

UNITED RENTALS INC /DE
Form 11-K
June 29, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 11-K

ANNUAL REPORT

PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

x Annual Report pursuant to Section 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2005

Or

.. Transition Report pursuant to Section 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File Number 1-14387

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

United Rentals, Inc. 401(k) Investment Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:
United Rentals, Inc.

Five Greenwich Office Park

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

United Rentals, Inc. 401(k) Investment Plan

December 31, 2005 and 2004

Annual Report on Form 11-K

United Rentals, Inc. 401(k) Investment Plan

Financial Statements

and Supplemental Schedule

December 31, 2005 and 2004

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Report of Independent Registered Public Accounting Firm

To United Rentals, Inc. Benefits and Retirement Committee

We have audited the accompanying statements of net assets available for benefits of United Rentals, Inc. 401(k) Investment Plan as of December 31, 2005 and 2004, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's 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 Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2005 and 2004, and the changes in its net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2005, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP

New York, New York

June 21, 2006

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United Rentals, Inc. 401(k) Investment Plan

Statements of Net Assets Available for Benefits

| | December 31 | |
|--|-----------------------|-----------------------|
| | 2005 | 2004 |
| Assets: | | |
| Cash | \$ 1,235 | \$ 2,342 |
| Investments, at fair value: | | |
| United Rentals, Inc. Common Stock | 6,537,446 | 6,144,305 |
| T. Rowe Price Equity Index Trust | 16,973,837 | 15,479,256 |
| T. Rowe Price Tradelink Investments | 214,865 | 159,784 |
| Mutual Funds: | | |
| T. Rowe Price Spectrum Bond Income Fund | 9,056,185 | 8,402,829 |
| T. Rowe Price Balanced Fund | 5,156,953 | 3,680,402 |
| T. Rowe Price Blue Chip Growth Fund | 13,272,108 | 11,343,340 |
| T. Rowe Price Growth and Income Fund | 5,004,384 | 4,282,583 |
| T. Rowe Price International Stock Fund | 8,122,583 | 6,141,426 |
| T. Rowe Price New Horizons Fund | 15,794,431 | 12,894,144 |
| T. Rowe Price Prime Reserve Fund | 19,884,384 | 18,231,662 |
| T. Rowe Price Retirement Income Fund | 198,081 | 145,210 |
| T. Rowe Price Retirement 2005 Fund | 205,140 | 140,587 |
| T. Rowe Price Retirement 2010 Fund | 985,297 | 559,731 |
| T. Rowe Price Retirement 2015 Fund | 518,123 | 81,499 |
| T. Rowe Price Retirement 2020 Fund | 2,473,648 | 1,195,676 |
| T. Rowe Price Retirement 2025 Fund | 945,280 | 189,251 |
| T. Rowe Price Retirement 2030 Fund | 3,236,571 | 1,498,512 |
| T. Rowe Price Retirement 2035 Fund | 749,658 | 138,358 |
| T. Rowe Price Retirement 2040 Fund | 1,622,360 | 570,324 |
| T. Rowe Price Retirement 2045 Fund | 55,413 | |
| T. Rowe Price Science & Technology Fund | 4,842,695 | 4,638,752 |
| T. Rowe Price Value Fund | 13,945,860 | 12,027,669 |
| Total mutual funds | 106,069,154 | 86,161,955 |
| Participant loans | 6,804,873 | 5,792,001 |
| Company contributions receivable | 38,210 | 34,334 |
| Participants contributions receivable | 201,171 | 173,044 |
| Total assets | 136,840,791 | 113,947,021 |
| Liabilities: | | |
| Refunds due to participants for excess contributions | 26,098 | 166,060 |
| Net assets available for benefits | \$ 136,814,693 | \$ 113,780,961 |

See accompanying notes.

