

UNITED STATES DISTRICT COURT FOR THE  
DISTRICT OF CONNECTICUT

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

MICHAEL J. NOLAN,

Defendant.

Civil Action No.:

**COMPLAINT**

Plaintiff Securities and Exchange Commission (the "Commission") alleges as follows:

**NATURE OF THE ACTION**

1. From 2000 through 2002, Michael J. Nolan ("Nolan"), the former Chief Financial Officer of United Rentals, Inc. ("URI" or "the Company"), engaged in a series of fraudulent accounting schemes in order to meet the Company's earnings forecasts and analyst expectations, in violation of the federal securities laws. In the face of deteriorating business conditions at URI, Nolan and others carried out the fraud primarily through a series of interlocking three-party sale-leaseback transactions, in which URI sold used equipment to a financing company ("Financing Company") and then leased the equipment back for a short period. To induce the Financing Company to participate in these transactions, Nolan and others arranged for a third-party equipment manufacturer to guarantee the Financing Company against any losses. At the same time, URI guaranteed the equipment manufacturer against any losses it might incur under its guarantee to the Financing Company. The deals were fraudulently structured to inflate URI's profits and

allow URI to recognize immediately the revenue generated from the sales to the Financing Company.

2. As a result of the fraud, URI materially misstated its financial condition and operating results in filings with the Commission. URI materially overstated its originally reported earnings per share ("EPS") for the fourth quarter and full year 2000, the second quarter 2001 and the fourth quarter and full year 2001, and the first quarter of 2002. In addition, URI materially overstated its pre-tax income for the fiscal years 2000 and 2001. The misstatements were reflected in its Forms 10-K for fiscal years 2000 and 2001, and its Forms 10-Q for the periods ended June 30, 2001 and March 31, 2002, as well as in other public releases.

3. In both 2001 and 2002, shortly after URI announced year-end financial results for the preceding fiscal year, Nolan sold millions of dollars of URI stock knowing that the published financial results had materially overstated URI's true financial condition.

4. By engaging in the conduct described in this Complaint, Nolan, directly or indirectly, violated, and unless restrained and enjoined will continue to violate Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)], Sections 10(b) and 13(b)(5) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §78j(b) and §78m(b)], and Rules 10b-5, 13b2-1, and 13b2-2, [17 C.F.R. §§240.10b5, 13b2-1 and 13b2-2], thereunder, and aided and abetted URI's violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11 and 13a-13[17 C.F.R. §§240.12b-20, 13a-1, 13a-11 and 13a-13], thereunder.

5. The Commission brings this action pursuant to Sections 21(d) and (e) of the Exchange Act [15 U.S.C. §§78u(d) and (e)] for an order permanently restraining and enjoining Nolan, seeking disgorgement and prejudgment interest from him, prohibiting him from acting as an officer or director of any issuer whose securities are registered pursuant to Section 12 of the Exchange Act [15 U.S.C. §78l], and granting other equitable relief.

**JURISDICTION AND VENUE**

6. The Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. §77v(a)] and Sections 21(e) and 27 of the Exchange Act [15 U.S.C. §§78u(e) and 78aa]. Defendant has, directly or indirectly, made use of the means or instrumentalities of interstate commerce and/or of the mails in connection with the transactions in this Complaint. Certain of the acts, practices and courses of business constituting the violations alleged herein occurred within this judicial district.

**DEFENDANT**

7. *Michael J. Nolan, age 46, a resident of North Carolina, served as URI's Chief Financial Officer ("CFO") from the Company's formation in September 1997 until December 2002. Nolan was licensed as a Certified Public Accountant ("CPA") in the state of New Jersey from 1985 until 2005. As CFO, Nolan prepared or oversaw the preparation of materials concerning URI's earnings forecasts and financial performance. Nolan also reviewed and/or oversaw the preparation of, and signed, URI's Forms 10-K and 10-Q, prior to their filing with the Commission. He also participated in the preparation of URI's earnings releases and participated in presentations to investors and financial analysts.*

**RELATED PARTY**

8. *United Rentals, Inc.* is a Delaware corporation with headquarter offices located in Greenwich, Connecticut. URI is the largest equipment rental company in the world with a network of over 740 locations in the United States, Canada and Mexico. In addition to renting equipment, URI also sells new and used rental equipment as well as related contractor supplies, parts and service. URI's common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act and listed on the New York Stock Exchange. URI files periodic reports with the Commission pursuant to Section 13(a) of the Exchange Act.

