied:

- (a) Agent shall have received one or more counterparts of this Amendment No. 7 executed and delivered by Borrowers, the other Credit Parties, Agent and the Requisite Lenders; and
- (b) there shall be no continuing Default or Event of Default (after giving effect to the amendments contemplated by this Amendment No. 7), and the representations and warranties of the Borrowers contained in this Amendment No. 7 shall be true and correct in all material respects.

**SECTION 4.**  
**LIMITATION ON SCOPE**

Except as expressly amended hereby, all of the representations, warranties, terms, covenants and conditions of the Loan Documents shall remain in full force and effect in accordance with their respective terms. The amendments set forth herein shall be limited precisely as provided for herein and shall not

be deemed to be waivers of, amendments of, consents to or modifications of any term or provision of the Loan Documents or any other document or instrument referred to therein or of any transaction or further or future action on the part of Borrowers or any other Credit Party requiring the consent of Agent or Lenders except to the extent specifically provided for herein. Agent and Lenders have not and shall not be deemed to have waived any of their respective rights and remedies against Borrowers or any other Credit Party for any existing or future Defaults or Event of Default.

**SECTION 5.**  
**MISCELLANEOUS**

(a) Borrowers hereby represent and warrant as follows:

(i) this Amendment No. 7 has been duly authorized and executed by Borrowers and each other Credit Party, and the Original Credit Agreement, as amended by this Amendment No. 7, is the legal, valid and binding obligation of Borrowers and each other Credit Party that is a party thereto,

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enforceable in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, moratorium and similar laws affecting the rights of creditors in general; and

(ii) Borrowers repeat and restate the representations and warranties of Borrowers contained in the Original Credit Agreement as of the date of this Amendment No. 7 and as of the Effective Date, except to the extent such representations and warranties relate to a specific date.

(b) This Amendment No. 7 is being delivered in the State of New York.

(c) Borrowers and the other Credit Parties hereby ratify and confirm the Original Credit Agreement as amended hereby, and agree that, as amended hereby, the Original Credit Agreement remains in full force and effect.

(d) Borrowers and the other Credit Parties agree that all Loan Documents to which each such Person is a party remain in full force and effect notwithstanding the execution and delivery of this Amendment No. 7.

(e) This Amendment No. 7 may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all of which counterparts together shall constitute but one and the same instrument.

(f) All references in the Loan Documents to the "Credit Agreement" and in the Original Credit Agreement as amended hereby to "this Agreement," "hereof," "herein" or the like shall mean and refer to the Original Credit Agreement as amended by this Amendment No. 7 (as well as by all subsequent amendments, restatements, modifications and supplements thereto).

(g) Each of the following provisions of the Original Credit Agreement is hereby incorporated herein by this reference with the same effect as though set forth in its entirety herein, *mutatis mutandis*, and as if "this Agreement" in any such provision read "this Amendment No. 7": Section 11.6, (Severability), Section 11.9 (Governing Law), Section 11.10 (Notices), Section 11.11 (Section Titles) Section 11.13 (Waiver of Jury Trial), Section 11.16 (Advice of Counsel) and Section 11.17 (No Strict Construction).

[SIGNATURE PAGES FOLLOW]

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**WITNESS** the due execution hereof by the respective duly authorized officers of the undersigned as of the date first written above.

**BORROWERS:**

**H&E EQUIPMENT SERVICES, L.L.C.**

By: /s/ John Engquist

Name:

Title:

**GREAT NORTHERN EQUIPMENT, INC.**

By: /s/ John Engquist

Name:

Title:

**CREDIT PARTIES:**

**H&E HOLDINGS, L.L.C.**

By: /s/ John Engquist

Name:

Title:

**GNE INVESTMENTS, INC.**

By: /s/ John Engquist

Name:

Title:

**H&E FINANCE CORP.**

By: /s/ John Engquist

Name:

Title:

SIGNATURE PAGE TO AMENDMENT NO. 7

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**AGENT AND LENDERS:**

**GENERAL ELECTRIC CAPITAL CORPORATION,**  
as Agent and a Lender

By: /s/ Gina Provenzale

Name: Gina Provenzale

Title: Vice President

Duly Authorized Signatory

**FLEET CAPITAL CORPORATION,**  
as a Lender

By: /s/ Edmundo Kalm

Name: Edmundo Kalm

Title: Vice President

**PNC BANK, NATIONAL ASSOCIATION,**  
as a Lender

By: /s/ Douglas Hoffman

Name: Douglas Hoffman

Title: Vice President

**LASALLE BUSINESS CREDIT, LLC,**  
as a Lender

By: /s/ John W Mundstock

Name: John W Mundstock

Title: SVP

SIGNATURE PAGE TO AMENDMENT NO. 7

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**Exhibit A**

**Proposed Amendments to the Indenture governing the 11-1/8% Senior Secured Notes due 2012**

1. Section 4.03 ("Reports") would be amended by adding the following paragraph at the end of Section 4.03:

\* \* \*

"Notwithstanding the other provisions of this Section 4.03, in the case of such reports, information and documents which would be included in, relate to, be based on or be derived from or constitute the Company's annual report on Form 10-K for the fiscal year ended December 31, 2004, the Company shall be deemed to have complied with the requirements of this Section 4.03 if such reports, information and documents which would be included in, relate to, be based on or be derived from or constitute the Company's annual report on Form 10-K for the fiscal year ended

December 31, 2004 (including reports, information and documents that would be included therein relating to prior fiscal years) are delivered to the Holders of the Notes and filed with the Commission, as applicable, on or before September 30, 2005.”

\* \* \*

2. Section 4.04(b) (“Compliance Certificate”) would be amended by adding the following sentence at the end of Section 4.04(b):

\* \* \*

“Notwithstanding the other provisions of this Section 4.04(b), the Company shall be deemed to have complied with the requirements of this Section 4.04(b) if the written statement of the Company’s independent public accountants to be delivered to the Holders of the Notes, with respect to the fiscal year ended December 31, 2004, are delivered to the Trustee or the Holders of the Notes, as applicable, on or before September 30, 2005.”

\* \* \*

3. Clause (1) of the second paragraph of Section 4.09 (“Incurrence of Indebtedness and Issuance of Preferred Stock”) would be amended as follows:

\* \* \*

“The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, “INCUR”) any Indebtedness (including Acquired Debt), and the Company will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; PROVIDED, HOWEVER, that the Company may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, if the Fixed Charge Coverage Ratio for the Company’s most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock is issued would have been at least 2.5 to 1 determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or Disqualified Stock had been issued, as the case may be, at the beginning of such four-quarter period.

