UNIVERSAL COMPRESSION HOLDINGS INC
Form DEFM14A
July 10, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

Universal Compression Holdings, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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þ No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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(1) Amount Previously Paid:

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MERGERS PROPOSED YOUR VOTE IS VERY IMPORTANT

Dear Hanover and Universal Stockholders:

As we previously announced, the boards of directors of Hanover Compressor Company and Universal Compression Holdings, Inc. have each unanimously approved mergers combining Hanover and Universal in what we intend to be a merger of equals. Exterran Holdings, Inc., or Holdings, a new company incorporated in Delaware, will hold what today are Hanover s and Universal s independent businesses. Upon consummation of the mergers, Holdings common stock is expected to be listed on the New York Stock Exchange under the symbol EXH.

If the mergers are consummated, Hanover stockholders will receive 0.325 shares of the common stock of Holdings for each share of Hanover common stock held, and Universal stockholders will receive one share of common stock of Holdings for each share of Universal common stock held.

Based on the number of shares of common stock of Hanover and Universal outstanding on February 2, 2007, the last trading day prior to the public announcement of the merger, former Hanover stockholders will own approximately 53% of the common stock of Holdings and former Universal stockholders will own approximately 47% of the common stock of Holdings.

Each of Hanover and Universal is holding its annual meeting of stockholders on August 16, 2007 to adopt the merger agreement and approve certain equity incentive plans to be used by Holdings if the mergers are completed. Each company s stockholders will also elect directors and act on other matters normally considered at each company s annual meeting. Information about these meetings and the mergers is contained in this joint proxy statement/prospectus. We encourage you to read this entire joint proxy statement/prospectus, as well as the annexes and information incorporated by reference, carefully.

The boards of directors of Hanover and Universal each unanimously recommend that their respective stockholders vote **FOR** the proposal to adopt the merger agreement.

In considering the recommendation of your company s board of directors, you should be aware that directors and officers of Hanover and Universal have interests in the mergers that are different from, or are in addition to, the interests of Hanover and Universal stockholders generally, and that these directors and officers will directly benefit if the mergers are consummated. These interests and benefits are described in this joint proxy statement/prospectus.

This joint proxy statement/prospectus describes the annual meetings, the proposals to be considered and voted upon at the annual meetings and related matters. Every vote is important. Whether or not you plan to attend your company s annual meeting, please take the time to vote by following the instructions on your proxy card.

We enthusiastically support this combination of our companies and join with our boards in recommending that you vote **FOR** the adoption of the merger agreement. Thank you for your continued interest in and support for our companies.

Sincerely,	Sincerely,
John E. Jackson	Stephen A. Snider

President and Chief Executive Officer	President and Chief Executive Officer
Hanover Compressor Company	Universal Compression Holdings, Inc.

For a discussion of risk factors you should consider in evaluating the mergers, see Risk Factors beginning on page 22.

Based on the number of Hanover and Universal shares outstanding on June 28, 2007, there would be 65,785,525 shares of Holdings common stock, par value $0.01 per share, issued in connection with the mergers.

Neither the Securities and Exchange Commission nor any state securities regulator has approved or disapproved the mergers and other transactions described in this joint proxy statement/prospectus nor have they approved or disapproved the issuance of Holdings common stock in connection with the mergers, or determined if this joint proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

This joint proxy statement/prospectus is dated July 6, 2007, and, together with the accompanying proxy card, is first being mailed to stockholders of Hanover and Universal on or about July 13, 2007.

UNIVERSAL COMPRESSION HOLDINGS, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD AUGUST 16, 2007

To the Stockholders of Universal Compression Holdings, Inc.:

We cordially invite you to our 2007 Annual Meeting of Stockholders. The meeting will be held on Thursday, August 16, 2007, at 9:00 a.m., local time, at the Hilton Houston Westchase, 9999 Westheimer Road, Houston, Texas 77042. At this year s meeting, you will be asked to:

adopt the Agreement and Plan of Merger, dated as of February 5, 2007, among Hanover Compressor Company, Universal Compression Holdings, Inc., Exterran Holdings, Inc. (formerly known as Iliad Holdings, Inc.), Hector Sub, Inc. and Ulysses Sub, Inc., as amended, a composite copy of which is attached as Annex A to this joint proxy statement/prospectus;

approve the Holdings 2007 Stock Incentive Plan, a copy of which is attached as Annex D to this joint proxy statement/prospectus, to be used by Holdings following the consummation of the mergers;

approve the Holdings Employee Stock Purchase Plan, a copy of which is attached as Annex E to this joint proxy statement/prospectus, to be used by Holdings following the consummation of the mergers;

re-elect directors Thomas C. Case, Janet F. Clark and Uriel E. Dutton, each for a three-year term ending 2010;

ratify the reappointment of Deloitte & Touche LLP as Universal s independent registered public accounting firm for fiscal year 2007; and

transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

If the Agreement and Plan of Merger is adopted and the mergers are consummated, the Universal directors elected pursuant to the proposal in the fourth bullet above will serve only until the mergers are consummated. Also, the proposals described in the second and third bullets will be implemented only if the Agreement and Plan of Merger is adopted. For more information about the proposals and the annual meeting, please review the accompanying joint proxy statement/prospectus.

Universal will transact no other business at its annual meeting, except for business properly brought before the annual meeting or any adjournment or postponement thereof.

Only holders of record of shares of Universal common stock at the close of business on June 28, 2007, the record date for the annual meeting, are entitled to notice of, and a vote at, the annual meeting and any adjournments or postponements of the annual meeting.

Your vote is important. We encourage you to sign and return your proxy card, or use the telephone or Internet voting procedures, before the annual meeting, so that your shares will be represented and voted at the annual meeting even if you cannot attend in person.

Please do not send any share certificates at this time. If the mergers are consummated, we will notify you of the procedures for exchanging Universal share certificates for shares of Holdings.

STEPHEN A. SNIDER
President and Chief Executive Officer
Houston, Texas
July 6, 2007

HOW TO OBTAIN ADDITIONAL INFORMATION

This joint proxy statement/prospectus incorporates important business and financial information about Hanover and Universal from other documents that are not included in or delivered with this joint proxy statement/prospectus. See Where You Can Find More Information beginning on page 219 for a listing of documents incorporated by reference. This information is available for you to review at the public reference room of the Securities and Exchange Commission, or SEC, located at 100 F Street, N.E., Room 1580, Washington, DC 20549, and through the SEC s website, *www.sec.gov.* You can also obtain those documents incorporated by reference in this joint proxy statement/prospectus by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers:

Hanover Compressor Company	**Universal Compression Holdings, Inc.**
12001 N. Houston Rosslyn	4444 Brittmoore
Houston, Texas 77086	Houston, Texas 77041
(281) 447-8787	(713) 335-7000
Attention: Investor Relations	Attention: Investor Relations
www.hanover-co.com	*www.universalcompression.com*

You may also obtain documents incorporated by reference in this joint proxy statement/prospectus by requesting them in writing or by telephone from D.F. King & Co., Inc., Hanover s proxy solicitor, or Georgeson Inc., Universal s proxy solicitor, at the following addresses and telephone numbers:

D.F. King & Co., Inc.	**Georgeson Inc.**
48 Wall Street	17 State Street
New York, New York 10005	New York, New York 10004
(800) 859-8508	(877) 278-9673

If you would like to request documents, please do so by August 9, 2007 in order to receive them before the annual meetings.

VOTING BY INTERNET, TELEPHONE OR MAIL

If you hold your shares through a bank, broker, custodian or other recordholder, please refer to your proxy card or voting instruction form or the information forwarded by your bank, broker, custodian or other recordholder to see which options are available to you.

Hanover stockholders of record may submit their proxies by:

Internet. You can vote over the Internet by accessing the website listed on your proxy card and following the instructions on the website prior to 11:59 EST on Wednesday, August 15, 2007. Internet voting is available 24 hours a day. If you vote over the Internet, do not return your proxy card(s).

Telephone. You can vote by telephone by calling the toll-free number listed on your proxy card in the United States, Canada or Puerto Rico on a touch-tone phone prior to 11:59 EST on Wednesday, August 15, 2007. You will then be prompted to enter the control number printed on your proxy card and to follow the subsequent instructions. Telephone voting is available 24 hours a day. If you vote by telephone, do not return your proxy card(s).

Mail. You can vote by mail by completing, signing, dating and mailing your proxy card(s) in the postage-paid envelope included with this joint proxy statement/prospectus.

Universal stockholders of record may submit their proxies by:

Internet. You can vote over the Internet by accessing the website listed on your proxy card and following the instructions on the website prior to 11:59 EST on Wednesday, August 15, 2007. Internet voting is available 24 hours a day. If you vote over the Internet, do not return your proxy card(s).

Telephone. You can vote by telephone by calling the toll-free number listed on your proxy card in the United States, Canada or Puerto Rico on a touch-tone phone prior to 11:59 EST on Wednesday, August 15, 2007. You will then be prompted to enter the control number printed on your proxy card and to follow subsequent instructions. Telephone voting is available 24 hours a day. If you vote by telephone, do not return your proxy card(s).

Mail. You can vote by mail by completing, signing, dating and mailing your proxy card(s) in the postage-paid envelope included with this joint proxy statement/prospectus.

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SUMMARY

This summary highlights selected information contained in this joint proxy statement/prospectus and may not contain all the information that is important to you. Hanover and Universal urge you to read carefully this joint proxy statement/prospectus in its entirety, as well as the annexes. Additional important information is also contained in the documents incorporated by reference into this joint proxy statement/prospectus. See Where You Can Find More Information beginning on page 219. We have included page references parenthetically to direct you to a more complete description of the topics presented in this summary.

In this joint proxy statement/prospectus, Holdings refers to Exterran Holdings, Inc., Hanover refers to Hanover Compressor Company and its consolidated subsidiaries, Universal refers to Universal Compression Holdings, Inc. and its consolidated subsidiaries and the merger agreement refers to the Agreement and Plan of Merger, dated February 5, 2007, as amended by Amendment No. 1 thereto, dated June 25, 2007, by and among Hanover, Universal, Holdings, Hector Sub, Inc. and Ulysses Sub, Inc., a composite copy of which is attached as Annex A to this joint proxy statement/prospectus.

Questions and Answers About the Meetings

Below are brief answers to questions you may have concerning the transactions described in this joint proxy statement/prospectus and the annual meetings of Hanover and Universal. These questions and answers do not, and are not intended to, address all of the information that may be important to you. You should read carefully this entire joint proxy statement/prospectus and the other documents to which we refer you.

GENERAL

Q: Why am I receiving this document?

A: This is a joint proxy statement being used by both the Hanover and Universal boards of directors to solicit proxies of Hanover and Universal stockholders in connection with the proposed mergers involving Hanover and Universal and the annual meetings of Hanover and Universal. In addition, this document is a prospectus being delivered to Hanover and Universal stockholders because Holdings is offering shares of its common stock to be issued in exchange for shares of Hanover common stock and Universal common stock if the mergers are completed.

Q: When and where are the meetings of the stockholders?

A: The annual meeting of Hanover stockholders will take place at 9:00 a.m., local time, on Thursday, August 16, 2007, at the InterContinental Hotel Houston, 2222 West Loop South, Houston, Texas 77027. The annual meeting of Universal stockholders will take place at 9:00 a.m., local time, on Thursday, August 16, 2007, at the Hilton Houston Westchase, 9999 Westheimer Road, Houston, Texas 77042. Additional information relating to the Hanover and Universal annual meetings is set forth beginning on pages 108 and 156, respectively.

Q: Who can answer any questions I may have about the annual meetings or the mergers?

A: Hanover has retained D.F. King & Co., Inc. to serve as an information agent and proxy solicitor in connection with its annual meeting and the mergers. Hanover stockholders may call D.F. King & Co. toll-free at (800) 859-8508 with any questions they may have. Banks and brokers may call collect at (212) 659-5550.

Universal has retained Georgeson Inc. to serve as an information agent and proxy solicitor in connection with its annual meeting and the mergers. Universal stockholders may call Georgeson Inc. toll-free at (877) 278-9673 with any questions they may have. Banks and brokers may call at (212) 440-9800.

CONCERNING THE MERGERS

Q: What will happen in the proposed mergers?

A: Prior to entering into the merger agreement, Universal formed a new Delaware corporation, Iliad Holdings, Inc., which has since been renamed Exterran Holdings, Inc., and which we refer to in this joint proxy statement/prospectus as Holdings. When the transactions are consummated, Holdings two newly created, wholly owned subsidiaries, Hector Sub, Inc. and Ulysses Sub, Inc., will merge with and into Hanover and Universal, respectively. As a result of these mergers, which we call the Hanover merger and the Universal merger, respectively, each of Hanover and Universal will become wholly owned subsidiaries of Holdings. We refer to the Hanover merger and the Universal merger collectively in this joint proxy statement/prospectus as the mergers. After the mergers, the current stockholders of Hanover and Universal will be the stockholders of Holdings.

Additional information on the mergers is set forth beginning on page 34.

Q: Why are Hanover and Universal proposing the mergers?

A: Hanover and Universal believe the mergers will provide substantial strategic and financial benefits to Hanover and Universal and their respective stockholders, employees and customers, including:

- the combination of complementary strengths,

- improved operating efficiencies and reliability as well as a broader and deeper array of experienced and skilled technicians and service specialists,

- a larger pool of U.S. contract compression contracts and assets that can be offered for sale over time to Universal Compression Partners, L.P., a publicly traded master limited partnership that is a subsidiary of Universal and that we refer to as the Universal Partnership. The Universal Partnership will be renamed Exterran Partners, L.P. upon the consummation of the mergers.

- stronger and more stable earnings and cash flow as a result of business line diversification,

- an expanded international platform, and

- significant cost savings and synergies.

Additional information on the strategic and financial rationale for the mergers, as well as each of Hanover s and Universal s reasons for the mergers, is set forth beginning on pages 43, 44 and 48, respectively.

Q: What will I receive for my shares?

A: As a result of the mergers, each holder of shares of Hanover common stock will have the right to receive 0.325 shares of Holdings common stock in exchange for each share of Hanover common stock the holder owns. Holders of Hanover common stock will have the right to receive cash for any fractional shares of Holdings common stock that they would otherwise be entitled to receive in the Hanover merger. The amount of cash payable for any fractional shares of Holdings common stock will be determined based on the average closing price of a share of Universal common stock during the 15 trading days ending on the third trading day immediately preceding the effective time of the Hanover merger. Each holder of shares of Universal common stock will have the right to receive one share of Holdings common stock in exchange for each share of Universal common stock the holder owns. Based on the number of shares of Hanover and Universal common stock outstanding on February 2, 2007, the last trading day prior to the announcement of the execution of the merger agreement by the parties, former Hanover stockholders will own approximately 53% of Holdings and former

Universal stockholders will own approximately 47% of Holdings.

Additional information on the consideration to be received in the mergers is set forth beginning on page 82.

Q: What are my U.S. federal income tax consequences as a result of the mergers?

A: We expect that holders of Hanover or Universal common stock will not recognize gain or loss for U.S. federal income tax purposes in the mergers (except with respect to any cash received in lieu of

fractional shares of Holdings common stock). You are strongly urged to consult with a tax advisor to determine the particular U.S. federal, state or local or foreign tax consequences of the mergers to you.

Additional information regarding tax matters is set forth in Material U.S. Federal Income Tax Consequences of the Mergers beginning on page 79.

Q: What vote is required to approve the mergers?

A: For both Hanover and Universal, the affirmative vote of a majority of their respective shares of common stock outstanding and entitled to vote as of the respective record dates is required to adopt the merger agreement and thereby approve the mergers. At the close of business on June 28, 2007, the record date for the Hanover annual meeting, directors and executive officers of Hanover and their respective affiliates had the right to vote 24.9% of the then outstanding shares of Hanover common stock. At the close of business on June 28, 2007, the record date for the Universal annual meeting, directors and executive officers of Universal and their respective affiliates had the right to vote 1.0% of the then outstanding shares of Universal common stock. Each of Hanover s and Universal s directors and executive officers has indicated his or her present intention to vote, or cause to be voted, the shares of Hanover or Universal common stock owned by him or her for the adoption of the merger agreement.

Additional information on the votes required to approve the mergers is located on page 108 for Hanover and on page 157 for Universal.

Q: How do the boards of directors of Hanover and Universal recommend that I vote with respect to the proposed mergers?

A: Hanover s board of directors unanimously recommends that the stockholders of Hanover vote FOR the proposal to adopt the merger agreement and consummate the mergers.

Universal s board of directors unanimously recommends that the stockholders of Universal vote FOR the proposal to adopt the merger agreement and consummate the mergers.

Additional information on the recommendation of Hanover s board of directors and the recommendation of Universal s board of directors is set forth in The Mergers Hanover s Reasons for the Mergers and Recommendation of Hanover s Board of Directors beginning on page 44 and The Mergers Universal s Reasons for the Mergers and Recommendation of Universal s Board of Directors beginning on page 48, respectively.

You should note that some Hanover directors and executive officers and some Universal directors and executive officers have interests in the mergers as directors or officers that are different from, or in addition to, the interests of other Hanover stockholders or Universal stockholders, respectively. Information relating to the interests of Hanover s and Universal s directors and executive officers in the mergers is set forth in The Mergers Interests of Hanover and Universal Directors and Executive Officers in the Mergers beginning on page 66.

Q: Who else must approve the mergers?

A: Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which we refer to as the HSR Act, Hanover and Universal may not complete the mergers until they have furnished certain information and materials to the Antitrust Division of the U.S. Department of Justice and the U.S. Federal Trade Commission and the applicable waiting period has expired or been early terminated. Completion of the mergers is also subject to approval of certain non-U.S. antitrust regulatory authorities if the failure to obtain those approvals would have a material adverse effect on Holdings after completion of the mergers. On July 3, 2007, Hanover and Universal

each received notice that the waiting period required by the HSR Act with respect to the Mergers had been early terminated. In addition, Hanover and Universal have determined the jurisdictions in which foreign competition filings are required and have made the necessary filings.

Additional information regarding regulatory approvals required for completion of the mergers is set forth in The Mergers Regulatory Matters beginning on page 75.

Q: Will Holdings shares be traded on an exchange?

A: It is a condition to the completion of the mergers that the shares of common stock of Holdings that will be issuable pursuant to the mergers be approved for listing on the New York Stock Exchange. We intend to apply to list the shares of Holdings common stock to be issued or reserved for issuance in connection with the mergers on the New York Stock Exchange prior to the consummation of the mergers. We expect that the shares of Holdings common stock will trade under the symbol EXH.

Q: When do you expect to complete the mergers?

A: We are working to complete the mergers in the third quarter of 2007, although we cannot assure completion by any particular date. If Hanover and Universal stockholders adopt the merger agreement at their respective companies annual meetings, we expect that the other conditions to completion of the mergers will be satisfied and the mergers will be consummated within three business days following the annual meetings.

Q: Who will serve as the directors and executive officers of Holdings after the consummation of the mergers?

A: Upon the consummation of the mergers, the Holdings board of directors will consist of 10 members, half of whom will be current members of Universal s board of directors designated by Universal and half of whom will be current members of Hanover s board of directors designated by Hanover. Gordon T. Hall, the current Chairman of the board of directors of Hanover, will serve as Chairman of Holdings board of directors. Stephen A. Snider, the current President and Chief Executive Officer and Chairman of Universal, will serve as President and Chief Executive Officer and a director of Holdings. Additional information about the directors and executive officers of Holdings after consummation of the mergers is set forth in The Mergers Continuing Board and Management Positions beginning on page 74.

Q: Are there risks associated with the mergers?

A: Yes, there are important risks associated with the mergers. We encourage you to read carefully and in their entirety the sections of this joint proxy statement/prospectus entitled Risk Factors and Cautionary Information Regarding Forward-Looking Statements beginning on pages 22 and 33, respectively.

CONCERNING THE HANOVER AND UNIVERSAL ANNUAL MEETINGS

Q: In addition to the proposed mergers, what other proposals are to be considered and voted upon at the Hanover annual meeting and the Universal annual meeting?

A: Hanover stockholders are being asked to consider and vote on the following four proposals, which we refer to collectively as the Hanover annual business matter proposals, in addition to the proposed mergers:

the Holdings incentive plan proposal, which is a proposal to approve a new long-term equity incentive plan to be used by Holdings following the consummation of the mergers to make awards of equity incentive compensation to directors, officers and employees of Holdings;

the Holdings stock purchase plan proposal, which is a proposal to approve a new employee stock purchase plan to be used by Holdings following the consummation of the mergers;

the Hanover election of directors proposal, which is a proposal to elect eleven directors to serve as members of Hanover s board of directors until the 2008 annual meeting of Hanover stockholders or until their successors are duly elected and qualified; and

the Hanover auditors ratification proposal, which is a proposal to ratify the reappointment of PricewaterhouseCoopers LLP as Hanover s independent registered public accounting firm for fiscal year 2007.

Universal stockholders are being asked to consider and vote on the following four proposals, which we refer to collectively as the Universal annual business matter proposals, in addition to the proposed mergers:

the Holdings incentive plan proposal;

the Holdings stock purchase plan proposal;

the Universal election of directors proposal, which is a proposal to re-elect Thomas C. Case, Janet F. Clark and Uriel E. Dutton to serve as Class A members of Universal s board of directors until the 2010 annual meeting of Universal stockholders or until their successors are duly elected and qualified; and

the Universal auditors ratification proposal, which is a proposal to ratify the reappointment of Deloitte & Touche LLP as Universal s independent registered public accounting firm for fiscal year 2007.

Additional information relating to the Hanover annual business matter proposals and the Universal annual business matter proposals is set forth beginning on pages 108 and 156, respectively.

Q: What stockholder approvals are required to approve the Hanover election of directors proposal and the Hanover auditors ratification proposal and the Universal election of directors proposal and the Universal auditors ratification proposal?

A: For Hanover, the affirmative vote of a plurality of the votes of the shares present in person or represented by proxy and entitled to vote at the Hanover meeting is required to elect each director nominee in connection with the Hanover election of directors proposal. However, Hanover s Governance Principles require that any nominee who receives a greater number of withheld votes than for votes must submit his or her resignation for consideration by the Hanover board of directors. The affirmative vote of a majority of the shares of voting stock represented at the Hanover meeting is required to approve the Hanover auditors ratification proposal.

Additional information on Hanover s policy with regard to nominees who receive more votes withheld than for such nominee is set forth in the excerpt from the Hanover s Governance Principles Concerning Shareholder Election of Directors included in this joint proxy statement/prospectus as Annex F.

For Universal, the affirmative vote of a plurality of the votes cast at the Universal meeting is required to approve the Universal election of directors proposal, which means that the number of nominees recommended for election by the board of directors, currently three, receiving the greatest number of votes will be elected. The affirmative vote of a majority of the votes cast at the Universal meeting is required to approve the Universal auditors ratification proposal.

Q: How will the vote on the proposed mergers impact the Hanover directors elected pursuant to the Hanover election of directors proposal and the Universal directors elected pursuant to the Universal election of directors proposal?

A: If the proposed mergers receive the requisite stockholder approvals at the respective annual stockholders meetings of Hanover and Universal, the Hanover directors elected pursuant to the Hanover election of directors proposal and the Universal directors elected pursuant to the Universal election of directors proposal will serve until all of the other conditions to closing of the mergers are satisfied or waived and the mergers are consummated, at which time they will resign. Upon consummation of the mergers, each of Hanover and Universal will become subsidiaries of Holdings and the board of directors of Holdings will consist of 10

members, half of whom will consist of members of Hanover s board of directors designated by the Hanover board of directors and half of whom will consist of members of Universal s board of directors designated by the Universal board of directors, as provided in the merger agreement. More information regarding the Hanover and Universal directors who are expected to serve on the board of directors of Holdings is set forth in The Mergers Continuing Board and Management Positions beginning on page 74.

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If the proposed mergers do not receive the requisite stockholder approvals, or if for any other reason the merger agreement is terminated, then the persons elected as directors at the Hanover annual meeting or as Class A directors at the Universal annual meeting will serve until the 2008 annual meeting of Hanover stockholders or until the 2010 annual meeting of Universal stockholders, as applicable, or until their successors are elected.