**FACTS**

**Introduction**

9. From 2000 through 2002, Nolan and others engaged in six fraudulent sale-leaseback transactions designed both to allow URI to recognize revenue prematurely and to inflate the profit generated from the sales. Nolan knew, or was reckless in not knowing, that URI's accounting for the transactions was not in accordance with generally accepted accounting principles ("GAAP") and, as a result, that the profits URI recognized materially overstated its financial results.

10. Nolan and others purported to structure URI's sales as "minor sale-leasebacks," which under GAAP would allow URI immediately to recognize the profit generated by the sale of the equipment. Under Statement of Financial Accounting Standards ("FAS") No. 28, only leaseback transactions in which the present value of the rental (lease) payments are 10% or less of the fair value of the assets sold are defined as minor sale leasebacks, thereby allowing the seller/lessee to recognize the full gain at the

time of the sale. If the present value of the lease payments exceeds 10% of the value of the assets, then the transaction is treated as a capital lease, pursuant to which any gain or loss must be deferred and amortized over the lease period. Where the seller/lessee guarantees to the purchaser the residual value of the equipment, those guarantees must be factored into the present value calculation. In addition, certain fees paid by the seller/lessee to the purchaser must also be factored into the present value calculation.

11. GAAP also requires that before revenue from the sales of equipment could be recognized, the sales price must have been fixed and determinable. In addition, if any commitments related to the sales remain unsettled, the sales price is not deemed to be fixed and determinable, and any gain from the sales must be deferred until the commitments are settled.

12. The Financing Company was involved in four of the six sale-leaseback transactions. In each of the four instances, URI sold used equipment to the Financing Company and then leased the equipment back for a period of 8 months. In order to obtain the Financing Company's agreement to the sale-leaseback, URI was required to do two things: first, to pay the Financing Company a fee; and second, to arrange for a third-party equipment manufacturer to enter into a "remarketing agreement" with the Financing Company, pursuant to which the equipment manufacturer agreed to remarket (resell) the equipment at the end of the lease period and to guarantee the Financing Company a residual value for the equipment. Under the agreements, the residual values were specified to be no less than 96% of the purchase price paid by the Financing Company. The manufacturers were willing to provide the Financing Company with these guarantees because URI in turn agreed to indemnify each of the equipment manufacturers

against any losses it might incur and to make substantial purchases of new equipment from the manufacturer.

13. Nolan and others engaged in extensive efforts to hide from URI's independent auditor both the fees paid to the Financing Company and the guarantees made to the third-party manufacturers.

14. Because Nolan and others on behalf of URI had offered guarantees to the equipment manufacturers that URI would cover losses the manufacturers might incur under their remarketing agreements with the Financing Company, URI's obligations relating to the sale-leaseback agreements were not complete in the reporting period in which the agreements were executed. As a result, GAAP prohibited the Company from recording any revenue in each of those reporting periods. By hiding the interlocking agreements from the Company's independent auditor, Nolan and others were able to prevent discovery of URI's continuing obligations under the three-party agreements.

15. Because the manufacturers were required to guarantee the Financing Company at least 96% of the prices set forth in those lease agreements ("residual value guarantees"), Nolan and others also knew that the valuations they assigned to the used equipment in the lease agreements would cause millions of dollars in losses to the third-party manufacturers.

16. Moreover, the manufacturers were also aware that the prices URI had established in the lease agreements would likely cause substantial losses when the equipment was resold. As a result, the manufacturers insisted that URI protect them by guaranteeing to indemnify them for any losses they might incur. URI agreed to provide the indemnification guarantees, but in each case disguised the indemnification payments

through various devices, such as undisclosed “premiums” on the purchase of new equipment from the manufacturers.

17. The two additional sale-leaseback transactions did not involve the Financing Company or another third-party financing entity. Nevertheless, the two transactions were also fraudulently structured as purported “minor sale-leaseback” transactions in order to allow the Company to meet earnings guidance and analyst expectations.

**The December 2000 Sale-Leaseback Transaction**

18. Late in the fourth quarter of URI’s 2000 fiscal year, Nolan and other senior managers realized that the Company would not meet its earnings forecast and analyst expectations for either the fourth quarter or the full fiscal year-ending 2000. On December 18, 2000, URI issued a press release announcing that, due to a weakening economy, it would miss Wall Street earnings estimates for the fourth quarter. The Company announced that it expected fourth-quarter earnings of 40 cents per share, well below the average analyst expectations of 62 cents per share, and for the current full year, earnings of \$1.89 per share, again well below analyst expectations of \$2.11 per share for the year.