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The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, “PERMITTED DEBT”):

(1) the incurrence by the Company and any Guarantor of additional Indebtedness and letters of credit under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Company and its Restricted Subsidiaries thereunder) not to exceed a maximum of \$275.0 million, LESS the aggregate amount of all Net Proceeds from Asset Sales applied by H&E or any of its Restricted Subsidiaries since the date of this Indenture to repay, repurchase, or redeem Senior Debt pursuant to clause (1) of the third paragraph of Section 4.10 to the extent such Net Proceeds so applied exceed \$25 million in the aggregate since the date of this Indenture, PROVIDED that if after giving effect to the incurrence of any Indebtedness pursuant to this clause (1), the Fixed Charge Coverage Ratio for the Company’s most recently ended four full fiscal quarters for which internal financial statements are then available would exceed 2.5 to 1.0, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), then such maximum amount shall be the greater of (x) \$275.0 million, LESS the aggregate amount of all Net Proceeds from Asset Sales applied by H&E or any of its Restricted Subsidiaries since the date of this Indenture to repay, repurchase, or redeem Senior Debt pursuant to clause (1) of the third paragraph of Section 4.10 to the extent such Net Proceeds so applied exceed \$25 million in the aggregate since the date of this Indenture or (y) the Borrowing Base;

\* \* \*

4. Clause (B) of Section 10.05(a) (“Insolvency or Liquidation Proceedings”) would be amended as follows:

\* \* \*

“(B) the aggregate principal amount of Indebtedness at any one time permitted to be outstanding under any such debtor-in-possession financing, when added to the principal amount of Priority Lien Indebtedness then outstanding, is not permitted, under the order approving such financing, to exceed the sum of:

- (i) the greater of (x) \$325,000,000 and (y) the maximum amount then permitted by clause (1) of the definition of “Permitted Debt;”
- (ii) the maximum amount then permitted by clause (12) of the definition of “Permitted Debt;” and
- (iii) \$50,000,000,”

\* \* \*



1. Section 4.03 (“Reports”) would be amended by adding the following paragraph at the end of Section 4.03:

\* \* \*

“Notwithstanding the other provisions of this Section 4.03, in the case of such reports, information and documents which would be included in, relate to, be based on or be derived from or constitute the Company’s annual report on Form 10-K for the fiscal year ended December 31, 2004, the Company shall be deemed to have complied with the requirements of this Section 4.03 if such reports, information and documents which would be included in, relate to, be based on or be derived from or constitute the Company’s annual report on Form 10-K for the fiscal year ended December 31, 2004 (including reports, information and documents that would be included therein relating to prior fiscal years) are delivered to the Holders of the Notes and filed with the Commission, as applicable, on or before September 30, 2005.”

\* \* \*

2. Section 4.04(b) (“Compliance Certificate”) would be amended by adding the following sentence at the end of Section 4.04(b):

\* \* \*

“Notwithstanding the other provisions of this Section 4.04(b), the Company shall be deemed to have complied with the requirements of this Section 4.04(b) if the written statement of the Company’s independent public accountants to be delivered to the Holders of the Notes, with respect to the fiscal year ended December 31, 2004, are delivered to the Trustee or the Holders of the Notes, as applicable, on or before September 30, 2005.”

\* \* \*

3. Clause (1) of the second paragraph of Section 4.09 (“Incurrence of Indebtedness and Issuance of Preferred Stock”) would be amended as follows:

\* \* \*

“The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, “INCUR”) any Indebtedness (including Acquired Debt), and the Company will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; PROVIDED, HOWEVER, that the Company may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, if the Fixed Charge Coverage Ratio for the Company’s most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock is issued would have been at least 2.5 to 1 determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had

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been incurred or Disqualified Stock had been issued, as the case may be, at the beginning of such four-quarter period.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, “PERMITTED DEBT”):

(1) the incurrence by the Company and any Guarantor of additional Indebtedness and letters of credit under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Company and its Restricted Subsidiaries thereunder) not to exceed a maximum of \$275.0 million, LESS the aggregate amount of all Net Proceeds from Asset Sales applied by H&E or any of its Restricted Subsidiaries since the date of this Indenture to repay, repurchase, or redeem Senior Debt pursuant to clause (1) of the third paragraph of Section 4.10 to the extent such Net Proceeds so applied exceed \$25 million in the aggregate since the date of this Indenture, PROVIDED that if after giving effect to the incurrence of any Indebtedness pursuant to this clause (1), the Fixed Charge Coverage Ratio for the Company’s most recently ended four full fiscal quarters for which internal financial statements are then available would exceed 2.5 to 1.0, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), then such maximum amount shall be the greater of (x) \$275.0 million, LESS the aggregate amount of all Net Proceeds from Asset Sales applied by H&E or any of its Restricted Subsidiaries since the date of this Indenture to repay, repurchase, or redeem Senior Debt pursuant to clause (1) of the third paragraph of Section 4.10 to the extent such Net Proceeds so applied exceed \$25 million in the aggregate since the date of this Indenture or (y) the Borrowing Base;”

\* \* \*

**Table of Subsidiaries of Registrant**

<b>Name</b>	<b>Jurisdiction of Incorporation</b>
H&E Finance Corp.	DE
GNE Investments, Inc.	WA
Great Northern Equipment, Inc.	MT

QuickLinks

[Table of Subsidiaries of Registrant](#)

**Consent of Independent Registered Public Accounting Firm**

H&E Equipment Services L.L.C.  
Baton Rouge, Louisiana

We hereby consent to the use in the Prospectus constituting a part of this Amendment No. 1 to Registration Statement No. 333-128996 of our report dated September 28, 2005, except for Note 22 for which the date is as of October 13, 2005, relating to the consolidated financial statements and schedule of H&E Equipment Services L.L.C., which is contained in that Prospectus.

We also consent to the reference to us under the caption "Experts" in the Prospectus.

/s/ BDO Seidman, LLP

Dallas, Texas  
November 23, 2005

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QuickLinks

[Consent of Independent Registered Public Accounting Firm](#)

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the use in this Registration Statement on Form S-1 of H&E Equipment Services, Inc. of our report dated August 31, 2005, except for Note 15 for which the date is November 21, 2005, relating to our audits of the consolidated financial statements of Eagle High Reach Equipment Company, Inc., appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to our firm under the captions "Experts" and "Selected Financial Data" in such Prospectus.