Q: What stockholder approvals are required to approve the Holdings incentive plan proposal and the Holdings stock purchase plan proposal?

A: For each of Hanover and Universal, approval of the Holdings incentive plan proposal and the Holdings stock purchase plan proposal requires the affirmative vote of a majority of the votes cast and the votes cast must represent over 50% of their respective shares of common stock outstanding and entitled to vote as of the respective record dates. Abstentions and broker non-votes will not be treated as votes cast.

Q: Why are Hanover and Universal stockholders being asked to vote on the Holdings incentive plan proposal and the Holdings stock purchase plan proposal?

A: Under the terms of the equity incentive plans of Hanover and Universal currently in effect, the vesting of all equity incentive awards made prior to the date of the merger agreement will accelerate as a result of the consummation of the mergers. Holdings intends to implement a new equity incentive plan so it can have the ability to make equity compensation awards to directors, officers and employees of Holdings following the consummation of the mergers. If the stockholders of Hanover and Universal approve the Holdings incentive plan proposal, Holdings will not issue any further equity incentive awards under the existing Hanover and Universal plans following the consummation of the mergers. If the stockholders of Hanover and Universal do not approve the Holdings incentive plan proposal, Holdings intends to use the remaining availability under Hanover s and Universal s existing equity plans for additional equity incentive awards following the consummation of the mergers.

Under the terms of Universal s employee stock purchase plan, employees of Universal and its subsidiaries have the opportunity to purchase shares of Universal common stock, thereby encouraging employees to share in the economic growth and success of Universal and its subsidiaries. Universal s employee stock purchase plan allows eligible employees an opportunity to acquire a proprietary interest in Universal s long-term performance and success through the purchase of shares of Universal s common stock at a discount from its fair market value with funds accumulated through payroll deductions and without having to pay any brokerage commissions with respect to the purchases. The Universal employee stock purchase plan will be terminated in connection with the consummation of the mergers. If the stockholders of Hanover and Universal approve the Holdings stock purchase plan proposal, then, following the consummation of the mergers, Holdings will implement the employee stock purchase plan, which is substantially similar to Universal s current employee stock purchase plan. If the stockholders of Hanover and Universal do not approve the Holdings stock purchase plan proposal, then Holdings will not have an employee stock purchase plan.

Q: How will the vote on the proposed mergers impact the Holdings incentive plan proposal and the Holdings stock purchase plan proposal?

A: The completion of the mergers is not conditioned upon the approval of the Holdings incentive plan proposal or the Holdings stock purchase plan proposal. However, the approval of each of these plans by Holdings is subject to the consummation of the mergers.

If the proposed mergers do not receive the requisite stockholder approvals, or if for any other reason the merger agreement is terminated, then the Holdings stock incentive plan and the Holdings employee stock purchase plan will not be implemented.

PROCEDURES

Q: What do I need to do now?

A: After carefully reading and considering the information contained in this joint proxy statement/prospectus, please complete and sign your proxy card and return it in the enclosed postage-paid envelope as soon as possible so that your shares may be represented at your annual meeting. Alternatively, you may cast your vote by telephone or Internet by following the instructions on your proxy card. In order to ensure that your vote is recorded, please vote your proxy as instructed on your proxy card, or on the voting instruction form provided by the record holder if your shares are held in the name of your broker or other nominee, even if you currently plan to attend your annual meeting in person.

Additional information on voting procedures is located beginning on page 108 for Hanover and on page 156 for Universal.

Q: What should I do if I receive more than one set of voting materials?

A: You may receive more than one set of voting materials, including multiple copies of this joint proxy statement/prospectus and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a holder of record and your shares are registered in more than one name, you will receive more than one proxy card. In addition, if you are a stockholder of both Hanover and Universal, you will receive one or more separate proxy cards or voting instruction cards for each company. Please follow the instructions and vote in accordance with each proxy card and voting instruction card you receive.

Q: Should I send in my share certificates now?

A: No. If the mergers are completed, we will send the former stockholders of both Hanover and Universal written instructions for exchanging their share certificates. Holdings shares will be in uncertificated, book-entry form unless a physical certificate is requested by the holder. Additional information on the procedures for exchanging certificates representing shares of Hanover or Universal common stock is set forth in The Merger Agreement Procedures for Exchange of Share Certificates beginning on page 83.

Q: If my shares are held in street name by a broker or other nominee, will my broker or nominee vote my shares for me?

A: If you do not provide your broker with instructions on how to vote your street name shares, your broker will not be permitted to vote them on the proposals related to the adoption of the merger agreement, the Holdings incentive plan proposal or the Holdings stock purchase plan proposal at your annual meeting. You should therefore be sure to provide your broker with instructions on how to vote your shares. You should check the voting form used by your broker to see if your broker offers telephone or Internet voting. If you do not give voting instructions to your broker, your shares will be counted towards a quorum at your respective annual meeting, but effectively will be treated as voting against the adoption of the merger agreement unless you appear and vote in person at your annual meeting. If your broker holds your shares and you plan to attend and vote at your annual meeting, please bring a letter from your broker identifying you as the beneficial owner of the shares and authorizing you to vote.

Additional information on how to vote if your shares are held in street name is located beginning on page 109 for Hanover and on page 156 for Universal.

Q: As a participant in Hanover s or Universal s 401(k) Plan, how do I vote shares held in my plan account?

A: If you are a participant in Hanover s 401(k) Plan, you have the right to vote the shares of Hanover common stock allocated to your plan account on the proposals to be considered at the Hanover annual meeting as though you were the registered holder with respect to such shares. If you are a participant in the Universal 401(k) Plan, you have the right to provide voting directions to the plan trustee by submitting your voting directions for those shares of Universal common stock that are held by the Universal 401(k)

Plan and allocated to your plan account on the proposals to be considered at the Universal annual meeting. Plan participant voting directions will be treated confidentially. The plan trustee will follow participants voting directions unless it determines that to do so would be contrary to the Employee Retirement Income Security Act of 1974. If you elect not to provide voting directions, the Universal plan trustee will vote all of the Universal shares allocated to your account in the same proportion as the actual voting instructions submitted by plan participants at least two days prior to the Universal annual meeting. Because the plan trustee must process voting instructions from participants before the date of the Universal annual meeting, you are urged to deliver your instructions well in advance of the Universal annual meeting so that the instructions are received no later than August 13, 2007.

Q: What if I do not vote on the matters relating to the mergers?

A: Because adoption of the merger agreement requires the affirmative vote of a majority of the shares of common stock outstanding and entitled to vote of each of Hanover and Universal as of the respective record dates, if you abstain or fail to vote your shares in favor of adoption of the merger agreement, this will have the same effect as voting your shares against adoption of the merger agreement. If you fail to respond with a vote or fail to instruct your broker or other nominee how to vote on the proposed mergers, it will have the same effect as a vote against the proposed mergers. If you respond but do not indicate how you want to vote on the proposed mergers, your proxy will be counted as a vote in favor of adoption of the merger agreement.

Q: What if I want to change my vote?

A: If you are a stockholder of record of Hanover or Universal, you may send a later-dated, signed proxy card so that it is received prior to your annual meeting, or you may attend your annual meeting in person and vote. You may also revoke your proxy card by sending a notice of revocation that is received prior to your annual meeting to your company s Corporate Secretary at the address set forth under The Companies beginning on page 97. You may also change your vote by telephone or Internet. You may change your vote by using any one of these methods regardless of the procedure used to cast your previous vote.

If your shares are held in street name by a broker or other nominee, you should follow the instructions provided by your broker or other nominee to change your vote.

Q: Do I have appraisal rights?

A: No. Neither the Hanover stockholders nor the Universal stockholders will have appraisal rights under Delaware law as a result of the mergers.

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The Companies

Hanover Compressor Company
12001 N. Houston Rosslyn
Houston, Texas 77086
(281) 447-8787

Hanover is a global market leader in the full service natural gas compression business and is also a leading provider of service, fabrication and equipment for oil and natural gas production, processing and transportation applications. Hanover sells and rents this equipment and provides complete operation and maintenance services, including run-time guarantees, for both customer-owned equipment and its fleet of rental equipment. For the twelve months ended December 31, 2006, Hanover had revenues and other income of $1,670.7 million and net income of $86.5 million. Hanover had revenues and other income of $473.2 million and net income of $25.4 million for the three months ended March 31, 2007.

Universal Compression Holdings, Inc.
4444 Brittmoore Road
Houston, Texas 77041
(713) 335-7000

Universal is one of the largest natural gas compression services companies in the world in terms of compressor fleet horsepower, with a fleet as of March 31, 2007 of approximately 7,100 compressor units comprising approximately 2.7 million horsepower. Universal provides a full range of natural gas compression services and products, including sales, operations, maintenance and fabrication to the natural gas industry, both domestically and internationally. For the twelve months ended December 31, 2006, Universal had revenues of $947.7 million and net income of $87.7 million. Universal had revenues of $239.4 million and net income of $14.3 million for the three months ended March 31, 2007.

Exterran Holdings, Inc.
4444 Brittmoore Road
Houston, Texas 77041
(713) 335-7000

Exterran Holdings, Inc., or Holdings, which changed its name from Iliad Holdings, Inc. on June 18, 2007, is a Delaware corporation formed for the purpose of holding both Hanover and Universal as wholly owned subsidiaries following completion of the mergers.

Hector Sub, Inc.
4444 Brittmoore Road
Houston, Texas 77041
(713) 335-7000

Hector Sub is a wholly owned subsidiary of Holdings, formed solely for the purpose of engaging in the Hanover merger and the other transactions contemplated by the merger agreement. In the Hanover merger, Hector Sub will merge with and into Hanover and thereafter cease to exist.

Ulysses Sub, Inc.

4444 Brittmoore Road
Houston, Texas 77041
(713) 335-7000

Ulysses Sub is a wholly owned subsidiary of Holdings, formed solely for the purpose of engaging in the Universal merger and the other transactions contemplated by the merger agreement. In the Universal merger, Ulysses Sub will merge with and into Universal and thereafter cease to exist.

The Mergers

Recommendations of the Hanover and Universal Boards of Directors (Pages 44 and 48)

At its meeting on February 3, 2007, after due consideration, the Hanover board of directors unanimously:

determined that the merger agreement and the transactions contemplated thereby are advisable and in the best interests of the stockholders of Hanover;

approved, authorized and adopted the merger agreement; and

recommended that the stockholders of Hanover vote for adoption of the merger agreement at the annual meeting of stockholders of Hanover.

At its meeting on February 3, 2007, after due consideration, the Universal board of directors unanimously:

determined that the merger agreement and the transactions it contemplates are advisable, fair to and in the best interests of Universal and its stockholders;

approved the merger agreement; and

recommended that the Universal stockholders vote for the adoption of the merger agreement.

To review the risks related to the mergers and the combined company following consummation of the mergers, please see Risk Factors beginning on page 22. To review the background, strategic and financial rationale and reasons for the mergers, please see the sections beginning on pages 35, 43 and 44 and 48, respectively.

Opinion of Hanover s Financial Advisor (Page 54)

On February 3, 2007, Credit Suisse Securities (USA) LLC, or Credit Suisse, rendered its oral opinion to Hanover s board of directors (which was subsequently confirmed in writing by delivery of Credit Suisse s written opinion dated the same date) to the effect that, as of February 3, 2007, the Hanover exchange ratio was fair, from a financial point of view, to the holders of Hanover common stock. Credit Suisse has not been requested to and is not expected to update or reaffirm its opinion.

Credit Suisse s opinion was directed to Hanover s board of directors and only addressed the fairness from a financial point of view of the Hanover exchange ratio and does not address any other aspect or implication of the mergers. The summary of Credit Suisse s opinion in this joint proxy statement/prospectus is qualified in its entirety by reference to the full text of its written opinion, which is included as Annex B to this joint proxy statement/prospectus and sets forth the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Credit Suisse in preparing its opinion. Hanover encourages Hanover s stockholders to carefully read the full text of Credit Suisse s written opinion. However, neither Credit Suisse s written opinion nor the summary of its opinion and the related analyses set forth in this joint proxy statement/prospectus are intended to be, and do not constitute advice or a recommendation to any stockholder as to how such stockholder should vote or act with respect to any matter relating to the mergers.

Pursuant to an engagement letter between Hanover and Credit Suisse, dated December 20, 2006, Hanover has agreed to pay Credit Suisse a transaction fee of $8 million. Payment of Credit Suisse s fee is fully contingent upon the consummation of the mergers.

Opinion of Universal s Financial Advisor (Page 59)

Goldman, Sachs & Co., or Goldman Sachs, rendered its opinion to the board of directors of Universal that, as of February 5, 2007 and based upon and subject to the factors and assumptions set forth therein, the Universal exchange ratio pursuant to the merger agreement was fair from a financial point of view to the

holders of Universal common stock. Universal does not intend to request that Goldman Sachs render an opinion as of any date subsequent to February 5, 2007.

The full text of the written opinion of Goldman Sachs, dated February 5, 2007, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex C. **Goldman Sachs provided its opinion for the information and assistance of the board of directors of Universal in connection with its consideration of the mergers. The Goldman Sachs opinion is not a recommendation as to how any holder of Universal common stock should vote with respect to the mergers.**

Pursuant to an engagement letter between Universal and Goldman Sachs, dated December 22, 2006, Universal has agreed to pay Goldman Sachs a transaction fee of $10 million, payable upon consummation of the mergers. Universal has also agreed to consider, in good faith, taking into account the level of service that Goldman Sachs has provided in connection with the merger, paying Goldman Sachs an additional transaction fee of $3 million. Payment of Goldman Sachs fees is fully contingent upon the consummation of the mergers.

Interests of Directors and Executive Officers in the Mergers (Page 65)

You should be aware that some Hanover and Universal directors and executive officers have interests in the mergers as directors or executive officers that are different from, or in addition to, the interests of other Hanover and Universal stockholders.

Continuing Board and Management Positions (Page 74)

The Holdings board of directors will consist of 10 members, five of whom will be current members of, and designated by, Hanover s board of directors and five of whom will be current members of, and designated by, Universal s board of directors.

Hanover intends to designate the following current members of its board of directors to serve on the Holdings board of directors:

Gordon T. Hall;

John E. Jackson;

Peter H. Kamin;

William C. Pate; and

Stephen M. Pazuk.

Universal intends to designate the following current members of its board of directors to serve on the Holdings board of directors:

Stephen A. Snider;

Ernie L. Danner;

Uriel E. Dutton;

Janet F. Clark; and

J.W.G.   Will   Honeybourne.

Stephen A. Snider, Universal s current President and Chief Executive Officer and Chairman of Universal s board of directors, will be the President and Chief Executive Officer of Holdings and a member of the Holdings board of directors. Gordon T. Hall, the current chairman of Hanover s board of directors, will be the chairman of the Holdings board of directors.

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Regulatory Matters (Page 75)

HSR Act

Under the HSR Act, the mergers may not be consummated until premerger notifications and required information have been furnished to the Antitrust Division of the Department of Justice and the Federal Trade Commission, or FTC, and the relevant waiting periods have been early terminated or have expired. On July 3, 2007, Hanover and Universal each received notice that the waiting period required by the HSR Act with respect to the mergers had been early terminated.

At any time before or after consummation of the mergers, the Antitrust Division, the FTC or any state attorney general could take any action under the antitrust laws deemed necessary or desirable in the public interest, including seeking to enjoin consummation of the mergers or seeking divestiture of particular assets or businesses of Hanover or Universal. The merger agreement requires Hanover and Universal to satisfy any conditions or divestiture requirements imposed upon them unless the conditions or divestitures would be reasonably likely to have a material adverse effect on the combined company after the completion of the mergers.

Foreign Clearances

Completion of the mergers also may be subject to the antitrust laws, rules and regulations of foreign governmental authorities. The mergers may not be completed before receiving foreign antitrust clearances unless the failure to obtain those clearances would not have a material adverse effect on the combined company after completion of the mergers. Hanover and Universal have determined the jurisdictions in which foreign competition filings are required and have made the necessary filings.

Accounting Treatment (Page 77)

The mergers will be accounted for using the purchase method of accounting. Although the business combination of Hanover and Universal is a merger of equals, Hanover has been determined to be the acquirer for purposes of generally accepted accounting principles. The purchase price will be allocated to Universal s identifiable assets and liabilities based on their estimated fair values at the date of the consummation of the mergers, and any excess of the purchase price over those fair values will be accounted for as goodwill.

No Appraisal Rights (Page 77)

Hanover and Universal stockholders will not have appraisal rights under Delaware law as a result of the mergers.

Material U.S. Federal Income Tax Consequences of the Mergers (Page 79)

Hanover and Universal have structured the mergers so that a holder of Hanover common stock or Universal common stock will not recognize gain or loss upon the receipt of Holdings common stock in exchange for Hanover or Universal common stock in the mergers except to the extent of cash, if any, received in lieu of a fractional share of Holdings common stock. It is a condition to the closing of the mergers that Vinson & Elkins L.L.P. deliver its opinion to Hanover and Baker Botts L.L.P. deliver its opinion to Universal that for U.S. federal income tax purposes no gain or loss shall be recognized by a holder of that company s common stock upon the transfer of that company s common stock to Holdings in exchange for Holdings common stock pursuant to the applicable merger.

This summary does not address tax consequences that may vary with, or depend upon, individual circumstances. Accordingly, you should consult a tax advisor to determine the U.S. federal, state, local and foreign tax consequences to you of the mergers taking into account your particular circumstances.

Summary of Merger Agreement (Page 81)

The merger agreement is attached as Annex A to this joint proxy statement/prospectus and governs the terms of the mergers.

Conditions to Mergers (Page 93)

Hanover s and Universal s obligations to consummate the mergers are subject to the satisfaction or waiver of a number of conditions, including:

adoption of the merger agreement by the stockholders of each of Hanover and Universal;

the expiration or early termination of any waiting period applicable to the consummation of the mergers under the HSR Act and, except in certain circumstances, the receipt of approval or expiration of any mandatory waiting periods under applicable non-U.S. antitrust laws, which condition has been satisfied;

the absence of any decree, order or injunction of a U.S. court of competent jurisdiction that prohibits the consummation of the mergers;

the receipt by each of Hanover and Universal of a legal opinion with respect to certain U.S. federal income tax consequences of the mergers;

the receipt of required consents and relief from Hanover s and Universal s credit agreements, which have been obtained;

the parties satisfaction that financing arrangements have been obtained to allow for the repayment or repurchase of any indebtedness that may be required to be repaid or repurchased as a result of the consummation of the mergers; and

other customary conditions, including the truth and correctness of the representations and warranties and performance of covenants by each party, subject to a materiality standard, and the absence of any occurrence, state of facts or development that has had or is reasonably likely to have a material adverse effect.

No Solicitation Provisions (Page 90)

The merger agreement contains no solicitation provisions that prohibit either party from taking any action to solicit a takeover proposal. The agreement does not, however, prohibit either party from furnishing information to or participating in negotiations with a person making a takeover proposal that such party s board of directors determines is or is reasonably likely to lead to a superior proposal, if the failure to do so would be inconsistent with that board s fiduciary duties to its stockholders.

Termination of Merger Agreement (Page 95)

The parties may terminate the merger agreement by mutual written consent. Either party may terminate the merger agreement if:

the mergers have not been consummated by February 5, 2008, through no fault of the terminating party;

the stockholders of Hanover or Universal have held a meeting to consider the merger agreement but have not voted to adopt the merger agreement;

there is a final and nonappealable legal restraint, injunction or prohibition of the mergers, as long as the terminating party has complied with certain covenants in the merger agreement and has used its reasonable best efforts to remove the legal restraint;

the other party has breached its representations and warranties or failed to perform its covenants or agreements in a manner that would cause the failure of the related closing condition, unless the breach is cured within 90 days after notice of the breach; or

the board of directors of the other party has withdrawn or adversely modified its recommendation of the merger agreement or the proposed transactions or proposes to do the same, recommended a takeover proposal or failed to timely reaffirm its recommendation to stockholders upon request.

Expenses and Termination Fees (Page 95)

Hanover or Universal will be obligated to pay the other party a termination fee of $70 million if the merger agreement is terminated because the board of directors of the non-terminating party has changed its recommendation of the merger agreement. Hanover or Universal also will be obligated to pay the other party a fee of $5 million if there has been a takeover proposal with respect to the party that becomes obligated to pay the fee and the merger agreement is then terminated, either because the mergers have not been completed by February 5, 2008 or because the stockholders of the party that is the subject of the takeover proposal do not vote in favor of adoption of the merger agreement. Under those circumstances, the party that is the subject of the takeover proposal will be required to pay to the other party an additional $65 million termination fee if it enters into any definitive agreement with respect to, or consummates, any takeover proposal within 365 days after the termination of the merger agreement.

Comparison of Stockholder Rights (Page 210)

Hanover, Universal and Holdings are incorporated under the laws of the State of Delaware. In accordance with the merger agreement, upon the consummation of the mergers, the holders of Hanover common stock and Universal common stock will exchange their respective shares of common stock for Holdings common stock in accordance with their respective exchange ratios. Your rights as a stockholder of Holdings will be governed by Delaware law, Holdings restated certificate of incorporation and the amended and restated bylaws of Holdings. For a comparison of the material rights of Hanover stockholders, Universal stockholders and Holdings stockholders under each company s organizational documents and the Delaware statutory framework, please see Comparison of Stockholder Rights beginning on page 210.

Matters to be Considered at the Annual Meetings

Hanover

Hanover stockholders will be asked to vote on the following proposals:

to adopt the merger agreement;

to approve the Holdings 2007 Stock Incentive Plan, a copy of which is attached as Annex D to this joint proxy statement/prospectus, to be used by Holdings following the consummation of the mergers;

to approve the Holdings Employee Stock Purchase Plan, a copy of which is attached as Annex E to this joint proxy statement/prospectus, to be used by Holdings following the consummation of the mergers;

to elect eleven directors to serve as members of Hanover s board of directors until the 2008 annual meeting of Hanover stockholders or until their successors are duly elected and qualified;

to ratify the reappointment of PricewaterhouseCoopers LLP as Hanover s independent registered public accounting firm for fiscal year 2007; and

to transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

If the merger agreement is adopted and the mergers are consummated, the Hanover directors elected pursuant to the proposal in the fourth bullet above will serve only until the mergers are consummated. Also, the proposals described in the second and third bullets will be implemented only if the merger agreement is adopted.

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Universal

Universal stockholders will be asked to vote on the following proposals:

- to adopt the merger agreement;
- to approve the Holdings 2007 Stock Incentive Plan, a copy of which is attached as Annex D to this joint proxy statement/prospectus, to be used by Holdings following the consummation of the mergers;
- to approve the Holdings Employee Stock Purchase Plan, a copy of which is attached as Annex E to this joint proxy statement/prospectus, to be used by Holdings following the consummation of the mergers;
- to re-elect Thomas C. Case, Janet F. Clark and Uriel E. Dutton to service as Class A members of Universal s board of directors until the 2010 annual meeting of Universal stockholders or until their successors are duly elected and qualified;
- to ratify the reappointment of Deloitte & Touche LLP as Universal s independent registered public accounting firm for fiscal year 2007; and
- to transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

If the merger agreement is adopted and the mergers are consummated, the Universal directors elected pursuant to the proposal in the fourth bullet above will serve only until the mergers are consummated. Also, the proposals described in the second and third bullets will be implemented only if the merger agreement is adopted.

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Comparative Stock Prices and Dividends

Shares of Hanover common stock and Universal common stock are listed for trading on the New York Stock Exchange. The following table sets forth the closing sales prices per share of Hanover common stock, on an actual and adjusted basis, and Universal common stock on the New York Stock Exchange on the following dates:

February 2, 2007, the last full trading day prior to the public announcement of the mergers, and

July 5, 2007, the last trading day for which this information could be calculated prior to the filing of this joint proxy statement/prospectus.