19. Notwithstanding the lowered guidance, Nolan and others realized that the Company would be unlikely to meet even the reduced expectations without boosting the Company’s reported income before year-end. As a result, Nolan and others commenced negotiations with the Financing Company to structure a sale as a minor sale-leaseback transaction so as to allow URI to record immediately the gain on the sale and thereby meet the reduced earnings expectations for both the fourth quarter and the fiscal year. At

Nolan's direction and with his knowledge, URI entered into a three-party transaction involving the Financing Company and a third-party equipment manufacturer ("Manufacturer A").

20. On December 29, 2000, URI entered into a Master Lease Agreement ("MLA") with the Financing Company pursuant to which URI sold 224 units of used equipment to the Financing Company for \$25.3 million and leased the equipment back for a period of 8 months for a total lease price of \$2.528 million. The MLA specified that the depreciated residual value of the equipment at the end of the lease period would be 96% of the sale price. Simultaneously, and as a condition for the Financing Company entering into the MLA, the Financing Company and Manufacturer A entered into a Remarketing Agreement, pursuant to which Manufacturer A agreed to remarket the equipment at the end of the MLA lease period and to indemnify the Financing Company for any shortfall between the guaranteed residual values and the proceeds that were generated by the re-sale of the equipment. Manufacturer A also agreed that, at the Financing Company's option, Manufacturer A would be required to buy, at the pre-determined residual values, any equipment that remained unsold at the end of the remarketing period. Lastly, to induce Manufacturer A to provide the Financing Company with these guarantees, URI agreed to purchase from Manufacturer A approximately \$20 million of new equipment before the end of the 2000 calendar year, and to pay Manufacturer A approximately \$5 million immediately to cover Manufacturer A's anticipated losses from its residual value guarantee to the Financing Company. URI and Manufacturer A also executed a "backup" remarketing agreement under which URI effectively assumed the remarketing obligations and guarantees that Manufacturer A had



committed to in its agreement with the Financing Company. The backup agreement generally provided that if Manufacturer A's losses were greater than \$5 million, URI would cover those losses through guaranteed future purchases.

Lying to Auditors

21. Knowing that the discovery of the three-party agreements would cause the Company's independent auditor to object to URI booking an immediate gain on the sale, Nolan and others hid from the auditor evidence of the interlocking structure of the agreements and of the residual value guarantees contained in them. For instance, an initial draft of the MLA between URI and the Financing Company was edited to remove references to Manufacturer A's agreement to remarket the equipment. Similarly, an initial draft of the backup remarketing agreement between URI and Manufacturer A was also edited to remove explicit references to the remarketing agreement between Manufacturer A and the Financing Company. When questioned by the Company's outside auditor, Nolan denied the existence of any agreements or commitments beyond those reflected in the MLA. Nolan subsequently repeated the misrepresentations in the Company's representation letter dated February 23, 2001.

Hiding URI's Fee Payments to the Financing Company

22. In addition, believing that the fee that the Financing Company was charging on the sale-leaseback financing would prevent URI from accounting for the transaction as a "minor sale-leaseback," and thus from recognizing immediately the profit from the sale, Nolan and others arranged with the Financing Company to characterize the fee payment on a separate financing transaction that the Financing Company and URI had essentially agreed upon one month earlier.

Disguising URI's Indemnification Payments

23. Pursuant to its commitment to indemnify Manufacturer A against losses incurred in Manufacturer A providing a residual value guarantee to the Financing Company, URI made two lump-sum payments to the manufacturer. Knowing that the gains booked on the sale of the equipment should have been reduced by the amount of the indemnification payments, Nolan and others disguised the real purpose of the payments and made false entries in URI's books and records.

24. Both URI and Manufacturer A anticipated that the residual value guarantee provided to the Financing Company would result in Manufacturer A suffering a large shortfall when the equipment was resold. As a result, Manufacturer A insisted that URI make an immediate advance payment of \$5 million, simultaneously with the execution of the various written agreements. Nolan and others agreed that the \$5 million indemnification payment would be included as part of URI's purchase of \$20 million of new equipment from Manufacturer A before the end of the calendar year. Manufacturer A issued invoices for the new equipment showing that the purchase price was approximately \$25 million, when in fact the real price for the equipment was approximately \$20 million. Aware that the invoices included a hidden indemnification payment of \$5 million, Nolan nevertheless forwarded the inflated invoices to URI's accounting department, knowing that the accounting department would enter the incorrect prices in the Company's books and records.