/s/ Perry-Smith LLP

Sacramento, California  
November 23, 2005

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QuickLinks

[CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM](#)

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints each of John M. Engquist and Leslie S. Magee as his/her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him/her and in his/her name, place, and stead, in any and all capacities, to sign any and all amendments including post-effective amendments and registration statements filed pursuant to Rule 462(b) under the Securities Act) to this Registration Statement and to file the same with all exhibits hereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their, his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement on Form S-1 has been signed below by the following persons on behalf of H&E Equipment Services, Inc. and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ LAWRENCE C. KARLSON		
Lawrence C. Karlson	Director	October 14, 2005



QuickLinks

[POWER OF ATTORNEY](#)

November 23, 2005

**VIA EDGAR AND OVERNIGHT DELIVERY**

United States Securities and Exchange Commission  
Division of Corporation Finance  
100 F Street N.E.  
Washington, D.C. 20549

Attention: Edward M. Kelly, Pamela A. Long, Jenn Do and Jeanne K. Baker

**RE: H&E Equipment Services, Inc.  
Amendment No. 1 to the Registration Statement on Form S-1  
File No. 333-128996**

Ladies and Gentlemen:

H&E Equipment Services, Inc. (the "Company") has today filed with the Securities and Exchange Commission (the "Commission") Amendment No. 1 ("Amendment No. 1") to its Registration Statement on Form S-1 (Registration No. 333-128996). On behalf of the Company, we respond to the comments raised by the staff (the "Staff") of the Commission in the letter dated November 10, 2005 from Ms. Pamela A. Long to Mr. John M. Engquist. For your convenience, the Staff's comments are included in this letter and are followed by the applicable response.

**Form S-1 General**

1. **We note that non-Rule 430A information is omitted throughout the S-1. To the extent practicable, complete the information before you amend the S-1.**

**Response:**

To the extent practicable, the Company has added non-Rule 430A information in Amendment No. 1.

2. **If you intend to include artwork in the registration statement, submit the artwork for our review before the registration statement's effectiveness. For any artwork included in the registration statement:**

- **Ensure that the artwork does not serve as a substitute for or as a supplement to the prospectus' summary and business sections.**
- **Ensure that any graphical presentation and accompanying text provide a balanced view of H&E Equipment Services and its business.**

**Response:**

The Company notes the Staff's comment and will supplementally provide to Staff any artwork to be included in the printed preliminary prospectus. The Company anticipates that this artwork will consist of pictures of certain equipment rented and/or sold by the Company and a map showing the Company's locations.

**Outside Front Cover Page**

3. **We note that you omit an estimated price range for the offering. You may omit an estimated price range in the first amendment, provided you give us adequate time to review the registration statement with the estimated price range in it before requesting acceleration of the registration statement's effectiveness. We consider estimated price ranges of up to \$2.00 if under \$20.00 or 10% if over \$20.00 to be a good faith estimate for purposes of requirements under the Securities Act. Further, confirm that you will include an estimated price range in the form of preliminary**
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prospectus distributed to prospective purchasers. See Item 501(b)(3) of Regulation S-K and the item's instructions.

**Response:**

The Company will include an estimated price range in a subsequent pre-effective amendment and in the preliminary prospectus distributed to prospective purchasers.

**Industry and Market Data; Non-GAAP Financial Measures; Trademarks, page i**

4. **Move the paragraphs regarding industry and market data, non-GAAP financial measures and trademarks so that they follow the summary and risk factors sections. See Item 502 of Regulation S-K and section IV.B. of Release No. 33-7497.**

**Response:**

The requested change has been made.

**Non-GAAP Financial Measures, page i**

5. **We note your use of non-GAAP financial measures. We have the following comments:**

- **Please describe how you use EBITDA to evaluate performance of your operating segments given your disclosures in Note 18 that your segment measure is gross profit.**
- **You describe the limitations associated with the use of the non-GAAP measure EBITDA as a cash flow and liquidity measure; however, you indicate you use it as a performance measure. Revise your discussions to address the material limitations associated with the use of your non-GAAP financial measure, consistent with how you use such measure. As such, you should describe the material limitations associated with any performance measure that does not include interest, taxes, depreciation and amortization.**
- **Discuss the manner in which you compensate for these limitations when using the non-GAAP financial measure.**

**Refer to Question 8 of the Frequently Asked Questions Regarding the Use of Non-GAAP Financial Measures, dated June 13, 2003, available at [www.sec.gov](http://www.sec.gov).**

**Response:**

- The Company has revised its disclosure to reflect its use of EBITDA to evaluate the overall performance of its business, and not the performance of operating segments.
- The Company believes that the material limitations associated with EBITDA as a performance measure have been described, and also believes that it is important to inform prospective purchasers of the other limitations associated with EBITDA generally.
- The requested disclosure has been added.

**Summary, page 1**

6. **Disclosure in the Summary and Business sections that the regions in which H&E Equipment Services operates "are minimally impacted by seasonality" appears inconsistent with disclosure in the seventh risk factor and elsewhere that H&E Equipment Services' sales and rental activity tends to be lower in the winter. Please reconcile the disclosures.**

**Response:**

The Company has revised the disclosures as requested on pages 4, 61, 69, and 71 of Amendment No. 1.

**Risk Factors, page 12**

7. **This section's first paragraph states that "Additional risks and uncertainties not presently known to us or that are currently deemed immaterial may also impair our business, financial condition and operating results." Since H&E Equipment Services must disclose all risks that it believes are material, delete this sentence.**

**Response:**

The Company has amended its disclosure to state that all risks it believes are material are described. However, the Company believes that it is also important to inform prospective purchasers that there may be additional risks of which it is not currently aware, and further that currently immaterial risks could become material.

8. **Include in each risk factor's discussion information necessary to assess the risk, including its magnitude. For example:**

- **The second risk factor states that H&E Equipment Services will require a significant amount of cash to service its indebtedness. Quantify the amount of cash that H&E Equipment Services will require to service its indebtedness on a during the next 12 months.**
- **The fourth risk factor states that H&E Equipment Services is subject to a court's judgment that could have an adverse effect on its business. Update the disclosure to discuss the consequences or effects of the denial of H&E Equipment Services' appeal by the Court of Appeals of North Carolina on October 18, 2005.**
- **The tenth risk factor states that H&E Equipment Services' rental fleet is subject to residual value risk upon disposition. Include quantitative data, if available, that illustrate H&E Equipment Services' experience in disposing of its rental fleet in order to convey the importance of this risk. As you have identified this as a material risk, it seems appropriate that you should elaborate upon it and the impact it has and is likely to have on your financial condition and results of operations in MD&A as well.**

**Response:**

The Company notes the Staff's comment and has revised disclosure as appropriate.

- The requested disclosure has been added.
- The Company has deleted this risk factor.
- The disclosure has been revised as appropriate on page 16 of Amendment No. 1.

9. **Since the financial statements of H&E LLC are included in the registration statement, provide risk factor disclosure about the ineffectiveness of the disclosure controls and procedures of H&E LLC as of December 31, 2004, if you believe any material risk to new investors results therefrom. We note the disclosure in the thirtieth risk factor about H&E Equipment Services' internal controls on a prospective basis.**

**Response:**

The Company has added risk factor disclosure on pages 21-22 of Amendment No. 1. Although the Company does not believe that any material risk to new investors results from the prior ineffectiveness of its disclosure controls, the Company believes that it is good disclosure to inform prospective purchasers accordingly.