	Hanover Common Stock	Hanover Adjusted(1)	Universal Common Stock	Universal Equivalent per Share(2)
February 2, 2007	$ 19.40	$ 59.69	$ 61.10	$ 61.10
July 5, 2007	$ 26.50	$ 81.54	$ 81.73	$ 81.73

(1) The adjusted per share data for Hanover common stock has been determined by dividing the market price of a share of Hanover common stock on each of the dates by 0.325 and is presented for comparative purposes. As a result of the Hanover merger, each holder of shares of Hanover common stock will have the right to receive 0.325 shares of Holdings common stock in exchange for each share of Hanover common stock the holder owns. The Hanover Adjusted value does not represent the value of the consideration that Hanover stockholders will receive per share as a result of the Hanover merger.

(2) The Universal equivalent per share price is the same as the Universal common stock price because, as a result of the Universal merger, each holder of shares of Universal common stock will have the right to receive one share of Holdings common stock in exchange for each share of Universal common stock the holder owns.

Neither Hanover nor Universal has ever declared or paid any cash dividends on its common stock. The board of directors of Holdings will determine the dividend policy of Holdings after consummation of the mergers.

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Selected Historical Financial Data

Hanover and Universal are providing you with the following financial information to assist you in your analysis of the financial aspects of the mergers. This information is only a summary that you should read together with the historical audited consolidated financial statements of Hanover and Universal and the related notes, as well as the sections titled Management s Discussion and Analysis of Financial Condition and Results of Operations contained in the annual reports on Form 10-K and quarterly reports on Form 10-Q for the three months ended March 31, 2007 that Hanover and Universal previously have filed with the SEC and that are incorporated by reference into this joint proxy statement/prospectus. Historical results are not necessarily indicative of any results to be expected in the future. See Where You Can Find More Information beginning on page 219.

	Hanover Compressor Company						
	Three Months Ended March 31,		Twelve Months Ended December 31,				
	2007	2006	2006	2005	2004	2003	2002
	(In thousands, except per share data)						
Statement of Operations Data:							
Revenue	$ 460,213	$ 336,730	$ 1,605,232	$ 1,349,572	$ 1,165,402	$ 1,047,978	$ 991,287
Equity in income of non-consolidated affiliates	5,683	5,848	19,430	21,466	19,780	23,014	18,554
Gain on sale of business and other income	7,332	30,219	46,001	4,551	3,413	4,088	3,600
Cost of sales (excluding depreciation and amortization)	303,810	216,141	1,049,701	867,483	731,545	643,680	581,899
Depreciation and amortization	50,896	41,968	181,416	182,681	175,308	169,164	148,141
Selling, general and administrative expenses	51,794	48,055	204,247	182,198	173,066	159,870	150,863
Interest expense(1)	26,865	31,640	118,006	136,927	146,978	89,175	43,352
Operating lease expense(1)						43,139	90,074
Debt extinguishment costs		5,902	5,902	7,318			
Securities litigation settlement					(4,613)	42,991	
Goodwill impairment						35,466	52,103
Provision for (benefit from) income tax	14,445	8,447	28,782	27,714	24,767	3,629	(17,114)
	25,402	22,141	85,722	(37,148)	(54,091)	(117,488)	(80,211)

Income (loss) from continuing operations							
Income (loss) from discontinued operations, net of tax		(92)	431	(869)	10,085	(3,861)	(35,857)
Cumulative effect of accounting change, net of tax		370	370			(86,910)	
Net income (loss)	25,402	22,419	86,523	(38,017)	(44,006)	(208,259)	(116,068)
Earnings (loss) per common share from continuing operations:							
Basic	$ 0.25	$ 0.22	$ 0.85	$ (0.41)	$ (0.64)	$ (1.45)	$ (1.01)
Diluted	$ 0.23	$ 0.22	$ 0.80	$ (0.41)	$ (0.64)	$ (1.45)	$ (1.01)
Weighted average common stock outstanding:							
Basic	103,405	100,759	101,178	91,556	84,792	81,123	79,500
Diluted	117,619	111,428	112,035	91,556	84,792	81,123	79,500
Other Financial Data:							
Cash flows provided by (used in):							
Operating activities	$ 5,234	$ (77,508)	$ 209,089	$ 122,487	$ 131,837	$ 164,735	$ 195,717
Investing activities	(64,043)	(1,315)	(168,168)	(104,027)	11,129	(43,470)	(193,703)
Financing activities	42,325	79,767	(18,134)	(6,890)	(162,350)	(84,457)	(4,232)

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	As of March 31,		As of December 31,				
	2007	2006	2006	2005	2004	2003	2002
			(In thousands)				
Balance Sheet Data:							
Cash	$ 56,935	$ 49,157	$ 73,286	$ 48,233	$ 38,076	$ 56,619	$ 19,011
Working capital(2)	202,092	386,803	326,565	351,694	301,893	279,050	218,398
Total assets	3,089,252	2,930,496	3,070,889	2,862,996	2,771,229	2,942,274	2,176,983
Total debt and convertible preferred securities	1,365,669	1,478,442	1,369,931	1,478,948	1,643,616	1,782,823	641,194
Stockholders equity	1,088,695	935,990	1,014,282	909,782	760,055	753,488	927,626

(1) Operating lease expense related to the operating lease facilities has been recognized as interest expense subsequent to consolidation of the operating lease facilities on July 1, 2003.

(2) Working capital is defined as current assets minus current liabilities.

	Universal Compression Holdings, Inc.						
	Three Months Ended March 31,		Twelve Months Ended December 31,	Nine Months Ended December 31,	Twelve Months Ended March 31,		
	2007	2006	2006	2005(1)	2005	2004	2003
			(In thousands, except per share data)				
Statement of Operations Data:							
Revenue	$ 239,363	$ 229,068	$ 947,707	$ 613,647	$ 763,070	$ 688,786	$ 625,218
Cost of sales (excluding depreciation and amortization)	133,044	127,223	519,056	342,312	452,816	399,305	357,250
Depreciation and amortization	34,863	29,799	122,701	79,899	93,797	85,650	63,706
Selling, general and administrative expenses	35,741	26,581	118,762	65,269	75,756	67,516	67,944
Interest expense, net(2)	14,039	14,057	57,349	40,221	64,188	73,475	36,421
Operating lease expense(2)							46,071
Debt extinguishment costs			1,125		26,543	14,903	

Provision for income tax	7,079	11,875	42,277	31,053	17,213	17,741	20,975
Income from continuing operations and net income	14,324	20,875	87,656	55,369	33,610	30,787	33,518
Earnings per common share from continuing operations:							
Basic	$ 0.48	$ 0.70	$ 2.93	$ 1.74	$ 1.07	$ 1.00	$ 1.09
Diluted	$ 0.46	$ 0.68	$ 2.82	$ 1.69	$ 1.04	$ 0.98	$ 1.08
Weighted average common stock outstanding:							
Basic	29,820	29,629	29,911	31,773	31,392	30,848	30,665
Diluted	30,881	30,700	31,032	32,758	32,224	31,283	30,928
Other Financial Data:							
Cash flows provided by (used in):							
Operating activities	$ 42,547	$ 64,594	$ 212,211	$ 144,873	$ 134,056	$ 165,248	$ 188,591
Investing activities	(72,862)	(39,960)	(213,187)	(110,464)	(181,476)	(46,850)	(107,704)
Financing activities	25,839	(21,927)	8,380	(34,734)	(35,589)	(69,732)	(13,849)

	As of March 31,		As of December 31,		As of March 31,		
	2007	2006	2006	2005	2005	2004	2003
			(In thousands)				
Balance Sheet Data:							
Cash	$ 42,895	$ 42,232	$ 46,997	$ 39,262	$ 38,723	$ 121,189	$ 71,693
Working capital(3)	184,367	131,217	184,979	144,714	115,836	174,599	158,405
Total assets	2,434,499	2,137,856	2,342,031	2,095,295	2,022,758	1,972,451	1,953,887
Total debt(4)	856,582	898,050	830,554	923,341	858,096	884,442	945,155
Stockholders equity	935,856	861,278	916,430	831,312	861,672	799,235	744,451

(1) Effective in 2005, Universal s Board of Directors approved a change to its fiscal year end from March 31, to December 31.

(2) Operating lease expense related to the operating lease facilities has been recognized as interest expense subsequent to consolidation of the operating lease facilities on December 31, 2002.

(3) Working capital is defined as current assets minus current liabilities.

(4) Includes capital lease obligations.

Selected Unaudited Pro Forma Condensed Combined Financial Data

The following selected unaudited pro forma condensed combined financial data gives effect to the mergers. The unaudited pro forma statement of operations data presented below is based on the assumption that the mergers occurred as of January 1, 2006 and reflects only adjustments directly related to the mergers. The unaudited pro forma balance sheet data is prepared as if the mergers occurred on March 31, 2007. The pro forma adjustments are based on available information and assumptions that each company s management believes are reasonable and in accordance with SEC requirements. The selected unaudited pro forma condensed combined financial data are presented for illustrative purposes only and should not be read for any other purpose. You should not rely on this information as being indicative of the historical results that would have been achieved had the companies been combined for the period presented or the future results that the combined company will experience after the mergers. The selected unaudited pro forma condensed combined financial data:

have been derived from and should be read in conjunction with the Exterran Holdings, Inc. Unaudited Pro Forma Condensed Combined Financial Information and the related notes beginning on page 199 of this joint proxy statement/prospectus; and

should be read in conjunction with the historical consolidated financial statements of Hanover and Universal incorporated by reference into this joint proxy statement/prospectus.

	Three Months Ended March 31, 2007	Twelve Months Ended December 31, 2006
	(In thousands, except per share data)	
Statement of Operations Data:		
Revenue and other income	$ 720,343	$ 2,640,284
Cost of sales (excluding depreciation and amortization)	445,186	1,599,700
Depreciation and amortization	100,261	351,105
Selling, general and administrative expenses	84,736	312,658
Interest expense	41,632	178,268
Debt extinguishment costs		7,027
Provision for income tax	17,222	53,886
Income from continuing operations	31,737	141,486
Earnings per common share from continuing operations		
Basic	$ 0.50	$ 2.25
Diluted	$ 0.48	$ 2.17
Weighted average common stock outstanding		
Basic	63,427	62,794
Diluted	69,108	67,443

	As of March 31, 2007 (In thousands)

Balance Sheet Data:		
Cash	$	99,830
Working capital		(4,277)
Total assets		6,830,125
Debt		2,270,744
Stockholders equity		3,151,012

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Unaudited Comparative Per Share Data

The following selected comparative per share information of Hanover and Universal as of and for the three months ended March 31, 2007 was derived from the companies unaudited financial statements and as of and for the twelve months ended December 31, 2006 was derived from the companies audited financial statements. You should read this information along with Hanover s and Universal s historical consolidated financial statements and the accompanying notes for that period included in the documents described under Where You Can Find More Information beginning on page 219. You should also read the unaudited pro forma condensed combined financial information and accompanying discussion and notes included in this joint proxy statement/prospectus under Exterran Holdings, Inc. Unaudited Pro Forma Condensed Combined Financial Information beginning on page 199.

	As of or for the Three Months Ended March 31, 2007	As of or for the Twelve Months Ended December 31, 2006
Hanover Historical:		
Earnings per share (from continuing operations):		
Basic	$ 0.25	$ 0.85
Diluted	$ 0.23	$ 0.80
Dividends declared per share of common stock	$	$
Book value per share of common stock	$ 10.25	$ 9.81
Hanover Adjusted(1):		
Earnings per share (from continuing operations):		
Basic	$ 0.77	$ 2.62
Diluted	$ 0.71	$ 2.46
Dividends declared per share of common stock	$	$
Book value per share of common stock	$ 31.54	$ 30.18
Universal Historical:		
Earnings per share (from continuing operations):		
Basic	$ 0.48	$ 2.93
Diluted	$ 0.46	$ 2.82
Dividends declared per share of common stock	$	$
Book value per share of common stock	$ 30.90	$ 30.42
Holdings unaudited pro forma combined amounts(2):		
Earnings per share (from continuing operations):		
Basic	$ 0.50	$ 2.25
Diluted	$ 0.48	$ 2.17
Dividends declared per share of common stock	$	$
Book value per share of common stock	$ 48.61	$ 48.20

(1) The Hanover Adjusted amounts are equal to the corresponding Hanover historical amounts divided by 0.325. As a result of the Hanover merger, each holder of shares of Hanover common stock will have the right to receive 0.325 shares of Holdings common stock in exchange for each share of Hanover common stock the holder owns.

(2) The Universal per share equivalent amounts based on the combination of Hanover and Universal are the same as the Holdings unaudited pro forma combined amounts because, as a result of the Universal merger, each holder of shares of Universal common stock will have the right to receive one share of Holdings common stock in exchange for each share of Universal common stock the holder owns.

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RISK FACTORS

In addition to the other information included and incorporated by reference in this joint proxy statement/prospectus, Hanover and Universal stockholders should carefully consider the matters described below to determine whether to adopt the merger agreement and thereby approve the mergers.

Risks Relating to the Mergers

The value of the shares of Holdings common stock you receive upon the consummation of the mergers may be less than the value of your shares of Hanover common stock or Universal common stock as of the date of the merger agreement, the date of this joint proxy statement/prospectus or the date of the annual meetings.

The exchange ratios in the Hanover merger and the Universal merger are fixed and will not be adjusted in the event of any change in the stock prices of Hanover or Universal prior to the mergers. There may be a significant amount of time between the dates when the stockholders of each of Hanover and Universal vote on the merger agreement at the annual meeting of each company and the date when the mergers are completed. The absolute and relative prices of shares of Hanover common stock and Universal common stock may vary significantly between the date of this joint proxy statement/prospectus, the date of the annual meetings and the date of the completion of the mergers. These variations may be caused by, among other things, changes in the businesses, operations, results or prospects of Hanover or Universal, market expectations of the likelihood that the mergers will be completed and the timing of completion, the prospects of post-merger operations, general market and economic conditions and other factors. In addition, it is impossible to predict accurately the market price of the Holdings common stock to be received by Hanover and Universal stockholders after the completion of the mergers. Accordingly, the prices of Universal common stock and Hanover common stock on the date of this joint proxy statement/prospectus and on the date of the annual meetings may not be indicative of their prices immediately prior to completion of the mergers and the price of Holdings common stock after the mergers are completed.

The anticipated benefits of combining the companies may not be realized.

Hanover and Universal entered into the merger agreement with the expectation that the mergers would result in various benefits, including, among other things, annual synergies and cost savings of approximately $50 million and other operating efficiencies that cannot be quantified at this time. We may not achieve these benefits at the levels expected or at all. If we fail to achieve these expected benefits, the results of operations and the enterprise value of the combined company may be adversely affected.

The integration of Hanover and Universal following the mergers will present significant challenges that may reduce the anticipated potential benefits of the mergers.

Hanover and Universal will face significant challenges in consolidating functions and integrating their organizations, procedures and operations in a timely and efficient manner, as well as retaining key personnel. The integration of Hanover and Universal will be complex and time-consuming due to the size and complexity of each organization. The principal challenges will include the following:

- integrating Hanover s and Universal s existing businesses;
- combining diverse product and service offerings and sales and marketing approaches;

preserving customer, supplier and other important relationships and resolving potential conflicts that may arise as a result of the mergers;

consolidating and integrating duplicative facilities and operations, including back-office systems such as Hanover s and Universal s different enterprise resource planning (ERP) systems; and

addressing differences in business cultures, preserving employee morale and retaining key employees, while maintaining focus on providing consistent, high quality customer service and meeting the operational and financial goals of the combined company.

The respective managements of Hanover and Universal will have to dedicate substantial effort to integrating the businesses. These efforts could divert management s focus and resources from other day-to-day tasks, corporate initiatives or strategic opportunities during the integration process.

Hanover and Universal will incur significant transaction and merger-related integration costs in connection with the mergers.

Hanover and Universal expect to pay transaction costs of approximately $40 million to $45 million in the aggregate, including payments of approximately $10 million made to some of their employees pursuant to change of control agreements. These transaction fees include investment banking, legal and accounting fees and expenses, SEC filing fees, printing expenses, mailing expenses and other related charges. These amounts are preliminary estimates that are subject to change. A portion of the transaction costs will be incurred regardless of whether the mergers are consummated. Hanover and Universal will each pay its own transaction costs, except that they will share equally certain filing, printing and other costs and expenses.

Hanover and Universal currently estimate integration costs associated with the mergers to be approximately $35 million to $40 million. Hanover and Universal are in the early stages of assessing the magnitude of these costs, and, therefore, these estimates may change substantially and additional unanticipated costs may be incurred in the integration of the businesses of Hanover and Universal.

As a result of the mergers, the repurchase of a significant portion of Hanover s and Universal s outstanding debt may be required and additional funds to finance the repurchase may not be available on terms favorable to Holdings, if at all.

Hanover has indebtedness related to its outstanding compression equipment lease obligations, the aggregate principal amount of which was approximately $383.0 million in notes payable plus an additional amount of $11.9 million in related minority interest obligations as of March 31, 2007. As a result of the mergers, the equipment trusts that issued the indebtedness will be required to make an offer (with funds supplied by Hanover) to repurchase the equipment lease notes and the related minority interest obligations at a price equal to 101% of the outstanding principal amount, plus accrued and unpaid interest to the date of purchase, unless the obligations of the equipment trusts have been earlier satisfied and discharged. For more information regarding these repurchase obligations, please read The Mergers Change in Control Provision in Hanover s Equipment Leases beginning on page 78.

Hanover and Universal expect that Holdings will refinance any required repurchase of the equipment lease obligations. If Holdings is unable to obtain necessary financing on favorable terms, the earnings and cash flow of Holdings could be materially adversely affected. If Holdings is unable to obtain the necessary financing at all, the equipment trusts would be in default under the indenture relating to the equipment lease obligations, which would cause defaults under Hanover s other financing arrangements.

While the mergers are pending, Hanover and Universal will be subject to business uncertainties and contractual restrictions that could adversely affect their businesses.

Uncertainty about the effect of the mergers on employees, customers and suppliers may have an adverse effect on Hanover and Universal and, consequently, on the combined company. These uncertainties may impair Hanover s and Universal s ability to attract, retain and motivate key personnel until the mergers are consummated and for a period of time thereafter, and could cause customers, suppliers and others who deal with Hanover and Universal to seek to change existing business relationships with Hanover and Universal. Employee retention may be particularly challenging during the pendency of the mergers because employees may experience uncertainty about their future

roles with the combined company. If, despite Hanover s and Universal s retention efforts, key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with the combined company, the combined company s business could be seriously harmed. In addition, the merger agreement restricts Hanover and Universal, without the other party s consent and subject to certain exceptions, from making certain acquisitions and taking other specified actions until the mergers occur or the merger agreement terminates. These restrictions may prevent Hanover

and Universal from pursuing otherwise attractive business opportunities and making other changes to their businesses that may arise prior to completion of the mergers or termination of the merger agreement.

Failure to complete the mergers could negatively impact the stock prices and the future business and financial results of Hanover and Universal because of, among other things, the disruption that would occur as a result of uncertainties relating to a failure to complete the mergers.

The stockholders of both Hanover and Universal may not approve the mergers. If the mergers are not completed for any reason, Hanover and Universal could be subject to several risks, including the following:

- being required to pay the other company a termination fee of up to $70 million in certain circumstances, as described under The Merger Agreement Expenses and Termination Fees beginning on page 95;

- having had the focus of management of each of the companies directed toward the mergers and integration planning instead of on each company s core business and other opportunities that could have been beneficial to the companies; and

- incurring substantial transaction costs related to the mergers.

In addition, Hanover and Universal would not realize any of the expected benefits of having completed the mergers.

If the mergers are not completed, the price of Hanover or Universal common stock may decline to the extent that the current market price of that stock reflects a market assumption that the mergers will be completed and that the related benefits and synergies will be realized, or as a result of the market s perceptions that the mergers were not consummated due to an adverse change in Hanover s or Universal s business. In addition, Hanover s business and Universal s business may be harmed, and the prices of their stock may decline as a result, to the extent that customers, suppliers and others believe that the companies cannot compete in the marketplace as effectively without the mergers or otherwise remain uncertain about the companies future prospects in the absence of the mergers. Similarly, current and prospective employees of Hanover and Universal may experience uncertainty about their future roles with the resulting company and choose to pursue other opportunities, which could adversely affect Hanover or Universal, as applicable, if the mergers are not completed. The realization of any of these risks may materially adversely affect the business, financial results, financial condition and stock prices of Hanover and Universal.

The merger agreement limits Hanover s and Universal s ability to pursue an alternative acquisition proposal and requires Hanover or Universal to pay a termination fee of up to $70 million if it does.

The merger agreement prohibits Hanover and Universal from soliciting, initiating or encouraging alternative merger or acquisition proposals with any third party. The merger agreement also provides for the payment by Hanover or Universal of a termination fee of up to $70 million if the merger agreement is terminated in certain circumstances in connection with a competing acquisition proposal or the withdrawal by the board of directors of that company of its recommendation that the stockholders of that company vote for the adoption of the merger agreement, as the case may be. See The Merger Agreement Covenants and Agreements No Solicitation beginning on page 90.

These provisions limit Universal s and Hanover s ability to pursue offers from third parties that could result in greater value to Hanover s or Universal s stockholders. The obligation to make the termination fee payment also may discourage a third party from pursuing an alternative acquisition proposal.

Some of the directors and executive officers of Hanover and Universal have interests in the mergers that are different from the interests of Hanover s and Universal s stockholders.

When considering the recommendation of the Hanover board of directors with respect to the mergers, Hanover stockholders should be aware that some directors and executive officers of Hanover have interests in the mergers that are different from, or in addition to, the interests of the stockholders of Hanover. These

interests include (1) their designation as Holdings directors or executive officers, (2) the fact that the completion of the transaction will result in the acceleration of vesting of long-term incentive awards held by directors and executive officers and (3) the fact that certain executive officers of Hanover have entered into change of control agreements with Hanover that will entitle them to cash payments and other benefits if the mergers are completed and their employment is terminated or if the executive resigns for good reason, as defined in the agreements.

When considering the recommendation of the Universal board of directors with respect to the mergers, Universal stockholders should be aware that some directors and executive officers of Universal have interests in the mergers that are different from, or in addition to, the interests of the stockholders of Universal. These interests include (1) their designation as Holdings directors or executive officers, (2) the fact that the completion of the transaction will result in the acceleration of vesting of equity-based awards held by directors and executive officers and (3) the fact that certain executive officers of Universal have entered into change of control agreements with Universal that will entitle them to cash payments and other benefits if the mergers are completed and their employment is terminated or if the executive terminates his employment for good reason, as defined in the agreements.

Stockholders should consider these interests in conjunction with the recommendation of the directors of Hanover and Universal of approval of the mergers. These interests have been described more fully in The Mergers Interests of Hanover and Universal Directors and Executive Officers in the Mergers beginning on page 65.

Risks Relating to the Businesses of the Combined Company

A substantial portion of Holdings future cash flows may be used to service its indebtedness, and Holdings ability to generate cash will depend on many factors beyond its control.

As of March 31, 2007, Hanover and Universal had approximately $2.2 billion in combined outstanding indebtedness. After the consummation of the mergers, factors beyond the control of Holdings will continue to affect its ability to make payments on or refinancings of its outstanding indebtedness. These factors include those discussed elsewhere in these Risk Factors and those listed in the Cautionary Information Regarding Forward-Looking Statements section of this joint proxy statement/prospectus beginning on pages 22 and 33, respectively. Further, the ability of Holdings to fund working capital and capital expenditures will also depend on its ability to generate cash. If, in the future, sufficient cash is not generated from Holdings operations to meet its debt service obligations, Holdings may need to reduce or delay funding for capital investment, operations or other purposes.

Holdings may be vulnerable to interest rate increases due to its floating rate debt obligations.

As of March 31, 2007, after taking into consideration interest rate swaps, Hanover and Universal had approximately $472 million of combined outstanding indebtedness subject to interest at floating rates. Changes in economic conditions outside of Holdings control could result in higher interest rates, thereby increasing Holdings interest expense and reducing its funds available for capital investment, operations or other purposes.

Hanover s and Universal s indebtedness imposes restrictions on them that will affect Holdings ability to successfully operate its business.

Following the consummation of the mergers, the bank credit facilities and other indebtedness of Hanover and Universal are expected to remain outstanding. These bank credit facilities and the agreements governing certain of this indebtedness include covenants that, among other things, will restrict Holdings ability to:

- borrow money;

create liens;

make investments;

- declare dividends or make certain distributions;
- sell or dispose of property; or
- merge into or consolidate with any third party or sell or transfer all or substantially all of its property.