United Rentals, Inc. 401(k) Investment Plan

Statements of Changes in Net Assets Available for Benefits

| | Year ended December 31 | |
|--|------------------------|----------------|
| | 2005 | 2004 |
| Additions | | |
| Contributions: | | |
| Participants | \$ 18,674,484 | \$ 15,859,193 |
| Company | 4,826,088 | 4,325,066 |
| Rollovers | 1,774,006 | 810,755 |
| Investment income: | | |
| Interest and dividend income | 3,435,917 | 1,501,480 |
| Net appreciation in fair value of investments | 5,289,902 | 7,403,585 |
| | 34,000,397 | 29,900,079 |
| Deductions | | |
| Benefits paid directly to participants | 10,742,429 | 11,433,455 |
| Other, net | 224,236 | 164,757 |
| Net increase | 23,033,732 | 18,301,867 |
| Net assets available for benefits, beginning of year | 113,780,961 | 95,479,094 |
| Net assets available for benefits, end of year | \$ 136,814,693 | \$ 113,780,961 |

See accompanying notes.

United Rentals, Inc. 401(k) Investment Plan

Notes to Financial Statements

December 31, 2005

1. Description of the Plan

The following description of the United Rentals, Inc. 401(k) Investment Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan s provisions.

General

The Plan is a defined contribution plan, which was established by United Rentals, Inc. (the Company or Plan Sponsor). All employees are eligible to participate in the Plan following completion of three months of employment (provided they have reached the minimum age of 21 years and are a resident of the United States). The Plan has been designed to allow tax deferred contributions by the participants with discretionary Company contributions. The Plan is subject to provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

Participants may elect to contribute up to 50% of their annual wages paid by the Company, limited to \$14,000 and \$13,000 per annum (plus catch-up contributions for participants age 50 and over of \$4,000 and \$3,000) in 2005 and 2004, respectively (subject to certain additional limitations for highly-compensated employees as defined under the Internal Revenue Code). Participants can suspend their contributions at any time and still remain in the Plan. Participants can resume contributions and can change their elected contribution rate at any time.

The Company may contribute a discretionary amount to the Plan, which amount is determined annually. During the years ended December 31, 2005 and 2004, the Company contributed 50% of the first 6% of each participant s compensation up to a maximum contribution of \$1,500. Company matches historically have begun on January 1 or July 1 following twelve months of employment with the Company. Effective January 1, 2006, participants became eligible for Company matches following three months of employment.

Participant Accounts

Each participant account is credited with the participant s contribution, the Company s discretionary contribution, if any, and an allocation of Plan earnings. Allocations are based on the account balance of the participants.

United Rentals, Inc. 401(k) Investment Plan

Notes to Financial Statements (continued)

1. Description of the Plan (continued)

Vesting

Participants are always 100% vested in their contributions plus actual earnings thereon. Company contributions plus actual earnings thereon begin vesting 20% per year after one year of service and are 100% vested after five years of service (365 days minimum service per year). Forfeitures of Company contributions, which aggregated \$139,617 for 2005 and \$214,638 for 2004, are applied to reduce future Company contributions or to pay for Plan administrative expenses.

Investment Options

Participants may direct their elective contributions and the related Company discretionary contributions into any of the Plan's investment options. The Plan's custodian is T. Rowe Price Trust Company.

Participants Loans

Participants may borrow from their vested balances in the Plan, subject to certain restrictions and limitations set forth in the Plan document and the Internal Revenue Code. Loan terms range from one to five years for personal loans and up to a reasonable period of time as established by the Plan administrator for the purchase of a primary residence. The loans are secured by the vested balance in the participant's account and bear interest at a rate determined by the Plan administrator. Interest rates range from 5.50% to 10.50%. Principal and interest are paid ratably through payroll deductions.

Distributions and Withdrawals

A participant may not make withdrawals from their account prior to attaining age 59 1/2, except in the event of retirement, termination of employment, or proven hardship. Hardship withdrawals must be authorized by the Plan administrator and are subject to the requirements and limitations set forth in the Plan document, the Internal Revenue Code and the regulations thereunder.

United Rentals, Inc. 401(k) Investment Plan

Notes to Financial Statements (continued)

1. Description of the Plan (continued)

Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and terminate the Plan subject to the provisions of ERISA. In the event that the Plan is terminated, the participants will become 100% vested in their accounts.