25. During 2001 and 2002, as an industry recession continued, URI and Manufacturer A were unable to resell the equipment at or near the residual values that had been guaranteed to the Financing Company. A final reconciliation of the three-party

obligations at the end of 2002 resulted in URI making a second lump-sum indemnification payment of approximately \$8.7 million to Manufacturer A on January 2, 2003. That payment was also improperly recorded in URI's books and records as expenses unrelated to the sale-leaseback transaction.

26. As a result of the fraudulent accounting, the financial statements and results that URI incorporated into its periodic filings and other materials disseminated to the investing public were materially false and misleading. By fraudulently characterizing the transaction as a minor sale-leaseback, Nolan and others had improperly recorded for the fourth quarter and the fiscal year a profit of \$12.2 million, or \$0.08 and \$0.07 per share respectively, which allowed URI to meet its revised earnings per share targets for both the fourth quarter and the fiscal year 2000.

#### **The 2001 Sale-Leaseback Transactions**

27. For both the second quarter 2001 and the fourth quarter and full year 2001, URI engaged in four additional sale-leaseback transactions, three of which involved the same Financing Company. In each instance, Nolan and others wanted to generate immediate revenues and profits to allow URI to meet earnings expectations for the reporting period.

28. In late June 2001, URI entered into two sale-leaseback transactions with the Financing Company, each involving a different third-party equipment manufacturer ("Manufacturers B and C"). As in the December 2000 transaction, Manufacturers B and C each entered into remarketing agreements with the Financing Company and agreed to provide the Financing Company with residual value guarantees for the equipment. URI in turn entered into backup agreements with the manufacturers, agreeing to purchase

additional equipment from them and guaranteeing to indemnify the manufacturers against losses incurred in the remarketing of the equipment URI had sold to the Financing Company.

29. In the two June 2001 transactions, URI's sales of used equipment to the Financing Company were for approximately \$10.3 million and \$8.95 million. As a result of accounting for these two sales as minor sale-leaseback transactions, for the second quarter 2001, URI recorded profits of \$6.9 million and \$6.29 million, respectively.

30. As agreed during the initial negotiations, URI made indemnification payments using various devices intended to disguise the real nature of the payments. These included the use of undisclosed premiums on the purchase of new equipment and foregoing marketing allowances that URI would typically receive on the purchase of new equipment.

31. In December 2001, following earlier announcements by URI that the Company was lowering its fourth quarter and full year earnings guidance, Nolan and others initiated two additional minor sale-leaseback transactions. The larger transaction involved the Financing Company, while the smaller was executed directly with the equipment manufacturer, without the participation of a third-party financing entity.

32. On December 28, 2001, URI and the Financing Company entered into another sale-leaseback agreement involving Manufacturer A, whereby URI sold used equipment to the Financing Company and leased it back, and Manufacturer A agreed to remarket the equipment and provide the Financing Company with the same residual value guarantee as previously made. URI recorded an immediate profit of approximately \$6.1 million on the sale of approximately \$13.7 million in used equipment.

33. Unlike the December 2000 transaction, URI did not enter into a backup remarketing agreement with Manufacturer A. URI did agree, however, to purchase new equipment from Manufacturer A and to provide an immediate indemnification payment of \$4 million to cover Manufacturer A's expected losses in providing the Financing Company with the residual value guarantees. As with the first sale-leaseback transaction it participated in, Manufacturer A issued inflated invoices to URI for the purchase of new equipment: the aggregate invoice price of \$28 million included an undisclosed indemnification payment of \$4 million. URI improperly capitalized the entire payment of \$28 million in a suspense account.

34. The second sale-leaseback transaction in December 2001 did not involve the Financing Company, but was negotiated directly with an equipment manufacturer ("Manufacturer D"). URI sold used equipment to the Manufacturer D for approximately \$2.3 million, leased the equipment back for 8 months, and recorded an immediate gain on the sale of \$917,000.