These bank credit facilities and certain other agreements also will require Holdings to maintain various financial ratios. Such covenants will restrict Holdings ability to expand or to pursue its business strategies. Holdings ability to comply with these and any other provisions of such agreements will be affected by changes in its operating and financial performance, changes in business conditions or results of operations, adverse regulatory developments or other events beyond its control. The breach of any of these covenants could result in a default, which could cause Holdings indebtedness to become due and payable. If any of Holdings indebtedness were to be accelerated, it may not be able to repay or refinance it.

A reduction in oil or natural gas prices, or instability in U.S. or global energy markets, could adversely affect Holdings business.

Following the consummation of the mergers, Holdings results of operations will depend upon the level of activity in the global energy market, including natural gas development, production, processing and transportation. Oil and natural gas prices and the level of drilling and exploration activity can be volatile. For example, oil and natural gas exploration and development activity and the number of well completions typically decline when there is a significant reduction in oil and natural gas prices or significant instability in energy markets. As a result, the demand for Holdings gas compression services and oil and gas production and processing equipment would be adversely affected. Any future decline in oil and natural gas prices could have a material adverse effect on the business, consolidated financial condition, results of operations and cash flows of Holdings.

Erosion of the financial condition of customers of Holdings following the consummation of the mergers could also have an adverse effect on its business. During times when the oil or natural gas markets weaken, the likelihood of the erosion of the financial condition of customers increases. If and to the extent the financial condition of Holdings customers declines, those customers could seek to preserve capital by canceling any month-to-month natural gas compression contracts, canceling or delaying scheduled maintenance of their existing gas compression and oil and gas production and processing equipment or determining not to enter into any new natural gas compression service contracts or purchase new gas compression and oil and gas production and processing equipment, thereby reducing demand for Holdings products and services. The reduced demand for Holdings services following the consummation of the mergers as described above could adversely affect the business, financial condition and operations results of Holdings. In addition, in the event of the financial failure of a customer, Holdings could experience a loss associated with the unsecured portion of any of its outstanding accounts receivable.

There are many risks associated with conducting operations in international markets.

Following the consummation of the mergers, Holdings will continue to operate in many geographic markets outside the United States. For the three months ended March 31, 2007, Hanover and Universal derived 48.9% and 30.8%, respectively, of their revenues from international operations. Changes in local economic or political conditions, particularly in Latin America, could have a material adverse effect on the business, consolidated financial condition, results of operations and cash flows of the combined company. Additional risks inherent in Holdings international business activities following the consummation of the mergers include the following:

difficulties in managing international operations, including the ability of Holdings to timely and cost effectively execute projects;

training and retaining qualified personnel in international markets;

inconsistent product regulation or sudden policy changes by foreign agencies or governments;

the burden of complying with multiple and potentially conflicting laws;

tariffs and other trade barriers that may restrict the ability of Holdings to enter new markets;

governmental actions that result in the deprivation of contract rights and other difficulties in enforcing contractual obligations;

foreign exchange rate risks;

difficulty in collecting international accounts receivable;

potentially longer payment cycles;

changes in political and economic conditions in the countries in which Holdings will operate, including the nationalization of energy related assets, civil uprisings, riots, kidnappings and terrorist acts, particularly with respect to operations in Nigeria and Venezuela;

potentially adverse tax consequences;

restrictions on repatriation of earnings or expropriation of property without fair compensation;

the geographic, time zone, language and cultural differences among personnel in different areas of the world; and

difficulties in establishing new international offices and risks inherent in establishing new relationships in foreign countries.

Following the consummation of the mergers, the combined company plans to expand its business into international markets where Universal and Hanover currently do not conduct business. The risks inherent in establishing new business ventures, especially in international markets where local customs, laws and business procedures present special challenges, may affect Holdings ability to be successful in these ventures or avoid losses that could have a material adverse effect on its business, financial condition, results of operations and cash flows.

There are risks associated with the companies operations in Nigeria. Local unrest and violence in Nigeria has adversely affected Hanover s historical financial results and could result in possible impairment and write-downs by the combined company of its assets in Nigeria if the political situation in Nigeria does not improve.

The companies operations in Nigeria are subject to numerous risks and uncertainties associated with operating in Nigeria. Such risks include, among other things, political, social and economic instability, civil uprisings, riots, terrorism, kidnapping, the taking of property without fair compensation and governmental actions that may restrict payments or the movement of funds or result in the deprivation of contract rights. Any of these risks, including risks arising from the increase in violence and local unrest in Nigeria over the past year, could adversely impact the combined company s operations in Nigeria and could affect the timing and decrease the amount of revenue the combined company may realize from its assets in Nigeria.

For example, Hanover is involved in a project called the Cawthorne Channel Project in Nigeria in which it rents and operates barge-mounted gas compression and gas processing facilities stationed in a Nigerian coastal waterway. Because of unrest and violence in the region, natural gas flow to the project was stopped in June 2006. As a result, Hanover did not recognize revenue on the Cawthorne Channel Project for the last six months of 2006, and Holdings may not be able to recognize revenue from this project in the future. If the violence and local unrest in Nigeria

continues or worsens following the consummation of the mergers, Holdings may experience further decreases in revenue from its projects in Nigeria.

At March 31, 2007, Hanover and Universal had combined tangible net assets of approximately $74.1 million related to projects in Nigeria. If Holdings is unable to operate its assets under current projects, it may be required to find alternative uses for those assets, which could potentially result in an impairment and write-down of its investment in those assets in Nigeria, which could adversely impact Holdings consolidated financial position or results of operation.

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There are risks associated with the companies   operations in Venezuela. Further changes to the laws and regulations of Venezuela could adversely impact the combined company s results of operations and require it to write-down certain of its assets in Venezuela.

Recently, laws and regulations in Venezuela have been subject to frequent and significant changes. These changes have included currency controls, restrictions on repatriation of capital, expropriation and nationalization of certain firms and industries and changes to the tax laws. While these changes have not had a material impact on Hanover or Universal to date, future changes could have a material impact on the combined company. For example, if the government of Venezuela institutes further changes to the laws and regulations of Venezuela, those changes could increase the expenses incurred by the combined company s Venezuelan operations, resulting in a reduction in its net income or a write-down of its investments in Venezuela. At March 31, 2007, Hanover and Universal had combined tangible net assets in Venezuela, including investments in non-consolidated affiliates, of approximately $291.7 million.

Following the consummation of the mergers, Holdings will be exposed to exchange rate fluctuations in the international markets in which it will operate. A decrease in the value of any of these currencies relative to the U.S. dollar could reduce profits from international operations and the value of international net assets of the combined company.

Following the consummation of the mergers, the reporting currency of the combined company will be the U.S. dollar. Gains and losses from the remeasurement of balances that are receivable or payable in currency other than functional currency are included in the consolidated statements of operations. The remeasurement has caused the U.S. dollar value of Hanover s and Universal s international results of operations to vary with exchange rate fluctuations and, after consummation of the mergers, the U.S. dollar value of Holdings   international results of operations will continue to vary with exchange rate fluctuations. Hanover and Universal have not hedged exchange rate exposures, which exposes them to the risk of exchange rate losses.

A fluctuation in the value of any of these currencies relative to the U.S. dollar following the consummation of the mergers could reduce Holdings   profits from international operations and the value of the net assets of Holdings international operations when reported in U.S. dollars in its financial statements. This could have a negative impact on Holdings   business, financial condition or results of operations as reported in U.S. dollars. For example, in February 2004 and March 2005, the Venezuelan government devalued their currency to 1,920 bolivars and 2,148 bolivars, respectively, for each U.S. dollar.

In addition, fluctuations in currencies relative to currencies in which the earnings are generated may make it more difficult to perform period-to-period comparisons of Holdings   reported results of operations following the consummation of the mergers.

Although both Hanover and Universal attempt to match costs and revenues in local currencies, they anticipate that there will be instances in which costs and revenues will not be exactly matched with respect to currency denomination. As a result, to the extent Holdings expands geographically, we expect that increasing portions of its revenues, costs, assets and liabilities will be subject to fluctuations in foreign currency valuations. Holdings may experience economic loss and a negative impact on earnings or net assets solely as a result of foreign currency exchange rate fluctuations. Further, the markets in which Holdings will operate could restrict the removal or conversion of the local or foreign currency, resulting in Holdings   inability to hedge against these risks.

Many of Hanover s and Universal s compressor contracts with customers have short initial terms, and Holdings cannot be sure that the contracts for these compressors will be renewed after the end of the initial contractual term.

The length of Hanover s and Universal s compressor contracts with customers varies based on operating conditions and customer needs. In most cases, under currently prevailing contract compression rates, Hanover s and Universal s initial contract terms are not long enough to enable them to fully recoup the average cost of acquiring or fabricating the equipment. Following the consummation of the mergers, Holdings cannot be sure that a substantial number of these customers will continue to renew their contracts, that it will be able to enter

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into new contracts for the equipment with new customers or that any renewals will be at comparable rates. The inability to renew contracts with respect to a substantial portion of Holdings compressor fleet would have a material adverse effect upon the business, consolidated financial condition, results of operations and cash flows of the combined company.

Hanover and Universal are dependent on particular suppliers and are vulnerable to product shortages and price increases.

Some of the components used in Hanover s and Universal s products are obtained from a single source or a limited group of suppliers. Hanover s and Universal s reliance on these suppliers involves several risks, including price increases, inferior component quality and a potential inability to obtain an adequate supply of required components in a timely manner. The partial or complete loss of certain of these sources following the consummation of the mergers could have a negative impact on Holdings results of operations and could damage its customer relationships. Further, a significant increase in the price of one or more of these components could have a negative impact on Holdings results of operations.

Hanover s ability to substitute compression equipment under its compression equipment leases is limited, and there are risks associated with reaching that limit prior to the expiration of the lease term.

As of March 31, 2007, Hanover was the lessee in two transactions involving the sale of compression equipment by Hanover to special purpose entities, which in turn lease the equipment back to Hanover. Hanover is entitled under the compression equipment operating lease agreements to substitute equipment that it owns for equipment owned by the special purpose entities, provided that the value of the equipment that it is substituting is equal to or greater than the value of the equipment that is being substituted. Hanover generally substitutes equipment when one of its lease customers exercises a contractual right or otherwise desires to buy the leased equipment or when fleet equipment owned by the special purpose entities becomes obsolete or is selected by Hanover for transfer to international projects. Each lease agreement limits the aggregate amount of replacement equipment that may be substituted to, among other restrictions, a percentage of the termination value under each lease. The termination value is equal to (1) the aggregate amount of outstanding principal of the corresponding notes issued by the special purpose entity, plus accrued and unpaid interest, and (2) the aggregate amount of equity investor contributions to the special purpose entity, plus all accrued amounts due on account of the investor yield and any other amounts owed to those investors in the special purpose entity or to the holders of the notes issued by the special purpose entity or their agents. In the following table, termination value does not include amounts in excess of the aggregate outstanding principal amount of notes and the aggregate outstanding amount of the equity investor contributions, as such amounts are periodically paid as supplemental rent as required by Hanover s compression equipment operating leases. The aggregate amount of replacement equipment substituted (in dollars and percentage of termination value), the termination value and the substitution percentage limitation relating to each of Hanover s compression equipment operating leases as of March 31, 2007 are as follows:

Lease	Value of Substituted Equipment	Percentage of Termination Value(1)	Termination Value(1)	Substitution Limitation as Percentage of Termination Value	Lease Termination Date
			(Dollars in millions)		
	$ 20.2	14.7%	$ 137.1	25%	September 2008

2001A compression equipment lease						
2001B compression equipment lease		55.4	21.5%		257.7	25%	September 2011
Total	$	75.6		$	394.8		

(1) Termination value assumes all accrued rents paid before termination.

In the event Hanover reaches the substitution limitation prior to a lease termination date, it will not be able to effect any additional substitutions with respect to such lease. This inability to substitute could have a

material adverse effect on Holdings business, consolidated financial position, results of operations and cash flows.

The tax treatment of the Universal Partnership depends on its status as a partnership for federal income tax purposes, as well as its not being subject to a material amount of entity-level taxation by individual states. If the Internal Revenue Service treats the Universal Partnership as a corporation or it becomes subject to a material amount of entity-level taxation for state tax purposes, it would substantially reduce the amount of cash available for distribution to the Universal Partnership s unitholders and undermine the Universal Partnership s cost of capital advantage, which would diminish one of the anticipated benefits of consummating the mergers.

The anticipated after-tax economic benefit of an investment in the Universal Partnership s common units depends largely on its being treated as a partnership for federal income tax purposes. The Universal Partnership has not received a ruling from the Internal Revenue Service, or IRS, on this or any other tax matter affecting it.

If the Universal Partnership were treated as a corporation for federal income tax purposes, it would pay federal income tax at the corporate tax rate and would also likely pay state income tax. Treatment of the Universal Partnership as a corporation for federal income tax purposes would result in a material reduction in the anticipated cash flow and after-tax return to its unitholders, likely causing a substantial reduction in the value of its common units.

Current law may change so as to cause the Universal Partnership to be treated as a corporation for federal income tax purposes or otherwise subject it to entity-level taxation. In addition, because of widespread state budget deficits and other reasons, several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise and other forms of taxation. The Universal Partnership s partnership agreement provides that if a law is enacted or existing law is modified or interpreted in a manner that subjects it to taxation as a corporation or otherwise subjects it to entity-level taxation for federal, state or local income tax purposes, the minimum quarterly distribution amount and the target distribution levels of the Universal Partnership may be adjusted to reflect the impact of that law on it at the option of its general partner without the consent of its unitholders. If the Universal Partnership were to be taxed as at the entity level, it would lose its comparative cost of capital advantage over a corporation structure, thereby undermining one of the companies key strategic reasons for consummating the mergers.

The combined company will face significant competition that may cause it to lose market share and harm its financial performance.

The U.S. compression business is highly competitive and there are low barriers to entry. Following the consummation of the mergers, Holdings expects to experience competition from companies that may be able to adapt more quickly to technological changes within its industry and throughout the economy as a whole, more readily take advantage of acquisitions and other opportunities and adopt more aggressive pricing policies. The ability of Holdings to renew or replace existing contracts with its customers at rates sufficient to maintain current revenue and cash flows could be adversely affected by the activities of its competitors and its customers. If its competitors substantially increase the resources they devote to the development and marketing of competitive services or substantially decrease the price at which they offer their services, Holdings may not be able to compete effectively. Some of these competitors may expand or construct newer or more powerful compression systems that would create additional competition for the services Hanover and Universal currently provide to their customers. In addition, customers that are significant producers of natural gas may purchase their own compression systems in lieu of using our contract compression services. In addition, Holdings other lines of business will face significant competition.

Following the consummation of the mergers, Holdings also may not be able to take advantage of certain opportunities or make certain investments because of its significant leverage, the agreements related to Hanover s compression equipment lease obligations and Holdings other obligations. All of these competitive

pressures could have a material adverse effect on the business, results of operations and financial condition of the combined company.

Natural gas operations entail inherent risks that may result in substantial liability to Holdings following the consummation of the mergers. Hanover and Universal do not insure against all potential losses and each could be seriously harmed by unexpected liabilities.

Natural gas operations entail inherent risks, including equipment defects, malfunctions and failures and natural disasters, which could result in uncontrollable flows of natural gas or well fluids, fires and explosions. These risks may expose Hanover, Universal or, following the consummation of the mergers, Holdings, as an equipment operator or fabricator, to liability for personal injury, wrongful death, property damage, pollution and other environmental damage. Although Hanover and Universal have obtained insurance against many of these risks, their insurance may be inadequate to cover their liabilities. For example, Universal has elected to fully self-insure its offshore assets. Further, insurance covering the risks Holdings expects to face or in the amounts it desires may not be available in the future or, if available, the premiums may not be commercially justifiable. If Hanover, Universal or Holdings were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if Hanover, Universal or Holdings were to incur liability at a time when it was not able to obtain liability insurance, the business, results of operations and financial condition of the combined company could be negatively impacted.

Following the consummation of the mergers, Holdings will be subject to a variety of governmental regulations.

Following the consummation of the mergers, Holdings will be subject to a variety of federal, state, local and international laws and regulations relating to the environment, health and safety, export controls, currency exchange, labor and employment and taxation. These laws and regulations are complex, change frequently and have tended to become more stringent over time. Failure to comply with these laws and regulations may result in a variety of administrative, civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions as to future compliance. From time-to-time as part of the regular overall evaluation of the operations of Holdings, including newly acquired operations, Holdings may be subject to compliance audits by regulatory authorities in the various countries in which it operates.

Environmental laws and regulations may, in certain circumstances, impose strict liability for environmental contamination, which may render Holdings liable for remediation costs, natural resource damages and other damages as a result of conduct that was lawful at the time it occurred or the conduct of, or conditions caused by, prior owners or operators or other third parties. In addition, where contamination may be present, it is not uncommon for neighboring land owners and other third parties to file claims for personal injury, property damage and recovery of response costs. Remediation costs and other damages arising as a result of environmental laws and regulations, and costs associated with new information, changes in existing environmental laws and regulations or the adoption of new environmental laws and regulations could be substantial and could negatively impact Holdings financial condition or results of operations.

Following the consummation of the mergers, Holdings may need to apply for or amend facility permits or licenses from time-to-time with respect to storm water or wastewater discharges, waste handling, or air emissions relating to manufacturing activities or equipment operations in order to comply with new or revised permitting conditions. In addition, customer service arrangements may require Holdings to operate, on behalf of a specific customer, petroleum storage units such as underground tanks or pipelines and other regulated units, all of which may impose additional compliance and permitting obligations.

Following the consummation of the mergers, Holdings will conduct operations at numerous facilities in a wide variety of locations across the country. The operations at many of these facilities will require federal, state or local

environmental permits or other authorizations. Additionally, following the consummation of the mergers, natural gas compressors at many of Holdings customer facilities will require individual air permits or general authorizations to operate under various air regulatory programs established by rule or regulation.

These permits and authorizations frequently contain numerous compliance requirements, including monitoring and reporting obligations and operational restrictions, such as emission limits. Given the large number of facilities in which Holdings will operate, and the numerous environmental permits and other authorizations that will be applicable to its operations, Holdings may occasionally identify or be notified of technical violations of certain requirements existing in various permits or other authorizations. Occasionally, both Hanover and Universal have been assessed penalties for their non-compliance, and the combined company could be subject to such penalties in the future.

In addition, future events, such as compliance with more stringent laws, regulations or permit conditions, a major expansion of the combined company s operations into more heavily regulated activities, more vigorous enforcement policies by regulatory agencies, or stricter or different interpretations of existing laws and regulations could require the combined company to make material expenditures.

The price of Holdings common stock may experience volatility.

Following the consummation of the mergers, the price of Holdings common stock may be volatile. Some of the factors that could affect the price of Holdings common stock are quarterly increases or decreases in revenue or earnings, changes in revenue or earnings estimates by the investment community, the ability of Holdings to implement its integration strategy and to realize the expected synergies and other benefits from the mergers and speculation in the press or investment community about Holdings financial condition or results of operations. General market conditions and U.S. or international economic factors and political events unrelated to the performance of Holdings may also affect its stock price. For these reasons, investors should not rely on recent trends in the price of Hanover s or Universal s common stock to predict the future price of Holdings common stock or its financial results.

The charter and bylaws of Holdings contain provisions that may make it more difficult for a third party to acquire control of it, even if a change in control would result in the purchase of your shares of common stock of Holdings at a premium to the market price or would otherwise be beneficial to you.

There are provisions in Holdings restated certificate of incorporation and bylaws that may make it more difficult for a third party to acquire control of it, even if a change in control would result in the purchase of your shares of common stock of Holdings at a premium to the market price or would otherwise be beneficial to you. For example, Holdings restated certificate of incorporation authorizes Holdings board of directors to issue preferred stock without stockholder approval. If the board of directors of Holdings elects to issue preferred stock, it could be more difficult for a third party to acquire it. In addition, provisions of Holdings restated certificate of incorporation and bylaws, such limitations on stockholder actions by written consent and on stockholder proposals at meetings of stockholders, could make it more difficult for a third party to acquire control of Holdings. Delaware corporation law may also discourage takeover attempts that have not been approved by the board of directors of Holdings.

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CAUTIONARY INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This joint proxy statement/prospectus and the documents that are incorporated into this joint proxy statement/prospectus by reference may contain or incorporate by reference forward-looking statements that do not directly or exclusively relate to historical facts. You can typically identify forward-looking statements by the use of forward-looking words, such as may, will, could, project, believe, anticipate, expect, estimate, continu plan, forecast and other words of similar import. Forward-looking statements include information concerning possible or assumed future results of our operations, including statements about the following subjects:

- benefits, effects or results of the proposed mergers;
- cost reductions, operating efficiencies or synergies resulting from the proposed mergers;
- operations and results after the proposed mergers;
- integration of operations;
- business strategies;
- growth opportunities;
- competitive position;
- market outlook;
- expected financial position;
- expected value of our compression equipment;
- expected results of operations;
- future cash flows;
- financing plans;
- budgets for capital and other expenditures;
- plans and objectives of management;
- timing of the consummation of the proposed mergers;
- ability to convey assets to the Universal Partnership;
- tax treatment of the proposed mergers;
- accounting treatment of the proposed mergers;
- costs in connection with the proposed mergers; and
- any other statements regarding future growth, future cash needs, future operations, business plans and future financial results, and any other statements that are not historical facts.

These forward-looking statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors. Many of those factors are outside of our control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. In addition to the risk factors described in this joint proxy statement/prospectus under Risk Factors, as well as the risk factors described in the other documents we file with the SEC and incorporate by reference in this joint proxy statement/prospectus, those factors include:

- our ability to renew our short-term equipment contracts with our customers so as to fully recoup our cost of the equipment;
- conditions in the oil and gas industry, including any prolonged substantial reduction in oil and natural gas prices, which could cause a decline in the demand for our compression and oil and natural gas production and processing equipment;

competition among the various providers of natural gas compression services, including any introduction of any competing technologies by other companies;

economic or political conditions in the countries in which we do business, including civil uprisings, riots, terrorism, kidnappings, the taking of property without fair compensation and legislative changes;

currency exchange rate fluctuations;

employment workforce factors, including the loss of key employees;

changes in safety and environmental regulations pertaining to the production and transportation of natural gas;

our ability to implement certain business objectives, such as international expansion and the ability to timely and cost-effectively execute integrated projects;

the inherent risks associated with our operations, such as equipment defects, malfunctions and natural disasters;

our ability to obtain components used to fabricate our products;

changes in governmental safety, health, environmental and other regulations, which could require us to make significant expenditures;

liability related to the use of our products and services; and

our ability to successfully complete merger, acquisition or divestiture plans (including the proposed mergers), regulatory or other limitations imposed as a result of a merger, acquisition or divestiture, and the success of the business following a merger, acquisition or divestiture.

In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. You should consider the areas of risk and uncertainty described above and discussed under Risk Factors in this joint proxy statement/prospectus and the other documents we file with the SEC and incorporate by reference in connection with any written or oral forward-looking statements that may be made after the date of this joint proxy statement/prospectus by Hanover, Universal or Holdings or anyone acting for any or all of them. Except as may be required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

THE MERGERS

The discussion in this joint proxy statement/prospectus of the mergers and the principal terms of the merger agreement are subject to, and are qualified in their entirety by reference to, the merger agreement, a composite copy of which is attached to this joint proxy statement/prospectus as Annex A and incorporated into this joint proxy statement/prospectus by reference.

General Description of the Mergers

The mergers are structured as all-stock transactions. Prior to entering into the merger agreement, Universal formed a new Delaware corporation, Iliad Holdings, Inc., which in turn formed two wholly owned subsidiaries, Ulysses Sub, Inc. and Hector Sub, Inc. Iliad Holdings, Inc. was renamed Exterran Holdings, Inc. on June 18, 2007. The merger agreement contemplates that Ulysses Sub will merge with and into Universal, with Universal surviving the merger. In that merger, which we call the Universal merger, the holders of Universal common stock will receive the right to receive one share of Holdings common stock for each share of Universal common stock they hold. As a result, the current holders of Universal common stock will become, temporarily, the holders of all of the outstanding shares of Holdings common stock, and Universal will become a wholly owned subsidiary of Holdings.