Administrative Expenses

A portion of the Plan's administrative expenses are paid by the Company. All investment related expenses, and the balance of administrative expenses, are borne by the participants.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Plan's financial statements are prepared on the accrual basis of accounting.

Investments

The Plan's investments are stated at fair value as of the last trading date for periods presented. The fair value for common stock and mutual fund investments was measured by quoted prices in an active market. The T. Rowe Price Equity Index Trust is an underlying trust of a T. Rowe Price Common Trust Fund. The Plan's accounting for the T. Rowe Price Equity Index Trust is based on the redemption value of the Plan's units of participation in the T. Rowe Price Common Trust Fund. The redemption value is based on the fair market value of the underlying investments, as determined by the Plan's custodian. Participant loans are valued at their outstanding principal balances, which approximate fair value.

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 that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

United Rentals, Inc. 401(k) Investment Plan

Notes to Financial Statements (continued)

3. Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service dated April 19, 2004, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code, and, therefore, believes that the Plan is qualified and the related trust is tax exempt. If it were necessary, however, the Plan Sponsor has indicated that it would take the needed steps to bring the Plan's operations into compliance with the Code.

4. Investments

During 2005 and 2004, the Plan's investments (including investments purchased, sold, or held during the period) appreciated (depreciated) in fair value as follows:

| | Year ended December 31 | |
|---|-------------------------------|---------------------|
| | 2005 | 2004 |
| T. Rowe Price Spectrum Bond Income Fund | \$ (217,275) | \$ 215,815 |
| T. Rowe Price Balanced Fund | 25,740 | 230,872 |
| T. Rowe Price Blue Chip Growth | 748,563 | 899,968 |
| T. Rowe Price Growth and Income Fund | (397,759) | 142,711 |
| T. Rowe Price International Stock Fund | 970,853 | 669,017 |
| T. Rowe Price New Horizons Fund | 1,167,292 | 1,901,008 |
| T. Rowe Price Retirement Income Fund | 4,219 | 5,768 |
| T. Rowe Price Retirement 2005 Fund | 4,648 | 7,156 |
| T. Rowe Price Retirement 2010 Fund | 29,473 | 35,132 |
| T. Rowe Price Retirement 2015 Fund | 16,069 | 5,275 |
| T. Rowe Price Retirement 2020 Fund | 104,842 | 94,315 |
| T. Rowe Price Retirement 2025 Fund | 36,493 | 17,304 |
| T. Rowe Price Retirement 2030 Fund | 186,552 | 134,348 |
| T. Rowe Price Retirement 2035 Fund | 26,349 | 10,814 |
| T. Rowe Price Retirement 2040 Fund | 82,058 | 47,696 |
| T. Rowe Price Retirement 2045 Fund | 1,855 | |
| T. Rowe Price Science & Technology Fund | 126,795 | 82,823 |
| T. Rowe Price Value Fund | 283,928 | 1,496,156 |
| T. Rowe Price Tradelink Investments | 7,245 | 14,581 |
| T. Rowe Price Equity Index Trust | 780,405 | 1,504,285 |
| United Rentals, Inc. Common Stock | 1,301,557 | (111,459) |
| | \$ 5,289,902 | \$ 7,403,585 |

United Rentals, Inc. 401(k) Investment Plan

Notes to Financial Statements (continued)

5. Contingencies

In August 2004, the Company received notice from the SEC that it was conducting a non-public, fact-finding inquiry of the Company. The SEC inquiry appears to relate to a broad range of the Company's accounting practices and is not confined to a specific period. In March 2005, the Company's Board of Directors formed a Special Committee of independent directors to review matters related to the SEC inquiry. The Company's Board of Directors received and acted upon findings of the Special Committee in January 2006. The SEC inquiry, the actions that the Company took with respect to the Special Committee's findings, and actions that the Company took with respect to certain other accounting matters, including the restatement of previously issued consolidated financial statements for 2003 and 2002, are discussed in further detail in Notes 3 and 17 to the Company's annual report on Form 10-K for 2005 (the 2005 Form 10-K) and also summarized in the Company's press release and related report on Form 8-K dated January 26, 2006. The SEC inquiry is ongoing and the Company is continuing to cooperate fully with the SEC.