35. Both URI and Manufacturer D estimated that the fair market value of the used equipment was at a minimum approximately \$700,000 below the values established in the sales price to Manufacturer D. As an inducement to Manufacturer D to agree to the sale-leaseback and the resultant shortfall, URI agreed to purchase new equipment from Manufacturer D, using the purchase as a means to cover that shortfall. URI agreed to indemnify Manufacturer D through paying a "premium" on the purchase of new equipment, as well as foregoing both a standard marketing allowance and cash payment discount. In March 2003, URI made a final payment of \$115,363 to Manufacturer D, to

cover the shortfall incurred in the sale of various pieces of used equipment during the lease period.

36. Nolan and others hid from URI's auditor evidence of the interlocking nature of the three-party agreements and of the Company's continuing obligations under the sale-leaseback transactions. In URI's 2001 management representation letter, Nolan falsely stated that all significant agreements concerning its purchases and sales had been made available to the auditing firm. Similarly, Nolan and others hid from URI's auditor evidence of the separate fee payments URI made to the Financing Company for each of the three sale-leaseback transactions.

37. As a result of the fraudulent scheme to account for the transactions as minor sale-leasebacks, the financial statements that URI incorporated into its periodic filings and other materials disseminated to the investing public were materially false and misleading. For the second quarter of 2001, instead of deferring any gain until all its outstanding obligations related to the sales were resolved, URI improperly recorded gains of approximately \$6.9 million and \$6.29 million. In addition to recognizing the profit prematurely, the gains that URI recorded were inflated by \$3.3 million and \$2 million. Similarly, for the fourth quarter of 2001, URI improperly recorded gains of approximately \$6.1 million and \$1 million from the two December transactions. For the full fiscal year 2001, URI improperly recorded gains of approximately \$20 million. In addition, of the approximately \$20 million prematurely recognized by the Company, approximately \$11.5 million represented inflated profits.

38. As a result of the fraudulently reported gains, URI was able to meet the Company's earnings guidance and analyst expectations for the second quarter 2001 and for the fourth quarter and full year 2001.

#### **The March 2002 Transaction**

39. Nolan and others initiated the last of the fraudulent minor sale-leaseback transactions in March 2002, once again in order to allow the Company to meet earnings expectations. The deal was negotiated directly between URI and Manufacturer B, with no third-party involvement.

40. Pursuant to a term sheet prepared by Manufacturer B and sent to URI, the Company sold the manufacturer used equipment for \$2 million and then leased it back for 8 months. Because Manufacturer B valued the equipment at approximately \$1 million, creating a \$1 million shortfall, URI agreed to purchase from Manufacturer B \$5 million in new equipment, with the shortfall covered through a combination of an undisclosed "premium" in the purchase price of the new equipment and URI foregoing a 6% discount. URI recognized an immediate profit for the quarter ending March 31, 2002, of approximately \$1 million.

41. As with the other sale-leaseback transactions, Nolan and others hid from URI's auditor the link between the sale-leaseback transaction and the purchase of new equipment and thus URI's continuing obligations under the purchase agreement.

#### **Nolan's 2001 and 2002 Stock Sales**

42. On February 28, 2001, URI issued a press release that included materially overstated results for the fourth quarter and full year 2000. On March 22, 2001, the

Company filed its FY 2000 Form 10-K, which also contained the fraudulent financial results for the fourth quarter and full year 2000.

43. On February 26, 2002, URI issued a press release that included the materially overstated results for the fourth quarter and full year 2001. On March 29, 2002, the Company filed its FY 2001 Form 10-K, which also contained those fraudulent financial results.

44. In March and May 2001 and in March 2002, knowing that the financial results URI had issued for each of the prior year reporting periods were materially misstated, Nolan sold approximately 570,000 shares of URI stock he had previously acquired. His total proceeds from the sales totaled approximately \$11 million.

#### **Registration Statements**

45. In 2001 and 2002, URI filed Forms S-4 and S-8 registration statements with the Commission, which incorporated the materially misstated financial results from FY 2000 and FY 2001.

#### **FIRST CLAIM FOR RELIEF** **Violations of the Antifraud Provision of the Securities Act** **(Section 17(a))**

46. Paragraphs 1 through 45 are realleged and incorporated by reference as if set forth fully herein.

47. At the times alleged in this Complaint, Defendant, by the use of the means and instruments of transportation and communication in interstate commerce and by the use of the mails, directly and indirectly, employed devices, schemes and artifices to defraud.