Immediately following the Universal merger, the merger agreement contemplates that Hector Sub will merge with and into Hanover, with Hanover surviving the merger. In that merger, which we call the Hanover merger, the holders of Hanover common stock will receive the right to receive 0.325 shares of Holdings common stock for each share of Hanover common stock they hold. As a result, the current holders of Hanover common stock will become holders of Holdings common stock, and Hanover will become a wholly owned subsidiary of Holdings.

We refer to the Universal merger and the Hanover merger together throughout this document as the mergers. Immediately following completion of the mergers, based on the number of shares of common stock of each of

Hanover and Universal outstanding as of February 2, 2007, the last trading day prior to the public announcement of the mergers, former Hanover stockholders will own approximately 53% of Holdings common stock and former Universal stockholders will own approximately 47% of Holdings common stock. We intend to apply to the New York Stock Exchange prior to the consummation of the mergers to list Holdings common stock under the symbol EXH.

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Background of the Mergers

From time to time, the board of directors and management of each of Hanover and Universal have examined possible strategic opportunities in an effort to ensure that their respective company is well positioned for future growth in light of industry developments. In the first quarter of 2004, an investment banker met with the management of Universal to discuss the possibility of a combination of Universal with Hanover. This same investment banker also met with Hanover s management to determine if Hanover was interested in a combination with Universal. Hanover considered the information presented by this investment banker but informed the investment banker that it was not interested in pursuing such a transaction, primarily because companies in the compression industry generally, including Hanover and Universal, were then experiencing a period of relatively weak results of operations and Hanover was then in the process of completing the settlement of an SEC investigation and class action securities litigation. Hanover and Universal did not engage in any direct dialogue regarding a business combination at this time.

At various times during 2004, members of management of the two companies had discussions with one another considering various strategic transactions. Specifically, the parties discussed transactions that generally involved the leasing or sale of certain of Hanover s and Universal s idle U.S. compression assets to each other to satisfy the needs of each other s respective customers as well as transactions involving various joint ventures and cooperation arrangements on international compression projects. Hanover and Universal were also requested by a major customer to jointly bid on a large international compression project, though the parties ultimately did not engage in the project. Hanover and Universal entered into preliminary discussions with respect to some of these potential transactions but ultimately were not able to reach an agreement on the terms of any such transaction. As a result of these conversations, however, Hanover offered to sell its Canadian compression assets to Universal. This sale was ultimately completed in November 2004 for approximately $57 million in cash.

In the first quarter of 2005, Hanover s board of directors authorized the company to issue shares of common stock in a registered public offering. Prior to engaging in the offering, management of Hanover decided to contact Universal to discuss the possibility of the parties merging. In March 2005, John E. Jackson, President and Chief Executive Officer of Hanover, Lee E. Beckelman, Senior Vice President and Chief Financial Officer of Hanover, Stephen A. Snider, the President and Chief Executive Officer of Universal, and J. Michael Anderson, the Senior Vice President and Chief Financial Officer of Universal, met to discuss the possibility of a merger between the two companies. The parties determined that it was not an opportune time to pursue a merger between the companies for a number of reasons, including complications from a financial, legal and operational perspective associated with such a merger, issues related to Hanover s capital structure and overall leverage at the time and the parties respective stock market valuations relative to one another. At the time, Hanover s debt-to-capital ratio was relatively high and the equity values of Hanover and Universal were not substantially similar based on the market price of their common stock, thus making it difficult to negotiate a merger of equals. In addition, management of each of Hanover and Universal was concerned that the pressures associated with a pending merger transaction would be too disruptive to the parties given their respective financial conditions at the time. As a result of this determination, management of Hanover and Universal decided not to further pursue merger discussions, and Hanover proceeded with its registered public offering of common stock, which was completed in August 2005.

Occasionally in 2005 and the first half of 2006, Mr. Jackson and Mr. Snider discussed the possibility of a transaction involving the companies. The discussions generally related to sales of various U.S. asset packages between the companies or joint venture arrangements for various international projects. None of these discussions, however, resulted in meaningful preliminary negotiations between the parties regarding a merger or any other strategic transaction.

In July and October 2006, the Hanover board of directors held regular meetings at which Mr. Jackson made presentations regarding various strategic alternatives that Hanover was in the process of evaluating. Included among those strategic alternatives under consideration was the possibility of Hanover forming a master limited partnership and commencing an initial public offering of units in that partnership as well as a business combination with Universal.

In October 2006, the Universal Partnership completed its initial public offering. Mr. Jackson telephoned Mr. Snider to congratulate him on the transaction.

In early November 2006, Mr. Jackson telephoned Mr. Snider to explore the possibility of Hanover and Universal engaging in a strategic transaction. Among the several strategic alternatives Mr. Snider and Mr. Jackson discussed were sales of certain assets by each company to the other and a possible merger of Hanover and Universal. Mr. Snider and Mr. Jackson agreed to further discuss the possibility of a business combination between Hanover and Universal at an in-person meeting. Each of Mr. Snider and Mr. Jackson believed that because of improvements in the business and capital structure of Hanover and Universal, this could potentially be an opportune time for the parties to consider a business combination. Hanover had significantly reduced its debt-to-capital ratio compared to early 2004, and the reduced debt at Hanover had also improved its earnings outlook. Management of each of Hanover and Universal also believed that because of the improved financial condition of each company and the industry in general, each company was then in a better position to withstand the disruptive pressures associated with a pending merger transaction. The equity values of Hanover and Universal were also substantially similar based on the market price of their common stock, thus making it more likely that the parties could negotiate a definitive transaction because it would be a merger of equals. In addition, Universal had completed the initial public offering of the Universal Partnership. Because Hanover was considering the formation of its own master limited partnership, the Universal Partnership made Universal a more attractive merger party to Hanover than before. Following this telephone call, Mr. Jackson telephoned Gordon Hall, the chairman of the Hanover board of directors, to inform him of these developments.

On November 21, 2006, Messrs. Jackson, Beckelman, Snider and Anderson, together with Brian Matusek, the Senior Vice President Western Hemisphere of Hanover, Ernie Danner, the Executive Vice President and Chief Operating Officer of Universal, Daniel Schlanger, the Vice President of Business Development of Universal Compression, Inc., and representatives of Credit Suisse, which from time to time had served as financial advisor to Hanover, met to discuss the possibility of a business combination between the companies. After that meeting, Universal contacted Goldman, Sachs & Co. to serve as its financial advisor in considering a possible business combination transaction with Hanover.

On December 6, 2006, Donald Wayne, the Vice President, General Counsel and Secretary of Universal, and Gary Wilson, the Senior Vice President, General Counsel and Secretary of Hanover, together with their respective antitrust counsel, met to discuss antitrust considerations relating to a possible business combination and the regulatory filings that might be required in connection with any such combination.

On December 7, 2006, Mr. Wayne and Mr. Wilson executed, on behalf of their respective companies, a confidentiality agreement pursuant to which the parties could exchange confidential financial and other information regarding their respective business. Following the execution of the confidentiality agreement, Mr. Wilson telephoned Mr. Hall to inform him that the parties had executed the confidentiality agreement, and thereafter Mr. Hall telephoned each of the Hanover directors to inform them of this development.

Beginning on December 11, 2006, Universal management, with the assistance of representatives of Goldman Sachs, began analyzing Hanover s business and considering the potential benefits, synergies and risks of a combination transaction.

On December 12, 2006, at a regular meeting of the Universal board of directors, Mr. Snider informed the Universal board of directors that a confidentiality agreement had been executed with Hanover and discussed the possibility of a transaction between Hanover and Universal, including the parties potential strategic fit and synergies.

On December 15, 2006, Messrs. Jackson, Beckelman, Snider and Anderson met to discuss a proposed schedule for conducting due diligence, analyzing potential synergies, negotiating a merger agreement and analyzing the required regulatory filings and implications of a potential transaction and the next steps in the process. After that meeting, Mr. Jackson telephoned Mr. Hall, who then telephoned each of the other Hanover directors to notify them of the information discussed by the parties at the December 15, 2006 meeting.

On December 20, 2006, the finance committee of the Hanover board of directors held a special telephonic meeting of the committee at which Messrs. Jackson and Wilson, Peter H. Kamin, William C. Pate and a representative of Vinson & Elkins L.L.P. participated. The committee has authority under its charter to, among other duties, review potential business combinations and make recommendations to the full board of directors. At that time, Messrs. Kamin and Pate had been appointed to become directors of Hanover, effective as of January 1, 2007. Mr. Kamin is a co-founder and Managing Partner of ValueAct Capital, an investment partnership that, together with its affiliates, then held just under 11% of Hanover s common stock. Mr. Pate is a Managing Director of Equity Group Investments, LLC (EGI), a private investment firm that then held approximately 9% of Hanover s common stock.

During that meeting, Mr. Jackson provided the finance committee with an overview of the meetings that had taken place over the past several weeks related to a potential strategic transaction between Hanover and Universal. Mr. Jackson led a discussion regarding the relative business characteristics of Hanover and Universal as well as their similar business segments. A representative of Vinson & Elkins discussed with the committee the customary process associated with negotiation of a business combination such as the one being considered by Hanover and Universal. The committee discussed matters related to the negotiation of a strategic business combination such as the retention of financial advisors and the allocation of break-up risks and associated fees. The committee also discussed issues relating to the engagement of a financial advisor to Hanover, including the structure of the fee payable to any such financial advisor. The committee authorized Messrs. Jackson and Hall to negotiate and retain a financial advisor for Hanover in connection with the consideration of a potential business combination with Universal. Following the meeting of the finance committee, Messrs. Hall and Jackson negotiated the terms of an engagement letter with Credit Suisse whereby Hanover engaged Credit Suisse to serve as its financial advisor in considering a potential transaction with Universal.

On December 27, 2006, Messrs. Beckelman, Matusek, Anderson, Schlanger and Danner and Larry Lucas, the Vice President Strategic Planning and Corporate Development of Hanover, and Kirk Townsend, a Senior Vice President of Universal, met to discuss the potential synergies to be obtained from a business combination.

On December 28, 2006, Mr. Jackson and Mr. Snider met to discuss governance and management issues relating to a business combination. Mr. Snider expressed an interest in being the chief executive officer of the combined company, and Mr. Jackson expressed that he was amenable to that result as long as Hanover would be appropriately represented in management positions of the combined company. Also on December 28, 2006, Hanover and Universal began to exchange confidential financial and other information to conduct due diligence.

On December 29, 2006, the Universal board of directors held a special telephonic meeting at which members of management provided an update regarding a potential transaction. The management update addressed, among other things, Universal s strategic fit with Hanover, the potential risks and challenges associated with a transaction and the potential benefits and synergies that could be obtained following completion of a transaction. The Universal directors expressed a desire to continue engaging in discussions and negotiations with Hanover regarding a transaction.

On January 2, 2007, Mr. Wayne and Mr. Wilson conducted a telephone conference with representatives of Baker Botts L.L.P., counsel to Universal, and Vinson & Elkins L.L.P., counsel to Hanover, to discuss the structure and timing of a potential transaction. That same day, members of Hanover and Universal management, together with representatives of Vinson & Elkins, Baker Botts, Goldman Sachs and Credit Suisse, conducted a telephone conference to discuss various considerations regarding the structure of a transaction.

On January 4, 2007, the Hanover board of directors held a special telephonic meeting. Representatives of Credit Suisse, along with several members of Hanover s management team, also participated in the meeting. Mr. Jackson provided the Hanover board of directors with an overview of the meetings that had taken place since the December 20, 2006 meeting of the finance committee related to a potential strategic transaction between Hanover and Universal and

of the engagement of Credit Suisse to serve as financial advisor to Hanover in connection with a possible business combination with Universal. Mr. Jackson then led a discussion

with the board of directors regarding strategic alternatives to a business combination with Universal, including maintaining Hanover s current structure and business strategy, the formation by Hanover of a master limited partnership, the acquisition by Hanover of Universal s international assets, the sale by Hanover of certain of its assets or a leveraged buyout. Mr. Jackson discussed the advantages of a business combination with Universal over these alternative strategies, including the expected financial synergies, the combination of personnel, and the increased scale of a combined company. Representatives of Credit Suisse then discussed various preliminary financial analyses regarding a potential business combination of Hanover and Universal. Representatives of Credit Suisse responded to various questions from directors regarding potential exchange ratios and other issues related to a potential business combination. The board of directors also discussed Hanover s preliminary results for the fourth quarter of 2006 and the timing of a public announcement of a potential business combination with Universal relative to the public announcement of Hanover s and Universal s results for the fourth quarter of 2006. Hanover s board of directors also instructed management to negotiate and execute an employee non-solicitation agreement with Universal. The Hanover board of directors then met in executive session to discuss matters related to the negotiation of a potential business combination with Universal and, following executive session, instructed management to continue negotiations with Universal and to continue its analysis of the potential business combination. The board of directors also instructed management to conduct a further analysis of the formation of a master limited partnership sponsored by Hanover as a strategic alternative to the proposed business combination with Universal.

On January 5, 2007, Mr. Jackson and Mr. Snider met to discuss issues relating to the management of a combined company. Later that day, members of Hanover and Universal management, together with representatives of Credit Suisse and Goldman Sachs, met to discuss financial and operational information. The parties exchanged information regarding the preliminary results of their respective performance in the fourth quarter of 2006 and each company s financial and operational outlook for 2007. Representatives of Hanover s management also made a presentation to familiarize Universal s management with the business segments in which Hanover is engaged but Universal is not.

Also on January 5, 2007, representatives of Baker Botts distributed to Hanover and its counsel an initial draft of the merger agreement that had been prepared by Baker Botts and Richards, Layton & Finger, P.A., special Delaware counsel to Universal.

On January 8, 2007, Mr. Wilson and Mr. Wayne executed, on behalf of their respective companies, a non-solicitation agreement with respect to certain categories of employees.

Also on January 8, 2007, the Universal board of directors held a special meeting at Universal s offices in Houston at which representatives of Goldman Sachs, Baker Botts and Universal s antitrust counsel, along with several members of Universal s management team, were present. During that meeting, Mr. Snider updated the board of directors regarding recent discussions with Hanover and its advisors, including discussions regarding transaction structure. Mr. Snider noted that counsel to Universal had distributed a draft of a merger agreement to Hanover and its counsel on January 5, 2007 and that a structuring meeting had been scheduled for January 9, 2007. Mr. Snider stated that he had also discussed with Mr. Jackson governance and social issues surrounding a possible transaction and observed that the parties would continue to discuss these matters. Representatives of Goldman Sachs then reviewed with the Universal board of directors Goldman Sachs preliminary financial analysis of a potential transaction. Goldman Sachs representatives, Mr. Snider and Mr. Danner discussed Hanover s lines of business. A representative of Baker Botts reviewed the directors fiduciary obligations in considering a transaction of this type, the terms of the current draft of the merger agreement that had been distributed to Hanover and its counsel and various structuring issues associated with a transaction. Universal s antitrust counsel then discussed with the Universal board of directors antitrust considerations with respect to a transaction.

On January 9, 2007, members of management of each of Hanover and Universal, along with representatives of Vinson & Elkins and Baker Botts, met to discuss structuring considerations. The parties discussed several possible

transaction structures and various considerations regarding each alternative. After considering those issues, the parties agreed that the preferred transaction structure would involve Universal s formation of a holding company with subsidiaries that would merge into each of Hanover and Universal. Each of

Universal s and Hanover s management also provided the other party with an update regarding its preliminary results for the fourth quarter of 2006.

On January 10, 2007, the Universal board of directors held a special telephonic meeting to discuss the potential transaction. Mr. Snider began by providing an update regarding recent meetings between representatives of Hanover and Universal, noting that most of the structural issues relating to the potential transaction had been resolved at the January 9, 2007 meeting between the parties and their counsel and that the parties were continuing to discuss the related governance and social issues. Mr. Snider noted that Hanover had scheduled a special board meeting and discussion with its financial advisor for January 12, 2007. Mr. Snider also discussed with the Universal board of directors Universal s preliminary results for the fourth quarter of 2006 and the impact of finalizing and announcing those results, as well as Hanover s fourth quarter results, on the timing of the proposed transaction.

Also on January 10, 2007, representatives of Baker Botts distributed to Hanover and its counsel a draft of the merger agreement that had been revised to reflect changes to the transaction structure agreed upon at the January 9, 2007 meeting.

On January 11, 2007, Mr. Hall and Mr. Snider met to discuss management and governance issues relating to a combined company. Mr. Jackson later joined the meeting and participated in those discussions. Mr. Anderson then met with Messrs. Hall and Jackson to discuss financial matters and other strategies and goals relating to the proposed transaction and a combined company.

That evening, Mr. Snider had dinner with Messrs. Hall and Pate during which they discussed Mr. Snider s strategies and goals for a combined company.

On January 12, 2007, the Hanover board of directors held a special telephonic meeting. Representatives of Credit Suisse and Vinson & Elkins, along with several members of Hanover s management team, also participated in the meeting. A representative of Vinson & Elkins reviewed with the directors and answered questions regarding the directors fiduciary obligations in considering a transaction of this type. Mr. Jackson provided the board of directors with an update regarding the parties discussions, noting that a preliminary draft merger agreement was under review and that Hanover and Universal had signed an employee non-solicitation agreement. Mr. Jackson informed the board of directors that the preliminary results for the fourth quarter of 2006, which had been previously exchanged by representatives of Hanover and Universal, indicated that Hanover expected to be at or above the consensus expectation of securities analysts regarding its earnings per share and that Universal expected to be slightly below that consensus on its earnings per share. The Hanover board of directors discussed the impact these preliminary results would have on the negotiation of an exchange ratio in connection with a potential business combination with Universal. Hanover s management also discussed with the board of directors their understanding and evaluation of Universal s preliminary results for the fourth quarter of 2006 and the potential impact those results may have on results for 2007, based upon discussions between Hanover s and Universal s management. Prior to that time, representatives of Hanover and Universal had discussed an exchange ratio based upon the then-current market prices of Hanover s and Universal s common stock. The board of directors engaged in a discussion of the advantages and disadvantages of other strategic alternatives to a business combination with Universal. Specifically, it was noted that a business combination with Universal would eliminate the resource and management distraction that would be required for Hanover to form its own master limited partnership while providing a larger and more diverse asset base that could be contributed to a master limited partnership. The Hanover board of directors also discussed the cost synergies associated with a business combination with Universal, the improvement in Hanover s capital structure as a result of a business combination with Universal and certain other benefits. Representatives of Credit Suisse then reviewed and discussed with the Hanover board of directors Credit Suisse s preliminary financial analysis of a potential business combination with Universal. The Hanover board of directors also discussed with a representative of Vinson & Elkins issues associated with releasing Hanover s preliminary results for the fourth quarter of 2006 prior to the expected

announcement of earnings on February 15, 2007. The directors discussed a preference not to enter into a merger agreement with Universal until Hanover and Universal had released their respective results for the fourth quarter of 2006 unless the

Hanover stockholders received some premium to the then-current market price of Hanover s common stock in connection with the merger.

Following the Hanover board meeting, Mr. Jackson conveyed to Mr. Snider the concern expressed by members of the board of directors with negotiating an exchange ratio prior to the announcement by Hanover and Universal of their respective results for the fourth quarter of 2006. Mr. Snider thereafter distributed an email to the Universal directors to inform them of the Hanover directors position.

Also on January 12, 2007, the board of directors of the general partner of the Universal Partnership held a special telephonic meeting at which Mr. Snider apprised that board of the potential transaction. Messrs. Snider and Schlanger then discussed with the board the potential impact of the transaction on the Universal Partnership.

On January 16, 2007, Mr. Snider met with Samuel Zell of EGI, a Hanover stockholder which had previously executed a non-disclosure agreement with Hanover. Mr. Pate, a director of Hanover, is a Managing Director of EGI. Mr. Snider and Mr. Zell discussed issues relating to the senior management of a combined company and timing of the release of the parties fourth quarter 2006 results. Mr. Snider and Mr. Zell also discussed the potential impact of the Universal Partnership on Hanover s U.S. compression business and the significance to the combined company of Hanover s international business. Mr. Zell subsequently discussed the potential transaction with Messrs. Jackson, Hall and Pate, following which Mr. Jackson and Mr. Hall contacted each of the other Hanover directors. Hanover s directors and management determined that it would be productive to continue negotiating toward a definitive merger agreement with Universal rather than to wait until each of Hanover and Universal had announced their respective results for the fourth quarter of 2006 primarily due to the risk that the existence of the discussions between the parties might leak to the market during the period of delay and the potential impact any such leak could have on the market price of each company s stock. Based on these conversations with the Hanover directors, Hanover decided to propose an exchange ratio of 0.340 shares of common stock of Universal or the new holding company to be issued in exchange for each outstanding share of Hanover common stock.

On January 17, 2007, Mr. Jackson telephoned Mr. Snider to propose that exchange ratio.

On January 18, 2007, members of Universal management met to discuss and analyze the exchange ratio proposed by Hanover. Mr. Snider also contacted several board members that day to convey and discuss Hanover s proposal.

On January 18, 2007, Messrs. Jackson and Beckelman met with representatives of Credit Suisse in New York to review and discuss potential exchange ratios for the transaction and other financial aspects of a potential business combination.

On January 19, 2007, Universal s management team met with representatives of Goldman Sachs to discuss and analyze various exchange ratios for the transaction and other financial matters related to the proposed business combination. Following the meeting, Mr. Snider telephoned Mr. Jackson to schedule a meeting regarding the unresolved transaction issues. On January 20, 2007, Mr. Snider and Mr. Jackson met to discuss the proposed exchange ratio. In response to Mr. Jackson s proposal, Mr. Snider counterproposed an exchange ratio of 0.320 shares of common stock of Universal or the new holding company to be issued in exchange for each outstanding share of Hanover common stock.
Mr. Snider and Mr. Jackson also continued their discussions regarding the senior management of the combined company and agreed to propose to their respective boards of directors that Mr. Snider would become the Chief Executive Officer of the combined company. Mr. Snider and Mr. Jackson also agreed to propose that the Chairman of the combined company would come from Hanover s current board of directors and that Mr. Danner would be a non-executive director of the combined company.

On January 20, 2007, following his meeting with Mr. Snider, Mr. Jackson telephoned Messrs. Hall, Pate and Kamin and Stephen Pazuk, the Chairman of the finance committee of the Hanover board of directors, and representatives of Credit Suisse to discuss his January 20, 2007 meeting with Mr. Snider. Mr. Jackson and Mr. Hall subsequently telephoned each of the other members of the Hanover board of directors to discuss the same topic. Following these discussions with the Hanover directors, Mr. Jackson, together with representatives

of Credit Suisse, telephoned Mr. Snider on January 22, 2007 to propose an exchange ratio of 0.325 shares of common stock of Universal or the new holding company to be issued in exchange for each outstanding share of Hanover common stock, which represented a premium to Hanover stockholders based on the then-current market prices of Hanover s and Universal s common stock.

On January 23, 2007, Mr. Snider telephoned Mr. Jackson to state that Universal management would recommend the proposed exchange ratio to Universal s board of directors. Later that day, the Universal board of directors held a special telephonic meeting to review the status of the proposed transaction. At that meeting, Mr. Snider noted that Hanover had proposed an exchange ratio of 0.325 shares of common stock of Universal or the new holding company for every share of Hanover common stock to be exchanged in the merger and that Universal management recommended the proposed exchange ratio. Members of Universal management and the Universal board of directors then discussed the impact of the proposed transaction and exchange ratio on Universal. Mr. Snider noted that any tentative agreement between Hanover and Universal regarding the exchange ratio would remain subject to completion of due diligence, finalization of the merger agreement and final board approval.

Also on January 23, 2007, representatives of Vinson & Elkins distributed to Universal and its counsel a revised draft of the merger agreement reflecting comments from Vinson & Elkins and Morris Nichols Arsht & Tunnell LLP, special Delaware counsel to Hanover.