10. **We note your disclosure in the risk factor entitled "We are subject to a court's judgment that could have an adverse effect on our business" on page 14, in Note 14 on page F-27 and elsewhere in the prospectus that "while we are appealing this judgment, we believe that even if there is a reduction in the amount of damages awarded to the plaintiff on appeal, the judgment could have an adverse effect on our business." We understand that you have already accrued \$17.4M for the loss, and that you have posted a letter of credit in connection with the appeal. Please elaborate on how the judgment, or any reduced judgment, could have an adverse effect on your business, here and elsewhere in the document where similar disclosure appears.**

**Response:**

The Company has deleted the referenced risk factor and has revised its disclosure on pages 51-52, 55, 74, F-27 and F-48 of the prospectus.

11. **In the risk factor entitled "Our new equipment suppliers may appoint additional distributors...", please clarify the nature of the "exclusive responsibility" you have for selected markets, given that you also state that the manufacturers retain the right to appoint additional dealers and sell directly to national accounts and governmental agencies.**

**Response:**

The disclosure has been revised as appropriate on page 15 of Amendment No. 1.

12. **Ensure that each risk you include describes a meaningful, material risk. Speculative disclosure about any risk that could possibly materialize is not helpful to investors. For example, the disclosure under "Our rental fleet is subject to residual value risk upon disposition" on page 16 does not seem to present a material risk given that you disclose on page 62 that for 2004, you sold used equipment from your rental fleet at an average selling price of 130.3% of book value. Similarly, we question whether disclosure under "We could be adversely affected by environmental and safety requirements..." on page 19 is really a material risk given disclosure on page 68 that you "do not expect to incur material capital expenditures for environmental controls or compliance." Please remove these items as risk factors or revise them to clarify why they present a meaningful risk. Review and revise as necessary other risk factors to comply with this comment.**

**Response:**

The Company notes the Staff's comment and believes that the risk factor disclosures describe meaningful, material risks.

With respect to the risk factor entitled "Our rental fleet is subject to residual value risk upon disposition," the disclosure has been revised as appropriate on page 16 of Amendment No. 1.

With respect to the risk factor entitled "We could be adversely affected by environmental and safety requirements...", the Company believes that, although it does not expect to incur material capital expenditures in this regard, due to the nature of environmental laws and attendant liabilities there nonetheless exists a meaningful, material risk to investors that environmental and safety requirements could have a significant adverse effect on the Company.

Dilution, page 27

13. We note that the comparative table excludes shares issuable upon exercise of options that H&E Equipment Services expects to grant under its proposed stock incentive plan. The requirement for including shares subject to options in the comparative table pertains also to any shares that directors, officers, promoters, and affiliated persons "have the right to acquire." See Item 506 of Regulation S-K. Revise so that the table includes all shares that directors, officers, promoters, and affiliated persons have the right to acquire. We note the disclosure in the first full paragraph on page 79.

**Response:**

The Company supplementally informs the Staff that no persons have the right to acquire shares of the Company under the stock incentive plan at this time. The stock incentive plan has not yet been adopted by the Company and any grants under the stock incentive plan will not occur until the consummation of the offering or thereafter.

Unaudited Pro Forma Consolidated Financial Data, page 28

14. Clarify in the headnotes to your pro forma consolidated financial data that the pro forma results for the year ended December 31, 2004 was materially impacted by Eagle LLC's \$13.5 million gain on debt restructuring and that future results will not reflect such material nonrecurring charges.

**Response:**

The requested disclosure has been added on page 29 of Amendment No. 1.

15. Clarify in the headnotes to your pro forma consolidated financial data the ownership interests in Eagle held by Mr. Bagley, your Chairman, and Mr. Sharp, one of your executives.

**Response:**

The requested disclosure has been added on page 29 of Amendment No. 1.

16. Please remove your non-GAAP financial measures and other data from the face of your pro forma financial information on pages 31-32. Refer to Item 10(e)(ii)(D) of Regulation S-K and Rule 11-02 of Regulation S-X.

**Response:**

The requested deletion has been made.

17. We note your pro forma condensed statement of operations does not disclose income (loss) from continuing operations before nonrecurring charges or credits directly attributable to the transaction. In this regard, please revise your pro forma financials to present such a line item and highlight that the one-time payment of approximately \$8.0 million to the affiliates of BRS as described in note (5) on page 33 has not been included in these pro forma condensed statement of operations. Refer to Rule 11-02(b)(5) of Regulation S-X.

**Response:**

The Company supplementally advises the Staff that the pro forma condensed statement of operations does include the disclosure of income (loss) from continuing operations before nonrecurring charges or credits directly attributable to the transaction. The Company has added a clarifying footnote to highlight that the one-time payment of approximately \$8.0 million to the affiliates of BRS as

described in Note (7) on page 36 of the prospectus has not been included in the pro forma condensed statement of operations.

**Note (10) to the Unaudited Pro Forma Condensed Combined Statements of Operations**

18. **We note that Eagle High Reach Equipment, Inc. has historically elected under the Internal Revenue Code to be taxed as an "S" Corporation. Expand your disclosure to address whether the Company can/will continue to make this election and if not, what impact it will have on its current and future income tax provisions.**

**Response:**

Upon consummation of the acquisition of Eagle, Eagle will cease to be taxed as an "S" Corporation. This will not have a pro forma impact on the Company's current and future income tax positions. However, the Company is in the process of evaluating any potential pro forma income tax effect resulting from the proposed Eagle acquisition and the reorganization transactions generally. The Company has revised the disclosure to Note (12) as requested on page 36 of the prospectus.

**Note (2) to the Unaudited Pro Forma Condensed Combined Balance Sheet and Note (15) to the Unaudited Pro Forma Condensed Combined Statements of Operations**

19. **We note, as indicated on page F-67, the minority interest reflected on Eagle High Reach Equipment's balance sheet and statement of operations results from its 50% ownership interest in Eagle LLC which it consolidates in accordance with FIN 46R. Revise your disclosure to clarify how your acquisition of Eagle High Reach eliminates its minority interest related to Eagle LLC. Specifically address how you applied the guidance set forth in FIN 46R.**

**Response:**

The disclosure has been revised as requested in Note (15) on page 36 of the prospectus. Eagle Inc holds a 50% ownership interest in its subsidiary, Eagle LLC. We will acquire 100% of the stock of Eagle Inc., and 100% of the equity interests of Eagle LLC. As a result, we would have a controlling financial interest in Eagle LLC. Both Eagle Inc. and Eagle LLC will be consolidated into our financial statements. Thus, FIN 46R is not applicable.

20. **Please describe the factors that contributed to a purchase price that resulted in the recognition of goodwill. Refer to paragraph 51b of SFAS 141.**

**Response:**

The requested disclosure has been added in Note (2)(b) on page 31 of Amendment No. 1.