48. In the offer and sale of securities and as part of the scheme to defraud, Defendant made false and misleading statements of material fact and omitted to state material facts to investors and prospective investors as more fully described above.

49. Defendant engaged in the conduct alleged herein knowingly or with reckless disregard for the truth.

50. By reason of the conduct described above, Defendant violated Section 17(a) of the Securities Act of 1933 [15 U.S.C. §77q(a)(1)].

**SECOND CLAIM FOR RELIEF**  
**Violations of the Antifraud Provision of the Exchange Act**  
**(Section 10(b) and Rule 10b-5 thereunder)**

51. Paragraphs 1 through 45 are re-alleged and incorporated by reference as if set forth fully herein.

52. At the times alleged in this Complaint, Defendant, by the use of the means and instruments of transportation and communication in interstate commerce and by the use of the mails, directly and indirectly: (a) employed devices, schemes and artifices to defraud; (b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which there were made, not misleading; or (c) engaged in acts, practices or courses of business which operated or would operate as a fraud or deceit upon purchasers of securities.

53. Defendant engaged in the conduct alleges herein knowingly or with reckless disregard for the truth.

54. By reason of the conduct described above, Defendant violated Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)], and Rule 10b-5 [17 C.F.R. §240.10b-5], thereunder.

**THIRD CLAIM FOR RELIEF**  
**Violations of Section 13(b)(5) of the Exchange Act**

55. Paragraphs 1 through 45 are realleged and incorporated by reference as if set forth fully herein.

56. At the times alleged in this Complaint, Defendant knowingly circumvented or failed to implement a system of internal accounting controls or knowingly falsified any book, record or account required to be filed with the Commission.

57. By reason of the conduct described above, Defendant violated Section 13(b)(5) of the Exchange Act [15 U.S.C. §78m(b)(5)].

**FOURTH CLAIM FOR RELIEF**  
**Aiding and Abetting URI's Violations of the**  
**Reporting Provisions of the Exchange Act**  
**(Section 13(a) and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder)**

58. Paragraphs 1 through 45 are realleged and incorporated by reference as if set forth fully herein.

59. At the times alleged in this Complaint, URI, whose securities were registered pursuant to Section 12 of the Exchange Act, failed to file annual, quarterly, and current reports with the Commission that were true and correct, and failed to include material information in its required statements and reports as was necessary to make the required statements, in the light of the circumstances under which they were made, not misleading.

60. By reason of the conduct described above, URI violated Section 13(a) of the Exchange Act [15 U.S.C. §78m(a)], and Rules 12b-20, 13a-1, 13a-11 and 13a-13 [17 C.F.R. §§240.12b-20, 13a-1, 13a-11 and 13a-13] thereunder.

61. Defendant knew or was reckless in his failure to know, that his activity, as described in paragraphs 1 through 45 above, was part of an overall activity by URI that was improper.

62. Defendant knowingly provided substantial assistance to URI in the commission of some or all of the violations by URI of Section 13(a) of the Exchange Act [15 U.S.C. §78m(a)], and Rules 12b-20, 13a-1, 13a-11, and 13a-13 thereunder [17 C.F.R. §§240.12b-20, 13a-1, 13a-11 and 13a-13], as described in paragraphs 1 through 45 above.

63. By reason of the conduct described above, Defendant, pursuant to Section 20(e) of the Exchange Act [15 U.S.C. §78t(e)], aided and abetted URI's violations of Section 13(a) of the Exchange Act [15 U.S.C. §78m(a)], and Rules 12b-20, 13a-1, 13a-11 and 13a-13 [17 C.F.R. §§240.12b-20, 13a-1, 13a-11 and 13a-13], thereunder.

**FIFTH CLAIM FOR RELIEF**  
**Aiding and Abetting URI's Violations of the Books and Records  
and Internal Control Provisions of the Exchange Act  
(Sections 13(b)(2)(A) and 13(b)(2)(B))**

64. Paragraphs 1 through 45 are realleged and incorporated by reference as if set forth fully herein.

65. From at least 2000 to 2002, URI, whose securities were registered pursuant to Section 12 of the Exchange Act:

- a) failed to make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflected the transactions and dispositions of its assets;
- b) failed to devise and maintain a system of internal controls sufficient to provide reasonable assurances that (i) transactions were recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and (ii) to maintain accountability for assets.

66. By reason of the conduct described above, URI violated Sections 13(b)(2)(A) and (B) of the *Exchange Act* [15 U.S.C. §§78m(b)(2)(A) and (B)].