On January 25, 2007, Mr. Snider met with Mr. Jackson, Norman Mckay, the Senior Vice President Eastern Hemisphere of Hanover, Mr. Danner and Mr. Matusek, to discuss potential roles, responsibilities and positions and other management issues relating to the combined company. Mr. Jackson and Mr. Snider then met separately and agreed to propose to their respective boards of directors that Mr. Hall serve as Chairman, Mr. Jackson serve as a non-executive director, Mr. Anderson serve as Chief Financial Officer and Mr. Matusek serve as Chief Operating Officer of the combined company.

On January 26, 2007, Mr. Snider met with the directors of Hanover in advance of a meeting of the Hanover board to exchange views regarding the proposed transaction. After concluding their discussions with Mr. Snider, the Hanover board of directors held a regular meeting in Houston at which representatives of Credit Suisse and Vinson & Elkins, along with several members of Hanover s management team, were present. During that meeting, Mr. Jackson provided the board of directors with an overview of the status of the negotiations with Universal and the strategic benefits and expected synergies associated with a business combination with Universal. The board of directors then engaged in a discussion of alternative strategic transactions and the advantages and disadvantages of the proposed business combination with Universal compared to those alternative strategic transactions. The primary strategic alternatives considered by the board of directors were (1) the creation of a master limited partnership to which Hanover could contribute its U.S. rental business (if it was successful in restructuring certain customer contracts) and (2) continuing as an independent company and focusing on its international growth strategy using available capital. The board also discussed other general strategies that might be available to Hanover, including acquisitions of other assets in the U.S. and in international markets, the sale of U.S. compression assets to other master limited partnerships and leveraged buy-out transactions. Representatives of Credit Suisse then reviewed their preliminary financial analyses regarding the proposed business combination. Representatives of Vinson & Elkins reviewed the directors fiduciary obligations in considering a transaction of this type, the terms of the current draft of the merger agreement that had been distributed to Hanover and its counsel, various structuring issues associated with the merger and the legal consequences of the proposed transaction and remaining matters to be negotiated by Hanover and Universal. Hanover s antitrust counsel then discussed with the Hanover board of directors antitrust considerations with respect to the proposed transaction. The Hanover board of directors then met in executive session to discuss various matters related to the proposed transaction.

On January 27, 2007, representatives of Baker Botts distributed to Hanover and its counsel a draft of the merger agreement that had been revised to reflect discussions among outside counsel.

On January 29, 2007, members of management of each of Hanover and Universal, along with representatives of Vinson & Elkins, Baker Botts, Credit Suisse and Goldman Sachs, met to further discuss various financial, accounting, legal and tax matters. Mr. Anderson first provided an update regarding Universal s

preliminary results for the fourth quarter 2006. Mr. Beckelman then provided an update regarding Hanover s preliminary results for the fourth quarter 2006. The parties then discussed a number of financial, tax, accounting, operational, legal and corporate compliance due diligence topics.

During the week of January 29, 2007, Mr. Jackson and Mr. Snider spoke telephonically several times about management issues and about the presentation of the proposed merger to the parties respective employees, customers and suppliers.

On January 31, 2007, representatives of Vinson & Elkins distributed to Universal and its counsel a revised draft of the merger agreement reflecting comments from Vinson & Elkins and Morris Nichols.

On February 1, 2007, Mr. Snider and Universal director Will Honeybourne met with Mr. Jackson and Hanover director I. Jon Brumley to discuss management issues relating to the combined company. Also on February 1, 2007, representatives of Baker Botts distributed to Hanover and its counsel a draft of the merger agreement that had been revised to reflect discussions among outside counsel.

On February 2, 2007, Messrs. Snider, Jackson and Mckay engaged in a telephonic discussion of management issues relating to the combined company.

On February 2 and 3, 2007, counsel to Hanover and Universal engaged in discussions regarding the draft merger agreement and exchanged revised drafts of the merger agreement.

On February 3, 2007, Mr. Hall met with the directors of Universal in advance of a meeting of the Universal board to exchange views regarding the proposed transaction. After concluding their discussions with Mr. Hall, the Universal board of directors held a special meeting. At the meeting, Universal s management, together with representatives of Goldman Sachs, Baker Botts and Universal s antitrust counsel, apprised the Universal board of the status of discussions and reviewed the terms of the proposed transaction as reflected in the form of the merger agreement. Representatives of Goldman Sachs delivered its oral opinion to the board that, as of that date, based upon and subject to the factors and assumptions set forth in its opinion, the exchange ratio pursuant to which Universal s stockholders would exchange their common stock for Holdings common stock in the Universal merger was fair from a financial point of view to Universal s stockholders. Representatives of Baker Botts advised the Universal board regarding the terms of the merger agreement, certain legal matters and the board s consideration of the potential transaction. Representatives of Universal s antitrust counsel then discussed with the Universal board certain antitrust considerations with respect to the proposed transaction. Following extensive discussion, the Universal board unanimously determined that the merger agreement and the transactions it contemplates are advisable, fair to and in the best interests of Universal and its stockholders, approved the merger agreement and recommended that the Universal stockholders vote for the adoption of the merger agreement.

On February 3, 2007, the Hanover board of directors held a special telephonic meeting. Representatives of Credit Suisse and Vinson & Elkins, along with several members of Hanover s management team also participated in the meeting. Hanover s management apprised the board of directors of the status of discussions and reviewed the terms of the proposed mergers as reflected in the form of merger agreement that had been provided to the directors. Representatives of Credit Suisse rendered its oral opinion to the Hanover board to the effect that, as of that date and based upon and subject to the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Credit Suisse in connection with its opinion, the Hanover exchange ratio was fair from a financial point of view to holders of Hanover common stock. That opinion was subsequently confirmed in writing dated the same date. Representatives of Vinson & Elkins advised the Hanover board of directors regarding the terms of the merger agreement, certain legal matters and the board s consideration of the potential transaction. Following extensive discussion, the Hanover board of directors unanimously determined that the merger

agreement and the transactions it contemplates are advisable and in the best interests of the stockholders of Hanover, approved the merger agreement and recommended that the Hanover stockholders vote for the adoption of the merger agreement.

After the meetings, the merger agreement was executed and delivered by the parties thereto on February 5, 2007. On February 5, 2007, Goldman Sachs delivered its written opinion to the Universal board that, as of that

date, and based on and subject to the factors and assumptions set forth in its opinion, the exchange ratio pursuant to which Universal s stockholders would exchange their common stock for Holdings common stock in the Universal merger was fair from a financial point of view to Universal s stockholders. On February 5, 2007, before the opening of trading on the New York Stock Exchange, Hanover and Universal issued a joint press release announcing the execution of the merger agreement and their respective projected results for the fourth quarter of 2006.

Strategic and Financial Rationale for the Mergers

In the course of their discussions, both Hanover and Universal recognized that there were substantial potential strategic and financial benefits to be obtained from the mergers. This section summarizes the primary strategic and financial reasons why Hanover and Universal entered into the merger agreement. For a discussion of various factors that could prohibit or limit the parties ability to realize some or all of these benefits the parties expect to achieve in the merger, please read Risk Factors beginning on page 22, Hanover s Reasons for the Mergers and Recommendation of Hanover s Board of Directors beginning on page 44 and Universal s Reasons for the Mergers and Recommendation of Universal s Board of Directors beginning on page 48.

We believe the mergers will provide the stockholders of each of Hanover and Universal an opportunity to realize increased long-term returns on their investment by creating a combined company that is a global leader in the natural gas compression services and production and processing equipment fabrication industry. We believe that the mergers will enhance stockholder value by, among other things, enabling the parties to capitalize on the following benefits:

Complementary Strengths. The mergers will combine Hanover s strength in international contract compression and Hanover s expertise as a provider of service, fabrication and equipment for oil and natural gas production, processing and transportation applications with Universal s expectation that it can achieve a lower cost of capital in U.S. contract compression through the Universal Partnership. Hanover s and Universal s international businesses complement one another well, as they primarily operate in different countries with minimal overlapping locations.

Shared Vision. We share a common vision of the future of the natural gas compression and production and processing equipment industry. We believe this shared vision will better enable the combined company to effectively implement its business plan following consummation of the mergers. This vision includes transferring our U.S. contract compression business to the Universal Partnership over time and investing substantial capital in expanding our international business. Both companies are focused on expanding the combined company s natural gas compression services, compressor fabrication business and production and processing equipment fabrication businesses in international markets.

Impact on Customers. We believe the mergers will have a favorable impact on our customers. Specifically, the mergers should benefit customers through improved operating efficiencies and reliability as well as a broader and deeper array of experienced and skilled technicians and service specialists who can serve the needs of our customers. Further, the mergers will strengthen each company s ability to offer a full range of compression products and services to its customers. The combined company will also benefit from each company s commitment to customer service.

Cost-of-Capital Advantage of Universal Partnership. The mergers will result in a larger pool of U.S. compression contracts and assets available for transfer to the Universal Partnership over time to take advantage of a lower cost of capital than Hanover and Universal s current corporate structures. Over time, the combined company expects to transfer a substantial portion of its U.S. compression contracts and assets to the Universal Partnership.

Financial Position. We believe the combined company initially will have increased earnings and cash flow as a result of its size and business line diversification, with improved access to capital markets.

Expanded International Platform. The mergers will create a combined company with greater international reach and a broader geographic diversification of its compression business than either company

would have by itself. We believe that international compression, combined with production processing capabilities, will become increasingly significant given the rapid expansion of natural gas infrastructure in international locations, and that the combined company s more geographically balanced business will be better positioned to take advantage of future opportunities in the worldwide energy services market.

Significant Cost Savings and Synergies. We believe that the synergies expected to be captured through the integration of the operations of the two companies, combined with the increased size, breadth and depth of the combined company, will allow for greater future profitability than either company could achieve on a stand-alone basis. Not including implementation and transaction costs, the mergers are expected to generate approximately $50 million in annual gross synergies, when fully realized in 2009. These cost savings will result from elimination of duplicate spending (including, but not limited to, overhead costs and general and administrative expense relating to executive officers) and overlapping functions and modifications to our processes to become more efficient, including potentially standardizing our equipment. Following the completion of the mergers, the combined company plans to undertake a comprehensive review of its operations, particularly in the United States, to determine which facilities and functions are duplicative and can be eliminated or converted to a different use. These expected cost savings and synergies are estimates that may change, and achieving the expected cost savings and synergies is subject to a number of risks and uncertainties.

Hanover s Reasons for the Mergers and Recommendation of Hanover s Board of Directors

At its meeting on February 3, 2007, after due consideration, the Hanover board of directors unanimously:

determined that the merger agreement and the transactions contemplated thereby are advisable and in the best interests of the stockholders of Hanover;

approved, authorized and adopted the merger agreement; and

recommended that the stockholders of Hanover vote FOR adoption of the merger agreement at the meeting of stockholders of Hanover.

In approving the merger agreement and making these determinations, the Hanover board of directors consulted with Hanover s management as well as Hanover s financial advisor and legal counsel, and considered a number of factors, which are discussed below. The following discussion of the information and factors considered by the Hanover board of directors is not intended to be exhaustive. In view of the wide variety of factors considered in connection with the mergers, the Hanover board of directors did not consider it practicable to, nor did it attempt to, quantify or otherwise assign relative weights to the specific material factors it considered in reaching its decision. In addition, individual members of the Hanover board of directors may have given different weight to different factors. The Hanover board of directors considered this information and these factors as a whole, and overall considered the relevant information and factors to be favorable to, and in support of, its determinations and recommendations.

The Hanover board of directors considered the following as generally supporting its decision to enter into the merger agreement:

Mutual Benefits. The Hanover board considered the expected benefits to both companies and their stockholders described above under Strategic and Financial Rationale for the Mergers.

Interest in Master Limited Partnership. The Hanover board considered that the mergers would combine Hanover with Universal, which already has formed a master limited partnership that provides a lower cost of capital than Hanover s corporate structure. The Hanover board believes that the mergers will allow Hanover to

capture the benefits of the master limited partnership structure more quickly and cost-effectively than if Hanover itself attempted to sponsor and complete an initial public offering by a master limited partnership.

Financial Flexibility. The Hanover board considered the expected financial condition of the combined company after the mergers, including its expected market capitalization, balance sheet, revenues, profits and earnings per share, and noted that the combined company should provide Hanover stockholders

with increased liquidity and provide the combined company with a potentially lower cost of capital from future equity and debt transactions than Hanover as a stand-alone entity. The Hanover board also considered a projection that the mergers are expected to be accretive to estimated earnings per share of Holdings in 2007 compared to estimated earnings per share of Hanover in 2007, after factoring in synergies and excluding the one-time costs related to the mergers, by approximately $0.23.

Ownership of Holdings. The Hanover board noted that the stockholders of Hanover would own approximately 53% of the combined company based on the application of the negotiated exchange ratios used in the mergers and the number of shares of Hanover and Universal common stock outstanding as of the date of the merger agreement. Because of the various elements that were considered in the relative negotiated valuations of the two companies, including that Hanover was contributing slightly more assets and revenue than Universal, it was important to the Hanover board that the application of the exchange ratios result in stockholders of Hanover owning a slight majority of the combined company.

Board Composition. The Hanover board considered that, upon consummation of the mergers, one-half of the board of Holdings will consist of members of Hanover s board, and that the Chairman of the Board of Hanover will serve as the Chairman of the Board of Holdings. The Hanover board believed that because the transaction was structured as a merger of equals, the board of Holdings initially should be balanced between legacy Hanover directors and Universal directors. In addition, because several members of the senior management team of Universal will serve as members of the senior management team of Holdings, the Hanover board believed it was important that the initial Chairman of the Board of Holdings be a current member of the Hanover board in order to maintain this balance. The Hanover board believed that this balance would enable the combined company to take advantage of the expertise and leadership of both companies.

Composition of Management. The Hanover board considered that, upon consummation of the mergers, the senior management team of Holdings will be balanced between former executives of Hanover and Universal. For example, Stephen A. Snider will serve as President and Chief Executive Officer while Brian A. Matusek will serve as Chief Operating Officer. The Hanover board believed that this balance was important for many of the same reasons that it believed it was important to maintain a balance on the board of directors of Holdings as described above.

Increased Operational Scale. The Hanover board considered the potential benefits to the combined company and Hanover s employees from the expanded opportunities available as a result of being part of a larger organization with increased operational scale. This increased operational scale should allow the combined company to take advantage of the benefits of increased size, an expanded customer base, a more diversified product and service offering, increased geographic presence and greater resources to service the needs of Holdings customers. The additional scale may also provide additional options for future potential strategic alternatives and will enable the combined company to increase the diversity of its risk portfolio. It should also allow the combined company to provide its employees with improved benefits associated with a larger organization as well as giving them greater opportunities to advance their careers in different fields and in more regions of the world.

No Cash Outlay. The Hanover board noted that the consideration in the mergers consists of common stock of Holdings rather than cash (other than cash paid in lieu of fractional shares of Holdings common stock), which does not require the combined company to make any additional borrowings or cash outlays (other than to pay expenses associated with the mergers).

Reciprocity of Merger Agreement. The Hanover board considered the largely reciprocal nature of the terms of the merger agreement, including the representations and warranties, obligations and rights of the parties under

the merger agreement, such as the provisions that permit either party to respond to an unsolicited superior proposal and change its recommendation of the mergers, the conditions to each party s obligation to complete the mergers, the instances in which each party is permitted to terminate the merger agreement and the related termination fees payable by each party in the event of termination of the merger agreement under specified circumstances.

Fairness Opinion Presented to the Hanover Board. The Hanover board considered the financial analysis reviewed and discussed with the Hanover board by representatives of Credit Suisse as well as the oral opinion as of February 3, 2007 of Credit Suisse to the Hanover board (which was subsequently confirmed in writing by delivery of Credit Suisse s written opinion dated the same date) as to the fairness from a financial point of view to the holders of Hanover common stock of the Hanover exchange ratio in the mergers. The full text of Credit Suisse s written opinion, setting forth the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Credit Suisse in preparing its opinion is attached as Annex B to this joint proxy statement/prospectus.

Tax-Free Exchange. The Hanover board also took into account that the mergers are intended to be tax-free to the holders of Hanover common stock and that the closing of the Hanover merger is conditioned upon the receipt of a favorable opinion from tax counsel to Hanover.

Stock Market Prices. The Hanover board considered the historical and current market prices of Hanover s common stock and Universal s common stock. The overall equity values of Hanover and Universal based on the market prices of their common stock were relatively equal, which provided the basis for the companies to negotiate a merger agreement that is relatively balanced between the two companies.

Corporate Governance Provisions. The Hanover board considered the corporate governance provisions contained in the proposed certificate of incorporation and bylaws of Holdings and believed that such provisions reflect an appropriate balance between good corporate governance and necessary protections to conduct the business of Holdings in an orderly fashion.

Location of Headquarters. The Hanover board considered that both Hanover and Universal are headquartered in Houston, Texas and the headquarters of the combined company will remain in Houston, Texas, thus reducing the disruption caused by the mergers to Hanover employees who work at Hanover s current headquarters.

The Hanover board also considered the potential risks of the mergers, including the following:

Fixed Exchange Ratio. The Hanover board considered the fact that the fixed exchange ratio would not adjust downwards to compensate for changes in the price of Hanover s or Universal s common stock prior to the consummation of the mergers, and that the terms of the merger agreement did not include termination rights triggered expressly by a decrease in the value of Universal relative to the value of Hanover. The Hanover board determined this structure was appropriate and the risk acceptable due to the directors focus on the relative intrinsic values and performance of Hanover and Universal and the inclusion in the merger agreement of other structural protections, such as the board s ability to change its recommendation in favor of the merger agreement or to terminate the merger agreement in certain other circumstances.

Regulatory Approvals. The Hanover board considered the extensive regulatory approvals required to complete the mergers and the risk that governmental authorities might seek to impose unfavorable terms or conditions on the required approvals or that such approvals may not be obtained at all. The Hanover board further considered the potential length of the regulatory approval process and the period of time Hanover may be subject to the merger agreement without assurance that the mergers will be completed.

Restrictions of Interim Operations. The Hanover board considered the provisions in the merger agreement placing restrictions on Hanover s operations until completion of the mergers, and the extent of those restrictions as negotiated between the parties. These restrictions could have the effect of preventing Hanover from pursuing

other strategic transactions during the pendency of the merger agreement, including certain material acquisitions and divestitures. In addition, these restrictions limit the ability of Hanover to raise capital through the issuance of equity securities or the incurrence of certain indebtedness. In considering the potential risks imposed by the merger agreement, the Hanover board determined that the potential benefits of the mergers outweighed these risks. See The Merger

Agreement Covenants and Agreements Interim Operations beginning on page 84 for further information.

Personnel. The Hanover board considered the adverse impact that business uncertainty pending completion of the mergers could have on the ability to attract, retain and motivate key personnel until the consummation of mergers. The Hanover board determined, however, to address this risk by implementing a retention program designed to retain key employees during the pendency of the merger agreement. See Interests of Hanover and Universal Directors and Executive Officers in the Mergers Interests of Hanover Directors and Executive Officers in the Mergers Retention Plan beginning on page 70. The Hanover board also considered the level and impact of job reductions as a result of transaction-related synergies and whether the possibility of those further job reductions also could make it more difficult for Holdings to attract, retain and motivate key personnel. In considering the potential risks associated with employee morale and retention issues, the Hanover board determined that the potential benefits that the mergers could afford to the employees of Hanover outweighed these risks.

Non-Solicitation and Related Provisions. The Hanover board considered the provisions of the merger agreement that, subject to certain exceptions, prohibit Hanover from soliciting, entering into or participating in discussions regarding any takeover proposal and the provisions of the agreement that require Hanover to conduct a stockholder meeting to consider adoption of the merger agreement whether or not the board of that company continues to recommend in favor of the mergers. See The Merger Agreement Covenants and Agreements No Solicitation beginning on page 90 for further information.

Termination Fee. The Hanover board considered the risk of the provisions in the merger agreement relating to the potential payment of a termination fee of up to $70 million under certain circumstances and determined that those provisions were customary and appropriate. See The Merger Agreement Expenses and Termination Fees beginning on page 95 for further information.

Universal Business Risks. The Hanover board considered certain risks inherent in Universal s business and operations and other contingent liabilities. Many of these risks are described under the heading Risk Factors in Universal s Annual Report on Form 10-K, which is incorporated by reference herein. Based on reports of management and outside advisors regarding the due diligence process and the representations and warranties made by Universal in the merger agreement, the Hanover board determined that these risks were manageable as part of the ongoing business of the combined company.

Integration and Synergies. The Hanover board considered the challenges inherent in the combination of two business enterprises of the size and scope of Hanover and Universal, including the possibility the anticipated cost savings and synergies and other benefits sought to be obtained from the mergers might not be achieved in the time frame contemplated or at all.

As part of the overall mix of information it considered, the Hanover board also considered the interests that certain Hanover executive officers and directors may have with respect to the mergers in addition to their interests as Hanover stockholders. See Interests of Hanover and Universal Directors and Executive Officers in the Mergers beginning on page 65 for further information. This factor was not determined to necessarily be in support of or against the Hanover board s decision to recommend the mergers.

The Hanover board concluded that, overall, the potential benefits of the mergers to Hanover and its stockholders outweighed the risks, many of which are mentioned above.

The Hanover board realized that there can be no assurance about future results, including results considered or expected as described in the factors listed above. It should be noted that this explanation of the reasoning of the

Hanover board and all other information presented in this section are forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading Cautionary Information Regarding Forward-Looking Statements beginning on page 33.

The Hanover board of directors has unanimously approved, authorized and adopted the merger agreement, has unanimously determined that the merger agreement and the transactions contemplated thereby, including the mergers, are advisable and in the best interests of the stockholders of Hanover, and unanimously recommends that Hanover stockholders vote FOR the proposal to adopt the merger agreement.

Universal s Reasons for the Mergers and Recommendation of Universal s Board of Directors

At its meeting on February 3, 2007, after due consideration, the Universal board of directors unanimously:

determined that the merger agreement and the transactions it contemplates are advisable, fair to and in the best interests of Universal and its stockholders;

approved the merger agreement; and

recommended that the Universal stockholders vote for the adoption of the merger agreement.

In reaching its determination to recommend the adoption of the merger agreement, the Universal board of directors consulted with management as well as Goldman Sachs, Universal s financial advisor, and Universal s legal counsel. Universal s board of directors also considered various material factors that are discussed below. The discussion in this section is not intended to be an exhaustive list of the information and factors considered by Universal s board of directors. In view of the wide variety of factors considered in connection with the mergers, the Universal board of directors did not consider it practicable to, nor did it attempt to, quantify or otherwise assign relative weights to the specific material factors it considered in reaching its decision. In addition, individual members of the Universal board of directors may have given different weight to different factors. The Universal board of directors considered this information and these factors, as a whole and, overall, considered the relevant information and factors to be favorable to, and in support of, its determinations and recommendation.

The Universal board of directors considered the following factors as generally supporting its decision to enter into the merger agreement:

Mutual Benefits. The Universal board considered the expected benefits to both companies and their stockholders described above under Strategic and Financial Rationale for the Mergers.

Enhanced Universal Partnership Growth Opportunities. Universal intends for the Universal Partnership to be the primary vehicle for the growth of Universal s domestic contract compression business because the Universal Partnership s structure provides a lower cost of capital than Universal s corporate structure. The Universal board considered that the mergers will provide a greater number of compressor units and customers that can be transferred to the Universal Partnership over time, thereby enhancing the value of the Universal Partnership, as well as the value of Universal s general partner interest in the Universal Partnership.

Regional and Operational Scale and Diversification. The Universal board considered that the combined company should benefit from increased operational scale. The Universal board also considered that the combined company will be engaged in production and processing equipment fabrication, a complementary line of business in which Universal is not currently engaged.

Financial Flexibility. The Universal board noted a projection that the mergers are expected to be accretive to estimated earnings per share of Holdings in the second half of 2007 as compared to estimated earnings per share of Universal in the second half of 2007, after factoring in synergies and excluding the one-time costs

related to the mergers, by approximately 12%. The Universal board noted that the transaction is expected to provide greater liquidity to Universal s stockholders because of the increased size of the combined company s market capitalization resulting from the all-stock transaction. This increase in market capitalization is also expected to provide the combined company with better access to capital markets than either company could achieve by itself.