**Management's Discussion and Analysis of Financial Condition and Results of Operations, page 38**

21. **For any credit facility or other financial instrument that requires H&E Equipment Services to satisfy specified financial ratios and tests, state what the limits of all material financial ratios and tests are. Also indicate whether H&E Equipment Services is in compliance with them. We note the disclosure in the third risk factor.**

**Response:**

The Company has revised its disclosure as appropriate on pages 59 and 98 of Amendment No. 1. Further, the Company respectfully points the Staff to its disclosure on page 59 of Amendment No. 1 that "As of June 30, 2005 and December 31, 2004, we were in compliance with the financial covenants

in place at those respective times." The Company has revised the disclosure on page 59 of Amendment No. 1 to state that it was in compliance with its financial covenants as of September 30, 2005.

22. **The information in the table regarding the types of rental equipment units you have and the percentages of total units that each type of unit comprises is not consistent with similar disclosure on page 61 in the Business section. Please reconcile.**

**Response:**

The disclosure has been revised as requested on pages 64-65 of Amendment No. 1.

**Critical Accounting Policies, page 43**

23. **We note your rental equipment makes up approximately 60% of your total assets at December 31, 2004. Given the significance of these assets, we believe that it is appropriate to include a discussion of your accounting for these assets within Critical Accounting Policies. Please provide a sensitivity analysis such that a reader would understand the impact of a 5-year change in useful life for each category of equipment as well as a 5% change in salvage value on your results of operations.**

**Response:**

A sensitivity analysis for the impact of a 2-year change in useful life for each category of equipment as well as a 5% change in salvage value where applicable has been added to page 46 of Amendment No. 1. The Company notes that the Staff's request was a 5-year change in useful life; however, the Company believes a 5-year change would not provide a meaningful analysis due to the overall short economic lives of the equipment.

**Business, page 60**

24. **Disclosure in the first full paragraph on page 65 indicates that H&E Equipment Services' customer relationship management system is currently being implemented. State the known or estimated completion date for the implementation.**

**Response:**

The disclosure has been revised as requested on page 68 of Amendment No. 1.

25. **Your risk factor on page 16 entitled "Our new equipment suppliers may appoint additional distributors..." suggests that your distribution agreements with OEMs typically give you "exclusive" responsibility for selected markets. Please elaborate on the material terms of your typical agreements in this section. For example, you should discuss the exclusive nature of those contracts and clarify the limitations on exclusivity that are suggested by the risk factor. Also disclose whether the contracts are for any particular term and that the contracts can generally be terminated by the suppliers without cause. If you are substantially dependent upon any particular contract, please file it as an exhibit to the registration statement.**



**Response:**

The disclosure has been revised as appropriate on page 65 of Amendment No. 1.

**26. Expand the disclosure under "Competition" on page 68 to address these items:**

- **If H&E Equipment Services knows or has reason to know that one or a small number of competitors is dominant in the industry, identify the competitors.**
- **If negative factors pertaining to H&E Equipment Services' competitive position exist, explain the factors if they are known or reasonably available to H&E Equipment Services.**

**See Item 101(c)(1)(x) of Regulation S-K.**

**Response:**

- The Company believes that there are numerous competitors and does not deem one or a few competitors to be dominant. However, the Company has revised its disclosure on page 71 to identify examples of a few national rental companies.
- The disclosure has been revised as requested on page 71 of Amendment No. 1.

**Management, page 72**

**27. In the biographical paragraph of Mr. Bradley W. Barber, describe briefly his business experience during the past five years. See Item 401(e)(1) of Regulation S-K.**

**Response:**

The requested disclosure has been added on pages 75-76 of Amendment No. 1.

**28. Disclosures under "Committees of Our Board of Directors" indicate that:**

- **The board of directors will nominate a third director to the audit committee.**
- **The board of directors will nominate a third director to the compensation committee.**
- **The board of directors will designate a corporate governance and nominating committee that will consist of three members.**

**Specify when the board of directors will take these actions.**

**Response:**

The requested disclosure has been added on pages 77-78 of Amendment No. 1.

**29. Expand the disclosure in the third paragraph under "Deferred Compensation Plans" on page 79 to identify the persons to whom the compensation is owed.**

**Response:**

The requested disclosure has been added on page 83 of Amendment No. 1.

**Stock Incentive Plan, page 77**

**30. As indicated in the last paragraph of this section, we note that you intend to grant options to your employees in connection with the consummation of this offering. Disclose the exercise price of the options to be granted to employees and address whether or not the exercise price will be less than the IPO price of the common shares being offered. In the event that the exercise price is anticipated to be less than the IPO price, expand your disclosures to address any material stock compensation costs herein and in the pro forma financial statements.**

**Response:**

As explained in the response to comment 13 above, the stock incentive plan has not yet been adopted by the Company and that any grants under the stock incentive plan will not occur until the consummation of the offering or thereafter. Accordingly, the exercise price has not been determined and will not be determined until the time of the grant. The Company respectfully refers the Staff to its disclosure on page 82 of Amendment No. 1 stating that in no event may the exercise price of any options granted under the plan be less than the fair market value of the underlying shares on the date of grant.

**31. Please file the stock incentive plan as an exhibit to the registration statement.**

**Response:**

The Company will file the stock incentive plan as an exhibit to the Registration Statement once it adopts the plan.

**Principal Stockholders, page 80**

**32. Please identify by footnote or otherwise the natural person or persons having sole or shared voting and investment control over the securities held by each of the BRS entities. Refer to telephone interpretation 4S. in the Regulation S-K section of the March 1999 supplement to our "Manual of Publicly Available Telephone Interpretations" that is available on the Commission's website at <http://www.sec.gov>, and revise appropriately.**

**Response:**

The Company notes that the telephone interpretation referenced above is applicable to selling shareholders under Item 507 of Regulation S-K. However, this offering does not include any selling shareholders. Furthermore, the Company believes that the disclosure regarding the principal stockholders is appropriate, customary and in conformity with Item 403 of Regulation S-K.

**33. The information in the tables presented in this section seems to depict the beneficial ownership of units of H&E Holdings, as H&E Equipment's financial statements suggest that all of its outstanding units were converted in 2002 and it is now wholly-owned by H&E Holdings. For clarity, please amend the heading of these tables to indicate that they depict ownership of H&E Holdings' units. Please also update the table to include information as of the most recent practicable date.**

**Response:**

The disclosure has been revised as requested on pages 84 and 85 of Amendment No. 1.

**Related Party Transactions, page 83**

**34. Expand the disclosure in the last sentence under "Management Agreement and Transaction Fees" on page 84 to specify the dollar amount of accrued management fees and expenses.**

**Response:**

The requested disclosure has been added on page 89 of Amendment No. 1.

**35. Expand the disclosure in the first full paragraph on page 88 to specify the commission received by Perkins-McKenzie Insurance Agency, Inc. based upon the premiums paid by H&E Equipment Services in 2002, 2003, and 2004. Alternatively, tell us why the disclosure is not required by Item 404 of Regulation S-K.**

**Response:**

The requested disclosure has been added on page 92 of Amendment No. 1.