Following the Company's announcement of the SEC inquiry, a number of purported class action lawsuits were filed against the Company, as well as a variety of actions filed by alleged shareholders purporting to sue the Company derivatively, which matters are discussed in further detail in Note 17 of the 2005 Form 10-K. Following the Company's filing of the 2005 Form 10-K, amended complaints in these actions have been filed that, among other things, add allegations relating to the conclusions of the Special Committee and the other matters disclosed in the 2005 Form 10-K, as well as, in the case of the class actions (which have been consolidated), expand the purported class period.

At December 31, 2005 and December 31, 2004, the Plan had \$6.5 million or 4.8%, and \$6.1 million or 5.4%, respectively, of its total assets invested in the United Rentals, Inc. Common Stock.

6. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

Supplemental Schedule

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United Rentals, Inc. 401(k) Investment Plan

EIN: 06-1493538

Plan #: 001

Schedule H, Line 4(i) Schedule of Assets (Held at End of Year)

December 31, 2005

| Identity of Issue, Borrower, | Description of Investment, Including Maturity Date, Rate of Interest, Par or Maturity Value | Shares/ Units | Current |
|--------------------------------|---|------------------|-------------------------------------|
| | | | Value as of December 31, 2005 |
| Lessor or Similar Party | | | |
| T. Rowe Price Trust Company* | Spectrum Bond Income Fund | 768,124 | \$ 9,056,185 |
| | Balanced Fund | 260,847 | 5,156,953 |
| | Blue Chip Growth Fund | 406,123 | 13,272,108 |
| | Growth and Income Fund | 242,696 | 5,004,384 |
| | International Stock Fund | 549,194 | 8,122,583 |
| | New Horizons Fund | 497,619 | 15,794,431 |
| | Prime Reserve Fund | 19,884,384 | 19,884,384 |
| | Retirement Income Fund | 15,897 | 198,081 |
| | Retirement 2005 Fund | 18,872 | 205,140 |
| | Retirement 2010 Fund | 67,625 | 985,297 |
| | Retirement 2015 Fund | 46,178 | 518,123 |
| | Retirement 2020 Fund | 158,263 | 2,473,648 |
| | Retirement 2025 Fund | 82,413 | 945,280 |
| | Retirement 2030 Fund | 196,275 | 3,236,571 |
| | Retirement 2035 Fund | 64,514 | 749,658 |
| | Retirement 2040 Fund | 97,909 | 1,622,360 |
| | Retirement 2045 Fund | 5,112 | 55,413 |
| | Science & Technology Fund | 247,455 | 4,842,695 |
| | Value Fund | 596,487 | 13,945,860 |
| | Equity Index Trust | 473,997 | 16,973,837 |
| | Tradelink Investments (see detail of investments in the Tradelink Investments on pages 10-11) | | 214,865 |
| United Rentals, Inc.* | United Rentals, Inc. Common Stock | 279,498 | 6,537,446 |
| | | | 129,795,302 |
| Participant loans* | Interest rates range from 5.50% to 10.50%; maturities range from 5 months to 30 years | | 6,804,873 |
| | | | \$ 136,600,175 |

* Indicates party-in-interest to the Plan.

Note: The cost column is not applicable because all of the Plan's investment options are participant directed.

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United Rentals, Inc. 401(k) Investment Plan

EIN: 06-1493538

Plan #: 001

Schedule H, Line 4(i) Schedule of Assets (Held at End of Year) (continued)