Impact on Credit Profile. The Universal board considered certain selected credit metrics of the combined company on a pro forma basis as compared to those of Universal on a stand-alone basis. The Universal board noted that there was not a material change in the consolidated metrics as compared to the projected stand-alone metrics and therefore did not expect a material change in the credit profile of the combined company.

Debt Arrangements. The Universal board considered their expectation that, to the extent required upon the completion of the mergers, refinancing of the companies existing debt can be obtained on suitable terms.

Tax-Free Exchange. The Universal board also took into account the fact that the mergers are intended to be tax-free to the holders of Universal common stock and that the closing of the transaction is conditioned upon the receipt of favorable opinions from tax counsel to each of the companies.

No Cash Outlay. The Universal board considered the fact that Holdings common stock rather than cash will be the form of consideration to be paid to both parties stockholders, which does not require either company to make any additional borrowings or cash outlays (other than to pay transaction costs and in lieu of any fractional shares).

Fairness Opinion Presented to the Universal Board. The Universal board considered the financial analysis of Goldman, Sachs & Co. presented to the Universal board on February 3, 2007 and the oral opinion of that firm on that date (subsequently confirmed in a written opinion dated February 5, 2007) to the Universal board as to the fairness, from a financial point of view, to Universal s stockholders of the Universal exchange ratio in the mergers as of the date of the opinion, as more fully described below under the caption Opinion of Universal s Financial Advisor beginning on page 59. The full text of this opinion, setting forth the assumptions made, procedures followed, matters considered and limitations on the reviews undertaken in connection with such opinion, is attached as Annex C to this joint proxy statement/prospectus.

Holdings Governance. The Universal board considered the corporate governance provisions of the proposed certificate of incorporation and by-laws of Holdings. The Universal board believes that those provisions reflect an appropriate balance between good corporate governance and necessary protections to allow the business of Holdings to be conducted in an orderly fashion.

Board Composition. The Universal board considered that the Holdings board will be composed of five former Universal directors and five former Hanover directors upon consummation of the mergers. The Universal board believed that because the transaction is structured as a merger of equals, it is appropriate that the board of Holdings initially be balanced between legacy Universal directors and legacy Hanover directors.

Employment Matters. The Universal board considered the management composition of Holdings after the consummation of the mergers, which will include Mr. Snider as the President and Chief Executive Officer.

Recommendation of Management. The Universal board considered management s recommendation in support of the mergers.

Stockholder Approval. The Universal board took into account the requirement that stockholder approval be obtained as a condition to the consummation of the mergers.

The Universal board also considered various potential risks of the mergers, including the following:

Hanover Business Risks. The Universal board considered certain risks inherent in Hanover s business and operations. Many of these risks are described under the heading Risk Factors in Hanover s annual report on Form 10-K, which is incorporated by reference herein. Based on reports of management and outside advisors regarding the due diligence process, the Universal board determined that these risks were manageable as part of the ongoing business of the combined company.

Regulatory Approvals. The Universal board considered the regulatory approvals required to complete the mergers and the risk that governmental authorities and third parties might seek to impose unfavorable terms or conditions on the required approvals or that such approvals may not be obtained at all. The Universal board further considered the potential length of the regulatory approval process and the period of time Universal may be subject to the merger agreement without assurance that it will be completed.

Integration. The Universal board evaluated the possibility that the anticipated cost savings and synergies and other benefits sought to be obtained from the mergers might not be achieved in the time frame contemplated.

Personnel. The Universal board considered the adverse impact that uncertainty pending consummation of the mergers could have on the ability to attract, retain and motivate key personnel until the mergers are completed. The Universal board also considered the level and impact of job reductions as a result of transaction-related synergies and whether the possibility of those further job reductions also could make it more difficult for the combined company to attract, retain and motivate key personnel.

Debt Arrangements. The Universal board considered the impact of the mergers on the existing debt arrangements of both Hanover and Universal and the companies potential need to refinance their existing debt. The Universal board concluded that the impact of the mergers on the existing debt arrangements was manageable as part of the business of the combined company.

The Universal board also considered the largely reciprocal nature of the terms of the merger agreement, including the representations and warranties, obligations and rights of the parties under the merger agreement, the conditions to each party s obligation to complete the mergers, the instances in which each party is permitted to terminate the merger agreement and the related termination fees payable by each party in the event of termination of the merger agreement under specified circumstances. In particular, the Universal board considered the fact that the following provisions have substantially mutual application to both Hanover and Universal and that, therefore, the parties face relatively equal opportunities and risks arising from these provisions:

Fixed Exchange Ratio. The Universal board considered the fact that the fixed exchange ratio will not adjust upward or downward to compensate for changes in the price of either Hanover or Universal common stock prior to the consummation of the mergers, and that the terms of the merger agreement do not include termination rights triggered expressly by a decrease in value of either company due to a decline in the market price of that company s common stock. The Universal board determined that this structure was appropriate and the risk acceptable in view of the reciprocal nature of the fixed exchange ratio, the Universal board s focus on the relative intrinsic values and financial performance of Hanover and Universal and the percentage of the combined company to be owned by former holders of Universal common stock, and the inclusion in the merger agreement of other structural protections such as the board s ability to change its recommendation in favor of the merger agreement or to terminate the merger agreement in the event of a material adverse change in the other company s business.

Restrictions on Interim Operations. The Universal board considered the provisions of the merger agreement placing restrictions on each company s operations until completion of the mergers and the extent of those restrictions as negotiated between the parties. See The Merger Agreement Covenants and Agreements Interim Operations beginning on page 84 for further information.

Non-Solicitation and Related Provisions. The Universal board considered the provisions of the merger agreement that, subject to certain exceptions, prohibit each company from soliciting, entering into or participating in discussions regarding any takeover proposal and the provisions of the agreement that require

each company to conduct a stockholder meeting to consider adoption of the merger agreement whether or not the board of that company continues to recommend in favor of the mergers. See The Merger Agreement Covenants and Agreements No Solicitation beginning on page 90 for further information.

Termination Fee. The Universal board considered the provisions of the merger agreement relating to the potential payment or receipt of a termination fee of up to $70 million under certain circumstances

and determined that those provisions were customary and appropriate. See The Merger Agreement Expenses and Termination Fees beginning on page 95 for further information.

As part of the overall mix of information it considered, the Universal board also considered the following factors, none of which individually was determinative of the Universal board s decision to recommend the mergers but all of which, taken together, were viewed as generally supporting the mergers:

- the scope of the due diligence investigation conducted by management and Universal s outside advisors and the results thereof;
- the provisions of Holdings organizational documents, including those that are different from Universal s, such as Holdings lack of a classified board of directors;
- the earnings, cash flow and balance sheet impact of the mergers;
- the relative financial performance, businesses, risks and prospects of Hanover and Universal;
- the historical and then-current stock price information of Hanover and Universal; and
- the interests that certain Universal executive officers and directors may have with respect to the mergers in addition to their interests as Universal stockholders. See Interests of Hanover and Universal Directors and Executive Officers in the Mergers beginning on page 65 for further information.

The Universal board of directors concluded that, overall, the potential benefits of the mergers to Universal and Universal s stockholders outweighed the risks.

The Universal board of directors realized that there can be no assurance about future results, including results considered or expected as described in the factors listed above. It should be noted that this explanation of Universal s board of directors reasoning and all other information presented in this section are forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading Cautionary Information Regarding Forward-Looking Statements beginning on page 33.

The Universal board of directors has unanimously approved the merger agreement, has unanimously determined that the merger agreement and the transactions contemplated thereby, including the mergers, are advisable, fair to and in the best interests of Universal and Universal s stockholders, and unanimously recommends that Universal stockholders vote FOR the proposal to adopt the merger agreement.

Financial Forecasts

During the course of discussions between Hanover and Universal, the companies provided their respective financial advisors and each other selected, non-public financial forecasts prepared by the companies respective managements as part of their internal, year-end 2006 planning process for fiscal year 2007. The forecast amounts set forth below are included in this joint proxy statement/prospectus only because this information was exchanged between Hanover and Universal and provided to the respective financial advisors of Hanover and Universal in connection with the proposed mergers.

Hanover and Universal advised each other and their financial advisors that their respective internal financial forecasts were subjective in many respects. The forecasts reflect numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, all of which are difficult to predict and

beyond Hanover s and Universal s control. The forecasts also reflect numerous estimates and assumptions related to the business of Hanover and Universal (including with respect to the growth and viability of certain segments of their respective businesses) that are inherently subject to significant economic, political, and competitive uncertainties, all of which are difficult to predict and many of which are beyond Hanover s and Universal s control. See Risk Factors beginning on page 22. The assumptions made in preparing the forecasts may not prove accurate, and actual results may be materially greater or less than those set forth below. See Cautionary Information Regarding Forward-Looking Statements beginning on page 33.

The managements of Hanover and Universal have prepared from time to time in the past, and will continue to prepare in the future, internal financial forecasts that reflect various estimates and assumptions that

change from time to time. Accordingly, the forecasts used in conjunction with the proposed transaction may differ from these other forecasts.

THE INCLUSION OF THE FORECASTS IN THIS JOINT PROXY STATEMENT/PROSPECTUS SHOULD NOT BE REGARDED AS AN INDICATION THAT HANOVER OR UNIVERSAL OR THEIR RESPECTIVE OFFICERS AND DIRECTORS CONSIDER THE FORECASTS TO BE AN ACCURATE PREDICTION OF FUTURE EVENTS OR NECESSARILY ACHIEVABLE. IN LIGHT OF THE UNCERTAINTIES INHERENT IN FORWARD-LOOKING INFORMATION OF ANY KIND. HANOVER AND UNIVERSAL CAUTION YOU AGAINST RELYING ON THIS INFORMATION. NONE OF HANOVER, UNIVERSAL OR THEIR RESPECTIVE OFFICERS OR DIRECTORS INTEND TO UPDATE OR REVISE THE FORECASTS TO REFLECT CIRCUMSTANCES EXISTING AFTER THE DATE THEY WERE PREPARED OR TO REFLECT THE OCCURRENCE OF FUTURE EVENTS, EXCEPT TO THE EXTENT REQUIRED BY LAW. SEE CAUTIONARY INFORMATION REGARDING FORWARD-LOOKING STATEMENTS BEGINNING ON PAGE 34.

Hanover s Forecasts

In developing its 2007 financial forecast, Hanover assumed that worldwide natural gas market fundamentals will remain positive in 2007 and that customers in the United States, Latin America and the emerging markets of the Eastern Hemisphere will continue to be active in the development of natural gas resources, resulting in continued demand for surface equipment infrastructure to support this development activity.

For its 2007 financial forecast, Hanover anticipated the rental of compression equipment and the sale of compression, production and processing equipment and aftermarket services in the United States to be generally consistent with levels experienced in 2006. During 2007, Hanover expects to continue to increase the number of higher horsepower units in its fleet under contract and to complete its program to refurbish idle equipment for re-application in the market. Pricing levels in the United States for contracted compression were anticipated to be consistent with or slightly better than 2006 levels. Hanover has initiated a program to improve the efficiency of its United States rental operations and expects rental operating expenses, as a percentage of revenues, to begin to decline by the end of 2007.

In developing its 2007 international budget, Hanover assumed increased rental activity in Latin America, the commencement of a new rental project in the Middle East, and improved sales of oil and gas surface equipment as well as improved sales at Hanover s subsidiary, Belleli Energy S.r.l. Belleli provides engineering, procurement and construction services primarily related to the manufacturing of critical process equipment for refinery and petrochemical facilities and construction of evaporators and brine heaters for desalination plants and tank farms, primarily for use in Europe and the Middle East. Hanover s 2007 financial forecast was prepared using accounting principles consistent with its historical financial statements.

THE FORECASTS SET FORTH BELOW WERE NOT PREPARED WITH A VIEW TO PUBLIC DISCLOSURE OR COMPLIANCE WITH PUBLISHED GUIDELINES OF THE SEC, ANY STATE SECURITIES COMMISSION OR THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS REGARDING PREPARATION AND PRESENTATION OF PROSPECTIVE FINANCIAL INFORMATION. THE HANOVER PROSPECTIVE FINANCIAL INFORMATION INCLUDED IN THIS JOINT PROXY STATEMENT/PROSPECTUS HAS BEEN PREPARED BY, AND IS THE RESPONSIBILITY OF, THE HANOVER MANAGEMENT. PRICEWATERHOUSECOOPERS LLP HAS NEITHER EXAMINED NOR COMPILED THE ACCOMPANYING PROSPECTIVE FINANCIAL INFORMATION AND, ACCORDINGLY, PRICEWATERHOUSECOOPERS LLP DOES NOT EXPRESS AN OPINION OR ANY OTHER FORM OF ASSURANCE WITH RESPECT THERETO. THE PRICEWATERHOUSECOOPERS LLP REPORT INCORPORATED BY REFERENCE IN THIS JOINT PROXY STATEMENT/PROSPECTUS RELATES TO HANOVER S HISTORICAL FINANCIAL INFORMATION.

IT DOES NOT EXTEND TO THE PROSPECTIVE FINANCIAL INFORMATION AND SHOULD NOT BE READ TO DO SO.

Forecast of Hanover s Results Provided to its Financial Advisor (dollars in millions, except per share amounts)

	2007
Revenue and Other Income	$ 1,889
Gross Profit and Equity in Earnings	676
EBITDA(1)	457
Net Income	79
Earnings per Share (diluted)	$ 0.72

(1) EBITDA consists of consolidated income (loss) from continuing operations before interest expense, provision for (benefit from) income taxes, and depreciation and amortization. EBITDA is a commonly used measure of operating performance for valuing companies in Hanover s industry. EBITDA should not be considered as an alternative to measures prescribed by generally accepted accounting principles and may not be comparably calculated from one company to another.

Universal s Forecasts

The major underlying assumptions for the Universal forecasts were tied to Universal s belief that the fundamentals of the worldwide natural gas industry will remain positive through 2007.

In the United States, Universal believes that the drilling activity experienced in 2006 will continue in 2007, while natural gas production in the United States will grow slightly. Universal also believes that the level of natural gas produced from unconventional sources, such as coalbeds, tight sands and shales, will continue to grow, as it has over the past several years. Because unconventional natural gas production requires more compression per million cubic feet of natural gas than conventional production, the requirements for compression in the United States are expected to grow faster than the overall natural gas production growth rate. Universal believes that this increase in demand for compression will allow it to grow its contract compression business in the United States by adding additional compression equipment and putting existing idle equipment back to work. Additionally, Universal expects that the increase in demand for compression will benefit both its aftermarket service and fabrication businesses.

In international markets, Universal believes that the development of infrastructure to support the production and transportation of natural gas experienced in 2006 will continue in 2007. This infrastructure development has been undertaken as more stringent environmental standards against the flaring of natural gas have been enacted in many regions throughout the world and more natural gas is being utilized in the regions where it is produced to allow for the exportation of crude oil. With the expansion of this infrastructure, Universal forecasts that its international contract compression will continue to grow at rates commensurate with recent history. Additionally, Universal believes this increasing focus on natural gas development will benefit both its international aftermarket service and fabrication businesses. Finally, the forecast Universal provided to Hanover included the financial effects of the acquisition of B.T.I. Holdings Pte Ltd, a Singapore-based equipment fabricator, that Universal completed in January 2007.

THE PROSPECTIVE FINANCIAL INFORMATION OF UNIVERSAL INCLUDED IN THIS JOINT PROXY STATEMENT/PROSPECTUS HAS BEEN PREPARED BY, AND IS THE RESPONSIBILITY OF, UNIVERSAL S MANAGEMENT. THE ACCOMPANYING PROSPECTIVE FINANCIAL INFORMATION RELATED TO UNIVERSAL WAS NOT PREPARED WITH A VIEW TOWARD PUBLIC DISCLOSURE OR WITH A VIEW TOWARD COMPLYING WITH THE GUIDELINES ESTABLISHED BY THE AMERICAN INSTITUTE OF

CERTIFIED PUBLIC ACCOUNTANTS WITH RESPECT TO PROSPECTIVE FINANCIAL INFORMATION, BUT, IN THE VIEW OF THE UNIVERSAL S MANAGEMENT, WAS PREPARED ON A REASONABLE BASIS, REFLECTS THE BEST ESTIMATES AND JUDGMENTS AVAILABLE AT THE TIME THE INFORMATION WAS PREPARED, AND PRESENTS, TO THE BEST OF UNIVERSAL MANAGEMENT S KNOWLEDGE AND BELIEF AT THE TIME THE INFORMATION WAS PREPARED, THE EXPECTED COURSE OF ACTION AND THE EXPECTED FUTURE FINANCIAL PERFORMANCE OF THE UNIVERSAL. HOWEVER, THIS INFORMATION IS NOT FACT AND SHOULD NOT BE

RELIED UPON AS BEING NECESSARILY INDICATIVE OF FUTURE RESULTS, AND READERS OF THIS JOINT PROXY STATEMENT/PROSPECTUS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THE PROSPECTIVE FINANCIAL INFORMATION. NEITHER DELOITTE & TOUCHE LLP NOR ANY OTHER INDEPENDENT ACCOUNTANTS HAVE COMPILED, EXAMINED OR PERFORMED ANY PROCEDURES WITH RESPECT TO THE PROSPECTIVE FINANCIAL INFORMATION CONTAINED HEREIN, NOR HAVE THEY EXPRESSED ANY OPINION OR ANY OTHER FORM OF ASSURANCE ON SUCH INFORMATION OR ITS ACHIEVABILITY, AND ASSUME NO RESPONSIBILITY FOR, AND DISCLAIM ANY ASSOCIATION WITH, THE PROSPECTIVE FINANCIAL INFORMATION.

Forecast of Universal s Results Provided to its Financial Advisor (dollars in millions, except per share amounts)

	2007
Revenue	$ 1,152
Gross Profit	498
EBITDA, as Adjusted(1)	357
Net Income	100
Earnings per Share (diluted)	$ 3.19

(1) EBITDA, as adjusted, is defined as net income plus income taxes, interest expense (including debt extinguishment costs and gain on the termination of interest rate swap agreements), operating lease expense, depreciation and amortization, foreign currency gains or losses, minority interest, excluding non-recurring items (including facility consolidation costs). EBITDA is a commonly used measure of operating performance for valuing companies in Universal s industry. EBITDA should not be considered as an alternative to measures prescribed by generally accepted accounting principles and may not be comparably calculated from one company to another.

Opinion of Hanover s Financial Advisor

On February 3, 2007, Credit Suisse Securities (USA) LLC rendered its oral opinion to Hanover s board of directors (which was subsequently confirmed in writing by delivery of Credit Suisse s written opinion dated the same date) to the effect that, as of February 3, 2007, the Hanover exchange ratio was fair, from a financial point of view, to the holders of Hanover common stock. Credit Suisse has not been requested to and is not expected to update or reaffirm its opinion.

Credit Suisse s opinion was directed to Hanover s board of directors and only addressed the fairness from a financial point of view of the Hanover exchange ratio and does not address any other aspect or implication of the mergers. The summary of Credit Suisse s opinion in this joint proxy statement/prospectus is qualified in its entirety by reference to the full text of its written opinion, which is included as Annex B to this joint proxy statement/prospectus and sets forth the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Credit Suisse in preparing its opinion. Hanover encourages Hanover s stockholders to carefully read the full text of Credit Suisse s written opinion. However, neither Credit Suisse s written opinion nor the summary of its opinion and the related analyses set forth in this joint proxy statement/prospectus are intended to be, and do not constitute advice or a recommendation to any stockholder as to how such stockholder should vote or act with respect to any matter relating to the mergers.

In arriving at its opinion, Credit Suisse, among other things:

reviewed a draft dated February 3, 2007 of the merger agreement;

reviewed certain publicly available business and financial information relating to Hanover and Universal;

reviewed certain other information relating to Hanover and Universal, including financial forecasts (and adjustments thereto based on discussions with the management of Hanover) relating to Hanover and Universal, provided to or discussed with Credit Suisse by Hanover and Universal;

met with the managements of Hanover and Universal to discuss the business and prospects of Hanover and Universal, respectively;

considered certain financial and stock market data of Hanover and Universal and compared that data with similar data for other publicly held companies in businesses Credit Suisse deemed similar to those of Hanover and Universal;

considered, to the extent publicly available, the financial terms of certain other business combinations and other transactions which had recently been effected; and

considered such other information, financial studies, analyses and investigations and financial, economic and market criteria which Credit Suisse deemed relevant.

In connection with Credit Suisse s review, Credit Suisse did not assume any responsibility for independent verification of any of the foregoing information and relied on its being complete and accurate in all material respects. As Hanover was aware, the management of Universal only provided Credit Suisse with financial forecasts for Universal with respect to 2007 and, at Hanover s direction, for purposes of Credit Suisse s analyses and its opinion, Credit Suisse used such financial forecasts for Universal for 2007 and financial forecasts for Universal beyond 2007 based on the financial forecasts for 2007 provided by the management of Universal. With respect to the financial forecasts for Hanover and Universal that Credit Suisse reviewed, Credit Suisse was advised, and Credit Suisse assumed, that such forecasts for Hanover had been reasonably prepared on bases reflecting reasonable estimates and judgments of the management of Hanover as to the future financial performance of Hanover and that such forecasts and estimates for Universal had been reasonably prepared on bases reflecting the reasonable estimates and judgments of the managements of Universal (as to the financial performance of Universal in 2007) and Hanover (as to the financial performance of Universal beyond 2007). Credit Suisse assumed, with Hanover s consent, that the mergers would be treated as a tax-free reorganization for federal income tax purposes. Credit Suisse also assumed, with Hanover s consent, that in the course of obtaining any regulatory or third party consents, approvals or agreements in connection with the mergers, no delay, limitation, restriction or condition would be imposed that would have an adverse effect on Hanover, Universal or the contemplated benefits of the mergers that was material to Credit Suisse s analysis, that the mergers would be consummated in accordance with the terms of the merger agreement without waiver, modification or amendment of any material term, condition or agreement thereof, and that the merger agreement, when executed, would conform to the draft reviewed by Credit Suisse in all respects material to its analyses. In addition, Credit Suisse was not requested to make, and did not make, an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Hanover or Universal, nor was Credit Suisse furnished with any such evaluations or appraisals. Credit Suisse s opinion only addressed the fairness, from a financial point of view, to the holders of Hanover common stock of the Hanover exchange ratio and did not address any other aspect or implication of the mergers or any other agreement, arrangement or understanding entered into in connection with the mergers or otherwise. Credit Suisse s opinion was necessarily based upon information made available to it as of the date of its opinion and financial, economic, market and other conditions as they existed and could be evaluated on that date. Credit Suisse s opinion also was based on certain assumptions regarding the oil and gas services industry which are subject to significant volatility and which, if different than assumed, could have a material impact on Credit Suisse s analyses. Credit Suisse did not express any opinion as to what the value of shares of common stock of Holdings actually will be when issued to the holders of Hanover common stock pursuant to the mergers or the prices at which shares of common stock of Holdings will trade at any time. Credit Suisse s opinion did not address the relative merits

of the mergers as compared to alternative transactions or strategies that might be available to Hanover, nor did it address the underlying business decision of Hanover to proceed with the mergers. Credit Suisse was not requested to, and did not, solicit third party indications of interest in acquiring all or any part of Hanover.

In preparing its opinion to Hanover s board of directors, Credit Suisse performed a variety of analyses, including those described below. The summary of Credit Suisse s valuation analyses is not a complete description of the analyses underlying Credit Suisse s fairness opinion. The preparation of a fairness opinion is a complex process involving various quantitative and qualitative judgments and determinations with respect to the financial, comparative and other analytic methods employed and the adaptation and application of these methods to the unique facts and circumstances presented. As a consequence, neither a fairness opinion nor its underlying analyses is readily susceptible to partial analysis or summary description. Credit Suisse arrived at its opinion based on the results of all analyses undertaken by it and assessed as a whole and did not draw, in isolation, conclusions from or with regard to any individual analysis, analytic method or factor. Accordingly, Credit Suisse believes that its analyses must be considered as a whole and that selecting portions of its analyses, analytic methods and factors, without considering all analyses and factors, could create a misleading or incomplete view of the processes underlying its analyses and opinion.