**Description of Capital Stock, page 89**

36. **Expand the disclosure under "Preferred Stock" on page 89 to indicate whether the board of directors has any intent to authorize shares of preferred stock.**

**Response:**

The Company respectfully refers the Staff to the disclosure on the second paragraph of page 93 of Amendment No. 1 in which the Company states that after completion of the offering and the Reorganization Transactions, the Company expects that there will be no shares of preferred stock outstanding.

**Description of Indebtedness, page 93**

37. **Describe in detail the amended senior secured credit facility's financial covenants. Alternatively, cross reference to disclosure in MD&A.**

**Response:**

The Company has revised its disclosure as appropriate on pages 59 and 98 of Amendment No. 1.

**Shares Eligible for Future Sale, page 96**

38. **Confirm that there are no agreements or understandings between the underwriters and any of the persons subject to the lock-up agreement to permit those persons to resell their shares before the lock-up period's expiration. Also describe briefly the factors that the underwriters would consider in determining whether to consent to the sale of shares by those persons before the lock-up period's expiration.**

**Response:**

The Company has been informed by the lead underwriters that there are no agreements or understandings between the underwriters or the persons subject to the lock-up and that the underwriters do not currently anticipate any circumstances under which they would waive the lock-up. However, the lead underwriters have informed the Company that the release of any lock-up would be considered on a case-by-case basis. In considering any request to release shares covered by a lock-up agreement, such underwriters would consider, among other factors, the particular circumstances surrounding the request, including but not limited to the number of shares requested to be released, market conditions, the possible impact on the market for the Company's common stock, the trading price of the Company's common stock, historical trading volumes of the Company's common stock, the reasons for the request and whether the person seeking the release is one of the Company's officers or directors.

**Underwriting, page 101**

39. **We note disclosure of a directed share program on page 102. Indicate the amount of shares reserved for the program, and provide us a copy of the materials that you sent or plan to send to directed share program participants.**

- **We note the disclosure in the last paragraph on page 103. Identify any members of the underwriting syndicate that will engage in any electronic offer, sale, or distribution of the shares. Describe their procedures to us or confirm that our Office of Chief Counsel has reviewed the procedures without objection.**

**Response:**

The Company has not yet determined which of Credit Suisse First Boston LLC or UBS Securities LLC will manage the directed share program. Copies of drafts of the directed share program materials of each institution are furnished supplementally for the Commission's review. The amount of shares reserved for the program has not yet been determined but will be inserted in the space reserved on page 106 of Amendment No. 1 when so determined.

- The Company has been informed by the lead underwriters that, as a courtesy to certain of their customers to whom a preliminary prospectus will be sent, the underwriters may distribute preliminary prospectuses electronically to certain of their customers. The underwriters will not accept indications of interest (other than UBS Securities LLC through its "New Issues" web-based client services site, as described below), offers to purchase or confirm sales electronically. To the extent distributed electronically, the preliminary prospectus will be in Adobe PDF format. No preliminary prospectus will be sent until a preliminary prospectus meeting the requirements of the Securities Act of 1933, as amended, has been prepared and filed with the Commission.

Credit Suisse First Boston LLC has informed the Company that it plans to post the preliminary prospectus and the final prospectus on the "Equity New Issues US" portion of its external website. Please note, however, that Credit Suisse First Boston LLC has informed the Company that it will not rely on such availability to satisfy its prospectus delivery requirements. The Company has been informed by Credit Suisse First Boston LLC that the procedures employed in connection with Credit Suisse First Boston LLC's electronic website posting of the prospectus were reviewed by the Staff in connection with the Google Inc. initial public offering dated August 18, 2004, as well as the Spirit Finance initial public offering dated December 15, 2004. Moreover, screen shots of both the posting of the Google preliminary prospectus and the Spirit Finance preliminary prospectus on the "Equity New Issues US" portion of Credit Suisse First Boston LLC's external website were cleared by the Staff. Neither Credit Suisse First Boston LLC's procedures with respect to "Equity New Issues US" nor the appearance of the screen shots have changed since they were cleared by the Staff in the aforementioned transactions.

UBS Securities LLC has informed the Company that it intends to make the preliminary prospectus available to certain of its customers through "New Issues," a section of the UBS Investment Bank Client Portal that is part of UBS Securities LLC's web-based client services site. UBS Securities LLC has informed the Company that it will accept indications of interest from those certain customers through "New Issues" but will not accept offers to purchase or confirm sales through any of its websites in connection with the offering. The "New Issues" section is separate from UBS Securities LLC's publicly available website as access to "New Issues" is password-protected. UBS Securities LLC customers may obtain password access to "New Issues" upon request. UBS Securities LLC currently limits access to "New Issues" in the United States to institutional customers that are "qualified institutional buyers" under Rule 144A. "New Issues" contains a listing of equity and equity-linked offerings, with each offering hyperlinked to an offering summary page. The offering summary page will contain Rule 134 information pertaining to the offering, a hyperlink to the preliminary prospectus and other non-offering related information (such as administrative or logistical information). In some cases, the offering summary page will also contain a link to the offering road show. The preliminary prospectus will be in Adobe PDF format, and a link will be available on the page to download the required viewer. The Company has been informed by UBS Securities LLC that Ms. Kristina Schillinger, Esq. of the Securities and Exchange Commission reviewed UBS Securities LLC's electronic offering procedures without objection in the spring of 2001.

In addition, the Company has been informed by the underwriters that, in addition to distributing preliminary prospectuses electronically through their maintained websites, they may send preliminary prospectuses via email as a courtesy to certain of their customers to whom they are concurrently sending a prospectus in hard copy.

The Company does not intend to use any forms of prospectus other than printed prospectuses and electronically distributed prospectuses that are printable in Adobe PDF format.

Please note that Amendment No. 1 contains disclosure on page 107 that certain of the underwriters may distribute prospectuses electronically.

- 40. If you become aware of any additional members of the underwriting syndicate that may engage in electronic offers, sales, or distributions after you respond to the comment immediately above, supplement promptly your response to identify those members and provide us a similar description of their procedures. Also include a brief description of any electronic distribution in the prospectus.**

**Response:**

The Company confirms that if it becomes aware of any additional members of the underwriting syndicate that may engage in electronic offers, sales, or distributions, it will supplement promptly its response to the issues raised in the second part of comment 39 above, and identify those members and provide the Staff a similar description of their procedures.