67. Defendant knew or was reckless in his failure to know, that his activity, as describe in paragraphs 1 through 45 above, was part of an overall activity by URI that was improper.

68. Defendant knowingly provided substantial assistance to URI in the commission of some or all of the violations by URI of Sections 13(b)(2)(A) and (B) of the *Exchange Act* [15 U.S.C. §§78m(b)(2)(A) and (B)].

69. By reason of the conduct described above, Defendant, pursuant to Section 20(e) of the *Exchange Act* [15 U.S.C. §78t(e)], aided and abetted URI's violations of Section 13(b)(2)(A) of the *Exchange Act* [15 U.S.C. §78m(b)(2)(A)].

70. By reason of the conduct described above, Defendant, pursuant to Section 20(e) of the *Exchange Act* [15 U.S.C. §78t(e)], aided and abetted URI's violations of Section 13(b)(2)(B) of the *Exchange Act* [15 U.S.C. §78m(b)(2)(B)].

**SIXTH CLAIM FOR RELIEF**  
**Violations of Exchange Act Rules 13b2-1 and 13b2-2**

71. Paragraphs 1 through 45 are realleged and incorporated by reference as if set forth fully herein.

72. At the times alleged in this Complaint, Defendant, directly or indirectly, falsified or caused to be falsified, books, records or accounts subject to section 13(b)(2)(A) of the Exchange Act.

73. At the times alleged in this Complaint, Defendant, as a director or officer of URI, directly or indirectly:

- a) made or caused to be made a materially false or misleading statement to an accountant in connection with; or
- b) omitted to state, or cause another person to omit to state, any material fact necessary in order to make statements made, in light of the circumstances under which such statements were made, not misleading, to an accountant in connection with:
  - i. any audit, review or examination of the financial statements of the issuer; or
  - ii. the preparation or filing of any documents or report required to be filed with the Commission.

74. By reason of the conduct described above, Defendant violated Exchange Act Rules 13b2-1 and 13b2-2 [17 C.F.R. §§240.13b2-1 and 13b2-2].

**PRAYER FOR RELIEF**

**WHEREFORE**, the Commission respectfully requests that this Court:

I.

*Issue a judgment permanently restraining and enjoining Defendant, his agents, officers, servants, employees, attorneys, assigns and all those persons in active concert or participations with them, who receive actual notice of the Judgment by personal service or otherwise, and each of them from, directly or indirectly, engaging in the transactions, acts, practices and courses of business alleged above, or in conduct of similar purport and object, in violation of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], Sections 10(b) and 13(b)(5) of the Exchange Act [15 U.S.C. §78j(b) and §78m(b)], and Rules 10b-5, 13b2-1, and 13b2-2, [17 C.F.R. §§240.10b5, 13b2-1 and 13b2-2], thereunder, and from aiding and abetting violations of Section 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11 and 13a-13 [17 C.F.R. §§240.12b-20, 13a-1, 13a-11 and 13a-13], thereunder;*

II.

*Ordering Defendant to disgorge ill-gotten gains from the conduct alleged herein and to pay prejudgment interest thereon;*

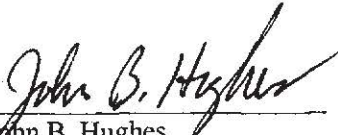
III.

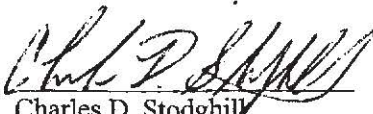
Ordering Defendant to be barred from serving as an officer or director of any publicly held Company pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. §78u(d)(2)]; and

IV.

Grant such other relief as this Court may deem just and appropriate

Dated: December 12, 2007

  
John B. Hughes  
Chief, Civil Division  
United States Attorney's Office  
157 Church Street  
New Haven, CT 06510  
(203) 821-3700  
Federal Bar No. ct05289  
[John.Hughes@usdoj.gov](mailto:John.Hughes@usdoj.gov)

  
Charles D. Stodghill  
Fredric D. Firestone  
Kenneth R. Lench  
David A. Kagan-Kans  
Lesley B. Atkins  
Richard E. Johnston  
Attorneys for Plaintiff  
SECURITIES AND  
EXCHANGE  
COMMISSION  
100 F Street NE  
Washington DC 20549  
Telephone: (202) 551-4413  
Telefax: (202) 772-9237