December 31, 2005

| Identity of Issue, Borrower, | Description of Investment, Including Maturity Date, Rate of Interest, Par or Maturity Value | Shares/ Units | Current |
|------------------------------|---|------------------|-------------------------------------|
| | | | Value as of December 31, 2005 |
| T. Rowe Price Trust Company* | Tradelink Investments: | | |
| | Stocks: | | |
| | Audiocodes, LTD | 300 | \$ 3,330 |
| | Agere Systems, Inc. Class B Stock | 2 | 26 |
| | Amerimine Resources | 1,850 | 43 |
| | Angiodynamics. | 40 | 1,021 |
| | Arris Group | 300 | 2,816 |
| | Audiovox Corporation Class A Stock | 250 | 3,465 |
| | Bancolumbia, SA | 60 | 1,730 |
| | Banero Corp. | 50 | 422 |
| | CGI Holding Corp. | 30 | 71 |
| | Cisco Systems, Inc. | 200 | 3,424 |
| | Curagen Corp. | 100 | 308 |
| | Cyop Systems Intl. | 21,000 | 336 |
| | Dell, Inc. | 150 | 4,499 |
| | Dragon International Group | 800 | 66 |
| | ESS Technology Inc. | 100 | 343 |
| | First Pet Life, Inc. | 7,690 | 461 |
| | Galton Biometrics, Inc. | 1,000 | 15 |
| | Gamestop Corp. | 100 | 3,182 |
| | Gen-ID Lab Services | 4,000 | 320 |
| | Genentech Inc. | 55 | 5,088 |
| | General Electric | 100 | 3,505 |
| | Google, Inc. | 20 | 8,297 |
| | Home Depot, Inc. | 35 | 1,417 |
| | IDT Corp. Class B | 250 | 2,925 |
| | JDS Uniphase Corporation | 5 | 12 |
| | Jordan Kane Floor Coverings, Inc. | 500 | 13 |
| | La Barge, Inc. | 100 | 1,437 |
| | Lockheed Martin Corp. | 9 | 576 |
| | Lucent Technologies, Inc. | 100 | 266 |
| | M Wise, Inc. | 50 | 8 |
| | Mirant Corp. | 1,080 | 1,426 |
| | Moller International, Inc. | 2,500 | 2,200 |
| | Motorola, Inc. | 551 | 12,440 |

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United Rentals, Inc. 401(k) Investment Plan

EIN: 06-1493538

Plan #: 001

Schedule H, Line 4(i) Schedule of Assets (Held at End of Year) (continued)

December 31, 2005

| Identity of Issue, Borrower, Lessor or Similar Party | Description of Investment, Including Maturity Date, Rate of Interest, Par or Maturity Value | Shares/ Units | Current |
|---|---|------------------|-------------------------------------|
| | | | Value as of December 31, 2005 |
| T. Rowe Price Trust Company* | Tradelink Investments: | | |
| | Stocks: | | |
| | Petrofund Energy Trust | 150 | \$ 2,646 |
| | Pingchuan Pharmaceutical, Inc. | 1,075 | 527 |
| | Pixar | 184 | 9,702 |
| | Poseidis, Inc | 6,973 | 160 |
| | Provident Energy Trust | 50 | 537 |
| | Saba Software Inc. | 100 | 408 |
| | Safeguard Scientific, Inc. | 100 | 193 |
| | Silicon Graphics, Inc. | 1,000 | 350 |
| | Sirius Satellite Radio Inc. | 3,300 | 22,110 |
| | Stratex Networks, Inc. | 100 | 358 |
| | Suntron Corp. | 10 | 12 |
| | Target Corp. | 70 | 3,858 |
| | Zoran Corporation | 69 | 1,118 |
| | Mutual Funds: | | |
| | Oakmark Select Fund | 136 | 4,468 |
| | Oakmark Global Fund | 354 | 8,304 |
| | T. Rowe Price Prime Reserve Fund | 31,867 | 31,867 |
| | T. Rowe Price Emerging Europe & Mediterranean Fund | 355 | 8,946 |
| | T. Rowe Price Emerging Markets Fund | 171 | 4,389 |
| | Vanguard Windsor II Fund | 163 | 5,113 |
| | Vanguard Index Trust Total Stock Market Index Fund | 1,477 | 44,311 |
| | | | \$ 214,865 |

* Indicates party-in-interest to the Plan.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

UNITED RENTALS, INC.
401(K) INVESTMENT PLAN

By: /s/ Raymond J. Alletto
Name: Raymond J. Alletto
Title: Plan Administrator

June 29, 2006

EXHIBIT INDEX

| Exhibit Number | Exhibit Description |
|---------------------------|--|
| 23 | Consent of Independent Registered Public Accounting Firm |