- 41. Tell us whether you or your underwriters have any arrangements with any third party to host or access your preliminary prospectus on the Internet. If so, identify the party and the website, describe the material terms of your agreement, and provide us a copy of any written agreement. Also provide us copies of all information concerning the issuer or the prospectus that has appeared on the third party's website. If you enter subsequently into any such arrangement, supplement promptly your response.**

**Response:**

The Company does not have any arrangements with a third party to host or access the preliminary prospectus on the Internet. In addition, the Company has been advised by the lead underwriters that the underwriters do not have any arrangements with a third party to host or access the preliminary prospectus on the internet, other than in connection with plans to conduct an internet roadshow through Yahoo! Inc. ([www.netroadshow.com](http://www.netroadshow.com)). The Company has been informed that while the underwriters have contracted with these service providers to conduct an internet roadshow, the purpose of these contracts is not specifically to host or access the preliminary prospectus, but rather to provide access to the roadshow to institutional investors who cannot, or elect not to, attend roadshow meetings in person. As part of the electronic roadshow process, an electronic version of the preliminary prospectus, identical to the copy filed with the Commission and distributed to live attendees, is required to, and will, be made available on the web site. The Company has been informed by the lead underwriters that in accordance with the agreements, Yahoo! Inc. will make the road show available only to those investors who have been provided with a password from the underwriters. An investor who is given the password may access the road show during a one-day period and will not be able to download, copy or print any portion of the road show transmission other than the preliminary prospectus. In addition, the Company understands that Yahoo! Inc. has informed the underwriters that they conduct internet roadshows in accordance with the Private Financial Network No-Action Letter, received from the Commission on March 12, 1997, and subsequent no-action letters from the Commission with respect to virtual roadshows.

Credit Suisse First Boston LLC has informed the Company that it intends to make the preliminary prospectus and the final prospectus available to certain of its customers on the "Equity New Issues US" portion of its external website, as described in more detail in the response to the second part of comment 39 above.

In addition, UBS Securities LLC has informed the Company that it intends to make the preliminary prospectus available to certain of its customers through "New Issues," a section of the UBS

Investment Bank Client Portal that is part of UBS Securities LLC's web-based client services site. The "New Issues" section is separate from UBS Securities LLC's publicly available website as access to "New Issues" is password-protected. UBS Securities LLC customers may obtain password access to "New Issues" upon request, as described in more detail in the response to the second part of comment 39 above.

**Where You Can Find More Information, page 105**

42. **Delete the language that statements contained in the prospectus about the contents of any agreement or other document "are not necessarily complete" and are "qualified in all respects." Rule 411(a) of Regulation C under the Securities Act allows qualification of information inside the prospectus by reference to information outside the prospectus only to the extent that the form explicitly permits it or where the form requires a summary of the document. If you retain the language that statements "are not necessarily complete," disclose that all material provisions of the agreement or other document are discussed in the prospectus.**

**Response:**

The Company respectfully notes that it has not stated that these agreements or documents are incorporated by reference into Amendment No. 1. Although the disclosure in the prospectus with respect to such agreements or documents conforms with the requirements of the Commission, and may not in all cases require that all material provisions of all such agreements be disclosed in the prospectus. Furthermore, this customary reference is designed to guide those investors interested in more details with regard to any particular document to the actual document itself.

**H&E Equipment Services LLC December 31, 2004 Financial Statements**

**(2) Summary of Significant Accounting Policies, page F-8**

**Revenue Recognition, page F-8**

43. **We note other revenues consist primarily of billings to customers for rental equipment delivery and damage waiver charges. Please expand your disclosures to clarify how you recognize such other revenues. In this regard, we also note your disclosure on page 40 that you recognize revenue for support services at the time you generate an invoice for such services. Confirm that the invoice would only be generated after the services have been provided; otherwise tell us how your accounting is appropriate under generally accepted accounting principles.**

**Response:**

The requested disclosure has been added on page 42 and on page F-8 of Amendment No. 1.

44. **You indicate on page 40 that you acquire a portion of your used equipment for your Used Equipment Sales Segment through trade-ins from your equipment customers. Please expand your disclosures to address your obligations under any trade-in agreements you may have and how you account for trade-ins. Refer to EITF 00-24 and FIN 45 and address any other literature you relied on.**

**Response:**

The disclosure has been revised as appropriate on page 42 of Amendment No. 1.

**Rental Equipment, page F-9**

45. **You state that your rental fleet is held for sale at all times and is not transferred to inventory held for sale prior to disposal. Please clarify for readers whether this statement means that you follow the held for sale model or held for use model of SFAS 144. Refer to paragraphs 25-26 and 47-48 of SFAS 144.**

**Response:**

The requested disclosure has been added to page F-9 of Amendment No. 1.

**Recent Accounting Pronouncements, page F-13**

46. **Please clarify for readers when you expect to adopt SFAS 123R, and explain how you determined that its adoption is not expected to have any impact on your reported results of operations given the Stock Incentive Plan you intend to implement prior to the consummation of the offering, as discussed on pages 77-79.**

**Response:**

The disclosure has been revised as requested on pages 61-62 and page F-13 of Amendment No. 1.

**Eagle High Reach Equipment, Inc. Financial Statements**

**Independent Auditor's Report, page F-61**

47. **Please revise the audit report to identify the city and state where issued, in accordance with Rule 2-02(a)(3) of Regulation S-X.**

**Response:**

The requested revision has been made to the audit report on page F-61 of Amendment No. 1.

**Note 2—Restructuring—Debt Resolution Agreement and Note 4—Revolving Note Payable**

48. **You indicate that the Company estimated that the fair value of the 50% interest in Eagle LLC was \$8.8 million. Clarify why, then, as a result of the sale of the ownership of Eagle LLC to SBN, the company transferred \$4,986,873 to minority interest. Specifically address how you determined the fair value of Eagle LLC and what the \$4,986,873 represents. With regard to the fair value of Eagle LLC, help us to understand how the fair value of Eagle LLC relates to the \$53 million estimated purchase price to be paid by H&E Equipment Services for Eagle High Reach Equipment, Inc. (Eagle). In this regard, we note that as a result of the Debt Resolution Agreement, Eagle transferred its principle operating assets and liabilities, including operating leases to Eagle LLC and then transferred 50% ownership of Eagle LLC to retire certain of its debt obligations.**

**Response:**

The disclosure in Note 2 has been revised as appropriate.

Eagle has informed the Company as follows:

Eagle High Reach Equipment, Inc. ("Eagle Inc.") retained control of Eagle LLC and accordingly, since there was no change in control, the 50 percent minority interest recorded (\$4,986,873) represented 50 percent of the net assets of Eagle LLC at the date of sale.

Eagle Inc.'s estimate of the fair value of the 50% interest in Eagle LLC was based on an independent appraisal of the fair value of the Company's operating assets which were transferred to Eagle LLC. The appraisal was prepared by an independent appraiser. The fair value of the assets transferred were determined as follows:

Fair value of assets transferred per independent appraisal	38,600,000
Less cash borrowed by Eagle LLC and transferred to Eagle Inc. prior to the sale of 50% of the LLC	(21,000,000)
<b>Fair value of Eagle LLC</b>	<b>\$ 17,600,000</b>
Fair value of 50% ownership of Eagle LLC	\$ 8,800,000

The formula-based purchase price (which, based on Eagle Inc.'s June 30, 2005 financial results, is currently estimated to be approximately \$53 million, including assumed indebtedness) to be paid by H&E Equipment Services is a current valuation of Eagle Inc. as opposed to the fair value of assets per an independent appraisal completed while Eagle Inc. was still insolvent and before the restructuring.

49. **Clarify what the \$3,813,126 restructuring charge recorded directly to retained earnings represents. Your Consolidated Statement of Stockholders' Equity (Deficit) refers to Note 2. However, it appears that this charge may also relate to the settlement of the \$4,113,457 note receivable due from a major stockholder.**

**Response:**

The disclosure in Note 2 has been revised as appropriate.

Eagle has informed the Company as follows:

The \$3,813,126 restructuring charge represents the difference between the fair value of the 50% ownership of Eagle LLC and the amount transferred to the minority interest, which represents 50% of the book value of Eagle LLC, as follows:

Fair value of 50% ownership of Eagle LLC	\$ 8,800,000
Less amount transferred to minority interest	(4,986,873)
<b>Credit to retained earnings</b>	<b>\$ 3,813,127</b>

The settlement of the note receivable due from a major shareholder is unrelated to this credit to retained earnings.

50. **Reconcile your disclosures in Notes 2 and 4 with regard to the \$21,000,000 borrowings under the line of credit from the Lender, the related payment of the \$21,000,000 to Summitbridge, the transfer of 50% of Eagle LLC to Summitbridge, and the \$13 million forgiveness of debt to your Statement of Cash Flows which reflects \$40,611,400 cash payments on the revolving notes payable during the year ended June 30, 2005 and \$41,462,775 cash proceeds from borrowings on revolving notes payable. These fiscal year 2005 cash payments and proceeds do not appear to agree to your footnote disclosures. Please clarify and ensure that only the cash portion of your financing**



activities is included in your cash flows from financing activities within your statement of cash flows.

**Response:**

The consolidated statement of cash flows for the year ended June 30, 2005 has been revised on page F-65 to reflect actual borrowings and payments on revolving notes payable.

Eagle has informed the Company as follows:

The following analysis reconciles the disclosures in Notes 2 and 4, and borrowings and payments on revolving notes payable:

Total debt forgiven in connection with the restructure (Note 2)	\$	44,053,073
Less cash payment to SBN Eagle, LLC (Notes 2 and 4)		(21,000,000)
Less fair value of 50% ownership of Eagle LLC (Note 2; response to comment 48)		(8,800,000)
Less capitalized financing costs retired pursuant to retirement of debt (Note 2)		(761,832)
		<hr/>
Gain recognized resulting from restructuring	\$	13,491,241
		<hr/>
Consolidated Statement of Cash Flows:		
Capitalized financing costs retired pursuant to retirement of debt	\$	761,832
Plus gain recognized resulting from restructuring		13,491,241
		<hr/>
Debt restructuring per consolidated statement of cash flows	\$	14,253,073
		<hr/>
Total payments on revolving notes payable:		
SBN Eagle, LLC (Notes 2 and 4)	\$	21,000,000
Bank of America		16,802,225
		<hr/>
Total payments on revolving notes payable per Consolidated Statement of Cash Flows	\$	37,802,225
		<hr/>
Proceeds from borrowings on revolving notes payable:		
Bank of America	\$	38,335,796
Summitbridge Financial		317,804
		<hr/>
Total proceeds per consolidated statement of cash flows	\$	38,653,600
		<hr/>

**Note 14—Prior Period Adjustments, page F-80**

51. Expand your disclosures regarding your June 30, 2004 adjustments to better clarify the nature of the adjustments that were necessary. In this regard, clarify what you mean by "... the Company incorrectly presented rental fleet write down, property tax and sales tax expense and other administrative expenses on its rental fleet equipment and write down of inventories in the consolidated statement of operations."

**Response:**

The disclosure in Note 14 has been revised as requested on pages F-80 and F-81 of Amendment No. 1.

## Exhibits

52. **We note that you intend to file by amendment numerous exhibits, including the underwriting agreement and the legality opinion. Allow us sufficient time to review the exhibits before requesting acceleration of the registration statement's effectiveness.**

### **Response:**

The Company notes the Staff's comment and acknowledges that the Company will file all necessary exhibits in a pre-effective amendment giving the Staff sufficient time to review such exhibits.

## Exhibit 10.1

53. **Absent an order granting confidential treatment, Item 601(b)(10) of Regulation S-K requires the filing of material contracts, including attachments, in their entirety. Attachments include, for example, annexes, appendices, exhibits, and schedules. Since you did not file all of the exhibit's attachments, revise to file all of the exhibit's attachments.**

### **Response:**

The Company has filed the exhibits and annexes to the credit agreement as exhibits to Amendment No. 1. However, the Company has not filed the schedules since they are outdated and do not contain information which is material to an investment decision. The Company will supplementally provide a copy of any such schedule to the Staff upon request.

## Undertakings, page II-7

54. **Provide the undertaking specified by Item 512(f) of Regulation S-K.**

### **Response:**

The requested undertaking has been added on page II-7 of Amendment No. 1.

## Signatures

55. **H&E Equipment Services' controller or principal accounting officer also must sign the registration statement. Further, any person who occupies more than one of the specified positions, for example, principal financial officer and controller or principal accounting officer, must specify each capacity in which he signs the registration statement. See the instructions for signatures on Form S-1, and revise.**

### **Response:**

The Company has revised page S-1 of Amendment No. 1 accordingly.

## Form 10-K for the year ended December 31, 2004 and Forms 10-Q for the periods ended March 31, 2005 and June 30, 2005

### Item 9A and 4. Controls and Procedures

56. **You state that there were no significant changes in your internal controls over financial reporting that occurred during the fiscal year ended December 31, 2004 and the quarters ended March 31, 2005 and June 30, 2005 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting. If true, please confirm in your response that there have been no changes in your internal control over financial reporting that occurred during the period covered by your report that have materially affected, or are reasonably likely to**

**materially affect, your internal control over financial reporting. Refer to Item 308(c) of Regulation S-K. Revise your disclosures in future filings accordingly.**

**Response:**

The Company supplementally confirms that there have been no significant changes in its internal controls over financial reporting since June 30, 2005 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

If you have any questions, please feel free to contact Bonnie A. Barsamian by telephone at 212.698.3520 (or by facsimile at 212.698.3599), or the undersigned at 215.994.2737. Thank you for your cooperation and attention to this matter.

Sincerely,

/s/ Brian D. Short

Brian D. Short

cc: John M. Engquist  
Leslie S. Magee  
Bonnie A. Barsamian, Esq.  
Kirk A. Davenport II, Esq.  
Dennis Lamont, Esq.