In performing its analyses, Credit Suisse considered business, economic, industry and market conditions, financial and otherwise as they existed on, and could be evaluated as of, the date of the written opinion. No company, transaction or business used in Credit Suisse s analyses for comparative purposes is identical to Hanover or the proposed mergers. The implied reference range values indicated by Credit Suisse s analyses are illustrative and not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by the analyses. In addition, any analyses relating to the value of assets, businesses or securities do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold, which may depend on a variety of factors, many of which are beyond Hanover s control and the control of Credit Suisse. Much of the information used in, and accordingly the results of, Credit Suisse s analyses are inherently subject to substantial uncertainty.

Credit Suisse s opinion and analyses were provided to Hanover s board of directors in connection with its consideration of the proposed mergers and were among many factors considered by Hanover s board of directors in evaluating the proposed mergers. Neither Credit Suisse s opinion nor its analyses were determinative of the Hanover exchange ratio or of the views of Hanover s board of directors or management with respect to the mergers.

The following is a summary of the material valuation analyses prepared in connection with Credit Suisse s opinion rendered on February 3, 2007. The analyses summarized below include information presented in tabular format. The tables alone do not constitute a complete description of the analyses. Considering data in tables without considering the full narrative description of the analyses, as well as the methodologies underlying and the assumptions, qualifications and limitations affecting each analysis, could create a misleading or incomplete view of Credit Suisse s analyses.

For purposes of its analyses, Credit Suisse reviewed a number of financial metrics including:

Enterprise Value generally the value as of a specified date of the relevant company s outstanding equity securities (taking into account its outstanding options, warrants and convertible securities) plus the value of its net debt (the value of its outstanding indebtedness and capital lease obligations less the amount of cash on its balance sheet), preferred stock and minority interests as of a specified date.

EBITDA generally the amount of the relevant company s earnings before interest, taxes, depreciation, and amortization for a specified time period.

After-Tax Cash Flow generally the amount of the relevant company s net income plus the amounts of depreciation and amortization and deferred taxes for a specified time period.

Unless the context indicates otherwise, enterprise and per share equity values used in the selected companies analysis described below were calculated using the closing price of Hanover s and Universal s common stock and the common stock of the selected companies in the oil and gas services industry listed below as of February 2, 2007, and the enterprise and per share equity values for the target companies used in the selected transactions analysis described below were calculated as of the announcement date of the relevant transaction based on the purchase prices paid in the selected transactions. Estimates of 2007 EBITDA and After-Tax Cash Flow for Hanover and Universal were based on estimates provided by their respective managements. Estimates

of 2007 EBITDA and After-Tax Cash Flow for the selected companies in the oil and gas services industry listed below were based on publicly available research analyst estimates for those companies. For purposes of the analysis below, estimated 2006 and 2007 EBITDA and After Tax Cash Flow for Hanover were adjusted for among other things, the conversion of certain outstanding convertible securities of Hanover.

Selected Companies Analysis. Credit Suisse calculated multiples of enterprise value and equity value and considered certain financial data for Hanover and Universal and selected companies in the oil and gas services industry.

The calculated multiples included:

- Enterprise value as a multiple of estimated 2007 EBITDA; and
- Equity value as a multiple of estimated 2007 After-Tax Cash Flow.

The selected companies in the oil and gas services industry were selected because they were deemed to be similar to Hanover in one or more respects which included nature of business, size, diversification, financial performance and geographic concentration. The selected companies were:

Large Cap

- Weatherford International
- National Oilwell Varco
- Smith International
- BJ Services
- Cameron International
- Grant Prideco

Mid Cap Diversified

- Superior Energy
- Complete Production
- Tetra Technologies
- Oil States International
- W-H Energy Services

Mid Cap Focused

- FMC Technologies
- Dresser Rand Group

Oceaneering International

Core Laboratories

Hydril

Dril-Quip

Credit Suisse applied multiple ranges based on the selected companies analysis to corresponding financial data for Hanover and Universal, including estimates provided by their managements. The selected companies analysis indicated an implied reference range Hanover exchange ratio of 0.281 to 0.385, as compared to the proposed Hanover exchange ratio in the Hanover merger of 0.325 per share of Hanover common stock.

Selected Transactions Analysis. Credit Suisse calculated multiples of enterprise value and per share equity value to certain financial data based on the purchase prices paid in selected publicly-announced transactions involving companies in the oil and gas services industry.

The calculated multiples included enterprise value as a multiple of latest 12 months, or LTM EBITDA.

The selected transactions were selected because the target companies were deemed to be similar to Hanover in one or more respects which included nature of business, size, diversification, financial performance and geographic concentration. The selected transactions were:

Acquirer	Target
Compagnie Générale de Géophysique	Veritas DGC Inc.
Tenaris S.A.	Maverick Tube Corporation
Schlumberger Limited	Western Geco
Weatherford International Ltd.	Precision Drilling Corporation s Drilling Business
First Reserve Corporation	Dresser Rand Unit of Ingersoll-Rand Company
National-Oilwell, Inc.	Varco International Inc.
Enerflex Systems Ltd.	EnSource Energy Services Inc.
First Reserve Corporation, Odyssey Investment Partners, Dresser Equipment Group management	Dresser Equipment Group (Halliburton Company)
Tuboscope Inc.	Varco International Inc.
Precision Drilling Corporation	Computalog Ltd.
Schlumberger Limited	Camco International Inc.
Baker Hughes Inc.	Western Atlas Inc.
Halliburton Company	Dresser Industries, Inc.
EVI, Inc.	Weatherford Enterra, Inc.

Credit Suisse applied multiple ranges based on the selected transactions analysis to corresponding financial data for Hanover and Universal. The selected transactions analysis indicated an implied reference range Hanover exchange ratio of 0.266 to 0.435, as compared to the Hanover exchange ratio in the Hanover merger of 0.325 per share of Hanover common stock.

Discounted Cash Flow Analysis. Credit Suisse also calculated the net present value of Hanover s and Universal s unlevered, after-tax free cash flows through 2011 based on estimates provided by Hanover s management with respect to Hanover. The management of Universal only provided Credit Suisse with financial forecasts for Universal with respect to 2007 and, at Hanover s direction, for purposes of its analyses and its opinion, Credit Suisse used such financial forecasts for Universal for 2007 and financial forecasts for Universal beyond 2007 based on the financial forecasts for 2007 provided by the management of Universal. In performing this analysis, Credit Suisse used discount rates ranging from 11.0% to 12.0% for Hanover and 9.5% to 10.5% for Universal based on Hanover s and Universal s estimated weighted average cost of capital and terminal value multiples ranging from 7.5x to 8.5x for Hanover and Universal based on the selected companies analyses. The discounted cash flow analyses indicated an implied reference range Hanover exchange ratio of 0.264 to 0.400, as compared to the Hanover exchange ratio in the Hanover merger of 0.325 per share of Hanover common stock.

Contribution Analysis. Credit Suisse also reviewed the respective contributions of Hanover and Universal to estimated 2006 and 2007 EBITDA, Net Income and After-Tax Cash Flow for the pro forma combined entity resulting from the mergers without giving effect to any cost savings or synergies. This analysis indicated that the following relative contributions of Hanover and Universal resulted in the indicated implied Hanover

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exchange ratios, as compared to the Hanover exchange ratio in the Hanover merger of 0.325 per share of Hanover common stock:

	Hanover	Universal	Hanover Implied Exchange Ratio
2006E EBITDA	58%	42%	0.387
2007E EBITDA	57%	43%	0.359
2006E Net Income	48%	52%	0.246
2007E Net Income	46%	54%	0.227
2006E After Tax Cash Flow	55%	45%	0.326
2007E After Tax Cash Flow	55%	45%	0.326

For the purposes of the contribution analysis, estimated 2006 and 2007 EBITDA and After Tax Cash Flow for Universal were adjusted for, among other things, certain conforming accounting adjustments based on discussions with Hanover s management.

Other Matters

Credit Suisse was engaged by Hanover pursuant to a letter agreement dated as of December 20, 2006 to act as Hanover s financial advisor with respect to, among other things, the possible acquisition of all or substantially all of the assets or the capital stock of Universal, including any merger, joint venture or other business combination involving Universal. Hanover engaged Credit Suisse based on Credit Suisse s qualifications, experience and reputation. Credit Suisse is an internationally recognized investment banking and financial advisory firm. Credit Suisse, as part of its investment banking business, is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, leveraged buyouts, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. Pursuant to the engagement letter, Hanover will pay Credit Suisse a fee of $8 million for serving as Hanover s financial advisor. Payment of such fee is fully contingent upon the consummation of the merger between Hanover and Universal. As part of its services as financial advisor to Hanover, Credit Suisse rendered the opinion described above to Hanover s board of directors. Credit Suisse did not receive a separate fee for rendering this opinion. Hanover has also agreed to indemnify Credit Suisse for certain liabilities and other items arising out of its engagement. Credit Suisse and its affiliates have in the past provided and are currently providing investment banking services to Hanover for which Credit Suisse has received, and would expect to receive, compensation. Since January 1, 2005, Credit Suisse has been paid an aggregate of approximately $4.2 million by Hanover for such services. In the future Credit Suisse and its affiliates may provide such services to Holdings and its affiliates, for which Credit Suisse would expect to receive compensation. Credit Suisse is a full service securities firm engaged in securities trading and brokerage activities as well as providing investment banking and other financial services. In the ordinary course of business, Credit Suisse and its affiliates may acquire, hold or sell, for its and its affiliates own accounts and the accounts of customers, equity, debt and other securities and financial instruments (including bank loans and other obligations) of Hanover, Universal and any other company that may be involved in the mergers, as well as provide investment banking and other financial services to such companies.

Opinion of Universal s Financial Advisor

Goldman, Sachs & Co. rendered its opinion to the board of directors of Universal that, as of February 5, 2007 and based upon and subject to the factors and assumptions set forth therein, the Universal exchange ratio pursuant to the

merger agreement was fair from a financial point of view to the holders of Universal common stock. Universal does not intend to request that Goldman Sachs render an opinion as of any date subsequent to February 5, 2007.

The full text of the written opinion of Goldman Sachs, dated February 5, 2007, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex C. Goldman Sachs provided its opinion for the information and assistance of the board of directors of Universal in connection with its consideration of

the mergers. The Goldman Sachs opinion is not a recommendation as to how any holder of Universal common stock should vote with respect to the Universal merger.

In connection with rendering the opinion described above and performing its related financial analysis, Goldman Sachs reviewed, among other things:

the merger agreement;

annual reports to stockholders and annual reports on Form 10-K of Universal for the four fiscal years ended March 31, 2005 and the nine months ended December 31, 2005, and of Hanover for the five years ended December 31, 2005;

certain interim reports to stockholders and Quarterly Reports on Form 10-Q of Universal and Hanover;

certain other communications from Universal and Hanover to their respective stockholders;

certain internal financial analyses and forecasts for Universal prepared by Universal s management;

certain financial analyses and forecasts for Hanover prepared by Universal s management; and

certain cost savings and operating synergies projected by Universal s management to result from the mergers (hereinafter the Synergies).

Goldman Sachs also held discussions with members of the senior managements of Universal and Hanover regarding their assessment of the strategic rationale for, and the potential benefits of, the mergers and the past and current business operations, financial condition, and future prospects of Hanover, and with members of the senior management of Universal regarding their assessment of the past and current business operations, financial condition and future prospects of Universal. In addition, Goldman Sachs reviewed the reported price and trading activity for the Universal common stock and the Hanover common stock, compared certain financial and stock market information for Universal and Hanover with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the energy industry specifically and in other industries generally and performed such other studies and analyses, and considered such other factors, as it considered appropriate.

Goldman Sachs relied upon the accuracy and completeness of all of the financial, legal, accounting, tax and other information discussed with or reviewed by it and assumed such accuracy and completeness for purposes of rendering the opinion described above. In that regard, Goldman Sachs assumed, with the consent of Universal s board of directors, that the financial analyses and forecasts for Universal and Hanover and the Synergies estimates prepared by Universal s management described above were reasonably prepared on a basis reflecting the best currently available estimates and judgments of Universal. Goldman Sachs also assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the mergers will be obtained without any adverse effect on Holdings or on the expected benefits of the mergers in any way meaningful to its analysis. In addition, Goldman Sachs did not make an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or off-balance-sheet assets and liabilities) of Hanover or Universal or any of their respective subsidiaries, nor has Goldman Sachs been furnished with any such evaluation or appraisal.

Goldman Sachs opinion does not address the underlying business decision of Universal to engage in the mergers, nor does it express any opinion as to the prices at which shares of Holdings common stock will trade at any time.

The following is a summary of the material financial analyses delivered by Goldman Sachs to the board of directors of Universal in connection with rendering the opinion described above. The following summary, however, does not purport to be a complete description of the financial analyses performed by Goldman Sachs, nor does the order of analyses described represent relative importance or weight given to those analyses by Goldman Sachs. Some of the summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and are alone not a complete description of Goldman Sachs financial analyses. Except as otherwise noted, the following quantitative

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information, to the extent that it is based on market data, is based on market data as it existed on or before February 2, 2007, and is not necessarily indicative of current market conditions.

Historical Exchange Ratio Analysis. Goldman Sachs calculated the average historical exchange ratios of Hanover common stock to Universal common stock based on the closing prices of Hanover common stock and Universal common stock during the 45-trading day, 60-trading day, 90-trading day, six-month, one-year, three-year, and five-year periods ended February 2, 2007, and on the closing prices of Universal common stock and Hanover common stock on February 2, 2007.

The following table illustrates each such historical exchange ratio.

Time Period	Exchange Ratio
5 Year Average	0.4177x
3 Year Average	0.3487x
1 Year Average	0.3296x
6 Month Average	0.3240x
90 Trading Day Average	0.3181x
60 Trading Day Average	0.3111x
45 Trading Day Average	0.3113x
At February 2, 2007	0.3175x

Selected Transactions Analysis. Goldman Sachs reviewed certain financial and governance information for each merger of equals transaction in the energy industry since 2000 that was identified by Goldman Sachs:

National Oilwell / Varco International, Inc. (2004)

PanCanadian Energy Corp. / Alberta Energy Company Ltd. (2002)

Phillips Petroleum Company / Conoco Inc. (2001)

Santa Fe International Group / Global Marine Inc. (2001)

Pride International Inc. / Marine Drilling Co., Inc. (2001)

BHP Ltd. / Billiton PLC (2001)

Chevron Corp. / Texaco Inc. (2000)

For each of the foregoing transactions, Goldman Sachs calculated the premium to the stock price for the last trading day prior to the announcement of the transaction implied by the exchange ratio for the transaction, compared the market value of each company in the transaction and the pro forma ownership of the combined company, and reviewed certain non-financial terms of the transaction, including the composition of the board of directors and management of the combined company. Goldman Sachs reviewed the foregoing transactions primarily to analyze the composition of the board and senior management of the combined company in transactions similar to the mergers. Goldman Sachs did not perform its selected transactions review for the purposes of performing financial analyses. The results of these analyses and reviews are summarized in the following table:

Merger	% Market Capitalization	New % Ownership	Premium to Market (over 1-day Pre-Announcement)	Board Representation in New Company	Senior Management in New Company
National Oilwell	53%	51%		50%	President / CEO
Varco International	47%	49%	9%	50%	Chairman / COO
PanCanadian Energy	54%	54%		50%	Chairman
Alberta Energy	46%	46%	0%	50%	President / CEO
Phillips Petroleum	57%	57%		50%	President / CEO
Conoco	43%	43%	0%	50%	Chairman

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Merger	% Market Capitalization	New % Ownership	Premium to Market (over 1-day Pre-Announcement)	Board Representation in New Company	Senior Management in New Company
Santa Fe International	53%	50%		50%	President / CEO
Global Marine	47%	50%	17%	50%	Chairman
Pride International	56%	56%		50%	President / CEO
Marine Drilling	44%	44%	3%	50%	Chairman
BHP	68%	64%		50%	Interim CEO
Billiton	32%	36%	21%	50%	CEO
Chevron	64%	61%		60%	Chairman / CEO
Texaco	36%	39%	18%	40%	Vice Chairman

Contribution Analysis. Goldman Sachs performed a contribution analysis in which Goldman Sachs analyzed the relative estimated contributions to be made by Universal and Hanover to the market capitalization, earnings before interest, taxes, depreciation and amortization, or EBITDA, net income, and cash flow, which is defined as net income plus depreciation and amortization and other non-cash items, of the combined company following consummation of the mergers, before taking into account any of the possible benefits that may be realized following the mergers. This analysis was based on the closing price of Universal common stock of $61.10 and of Hanover common stock of $19.40 on February 2, 2007, and on projections prepared by Universal s management. Additionally, Goldman Sachs calculations assumed conversion of Hanover s in-the-money convertible debt securities (those securities for which the conversion price is below Hanover s common stock price). The following table presents the results of this analysis:

	Relative Contribution to the Combined Company		
	Hanover	Universal	Implied Exchange Ratio
Market Capitalization	54%	46%	0.3175x
EBITDA			
2006E	54%	46%	0.3032x
2007E	56%	44%	0.3301x
2008E	55%	45%	0.3218x
Cash Flow			
2006E	56%	44%	0.3334x
2007E	56%	44%	0.3343x
2008E	55%	45%	0.3294x
Net Income			
2006E	50%	50%	0.2667x
2007E	51%	49%	0.2761x
2008E	50%	50%	0.2615x

Relative Discounted Cash Flow Analysis. Goldman Sachs performed a relative discounted cash flow analysis to determine the implied exchange ratio of Hanover common stock to Universal common stock, assuming each company

continued to operate as a stand-alone company, and using estimates for Universal and Hanover prepared by Universal s management. Goldman Sachs calculated implied per share prices for Universal common stock and Hanover common stock by calculating (a) the sum of (i) the present values of estimated cash flows for Universal and Hanover, respectively, through the year 2015, using discount rates ranging from 8% to 11% and (ii) the present values of the illustrative terminal values of Universal and Hanover, respectively, in the year 2015, based on a range of multiples from 5.5x to 9.5x estimated EBITDA in 2015 and using discount rates ranging from 8% to 11%, divided by (b) the total number of outstanding shares

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of Universal and Hanover, respectively. Goldman Sachs calculations were based on projections prepared by Universal s management. The following table presents the results of this analysis:

Hanover / Universal Implied Exchange Ratio

	Terminal Value of 2015E EBITDA				
Discount Rate	**5.5x**	**6.5x**	**7.5x**	**8.5x**	**9.5x**
8.0%	0.334x	0.335x	0.336x	0.337x	0.338x
9.0%	0.332x	0.334x	0.335x	0.336x	0.337x
10.0%	0.330x	0.332x	0.334x	0.335x	0.336x
11.0%	0.328x	0.330x	0.332x	0.333x	0.334x

Discounted Cash Flow Accretion / Dilution Analysis. Goldman Sachs performed an accretion / dilution analysis to determine whether the mergers would be accretive or dilutive to the holders of Universal common stock, by comparing implied per share prices of Holdings common stock to implied per share prices of Universal common stock on a stand-alone basis.

Goldman Sachs performed a discounted cash flow analysis to determine implied per share prices for Holdings common stock, assuming that the combined companies will operate without any Synergies, by calculating (a) the sum of (i) the present values of estimated cash flows for Holdings through the year 2015, using discount rates ranging from 8% to 11% and (ii) the present value of the illustrative terminal value of Holdings in the year 2015, based on a range of multiples from 5.5x to 9.5x estimated EBITDA in 2015, and using discount rates ranging from 8% to 11%, divided by (b) the total number of outstanding Holdings shares following completion of the mergers. Goldman Sachs then performed a discounted cash flow analysis to determine implied per share prices for Universal common stock, on a stand-alone basis, by calculating (a) the sum of (i) the present values of estimated cash flows for Universal through the year 2015, using discount rates ranging from 8% to 11% and (ii) the present value of the illustrative terminal value of Universal in the year 2015, based on a range of multiples from 5.5x to 9.5x estimated EBITDA in 2015, and using discount rates ranging from 8% to 11%, divided by (b) the total number of outstanding shares of Universal. Based on these calculations, Goldman Sachs then determined whether the mergers would be accretive or dilutive to holders of Universal common stock.

% Change in Per Share Value of Universal from Status Quo (without Synergies)

	Terminal Value of 2015E EBITDA				
Discount Rate	**5.5x**	**6.5x**	**7.5x**	**8.5x**	**9.5x**
8.0%	0.6%	0.9%	1.1%	1.3%	1.5%
9.0%	(0.1)%	0.3%	0.6%	0.9%	1.1%
10.0%	(0.8)%	(0.3)%	0.1%	0.4%	0.7%
11.0%	(1.6)%	(1.0)%	(0.5)%	(0.1)%	0.2%

Goldman Sachs also performed a discounted cash flow analysis to determine implied per share prices for Holdings common stock, assuming that the combined companies will operate with annual Synergies of $50 million as estimated by Universal s management, by calculating (a) the sum of (i) the present values of estimated cash flows for Holdings

through the year 2015, using discount rates ranging from 8% to 11% and (ii) the present value of the illustrative terminal value of Holdings in the year 2015, based on a range of multiples from 5.5x to 9.5x estimated EBITDA in 2015, and using discount rates ranging from 8% to 11%, divided by (b) the total number of outstanding Holdings shares following completion of the mergers. Goldman Sachs then performed a discounted cash flow analysis to determine implied per share prices for Universal common stock, on a stand-alone basis, by performing the same calculations described in the preceding paragraph. Based on these calculations, Goldman Sachs then determined whether the mergers would be accretive or dilutive to holders of Universal common stock.

Goldman Sachs calculations were based on estimates for Universal and Hanover and Synergies estimates prepared by Universal s management. The following table presents the results of this analysis:

% Change in Per Share Value of Universal from Status Quo (with Synergies)

	Terminal Value of 2015E EBITDA				
Discount Rate	**5.5x**	**6.5x**	**7.5x**	**8.5x**	**9.5x**
8.0%	8.7%	8.5%	8.3%	8.2%	8.1%
9.0%	8.3%	8.2%	8.0%	8.0%	7.9%
10.0%	7.9%	7.8%	7.7%	7.7%	7.6%
11.0%	7.5%	7.4%	7.4%	7.4%	7.3%

Pro Forma Merger Analysis. Goldman Sachs prepared illustrative pro forma analyses of the potential financial impact of the mergers using estimates for Universal and Hanover prepared by Universal s management. For the second half of 2007 and each of the years 2008 and 2009, Goldman Sachs compared the projected earnings per share, or EPS, and cash flows per share, or CFPS, defined as net income plus depreciation and amortization, divided by fully diluted shares outstanding (and does not include deferred taxes), of Universal common stock on a standalone basis to the projected EPS and CFPS of the Holdings common stock. Goldman Sachs calculations were based on the agreed-upon exchange rate of 0.325x, and assuming annual Synergies of $50 million as estimated by Universal s management. Goldman Sachs also performed sensitivity calculations assuming annual Synergies of $25 million and $75 million, respectively. The following tables present the results of this analysis:

	$25 Million Synergies	**$50 Million Synergies**	**$75 Million Synergies**
EPS Accretion / (Dilution)			
2H 2007E	4.8%	12.3%	19.7%
2008E	(3.2)%	3.5%	10.2%
2009E	(4.7)%	1.6%	7.8%
CFPS Accretion / (Dilution)			
2H 2007E	6.5%	9.4%	12.3%
2008E	3.2%	5.9%	8.5%
2009E	2.8%	5.3%	7.7%

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Goldman Sachs opinion. In arriving at its fairness determination, Goldman Sachs considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, Goldman Sachs made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses. No company or transaction used in the above analyses as a comparison is directly comparable to Hanover or Universal or the contemplated mergers.

Goldman Sachs prepared these analyses for purposes of Goldman Sachs providing its opinion to Universal s board of directors, as to the fairness from a financial point of view to the holders of Universal common stock, of the Universal exchange ratio contemplated by the merger agreement. These analyses do not purport to be appraisals nor do they necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of Universal, Hanover, Goldman Sachs or any other person assumes responsibility if future results are materially different from those forecast.

The Universal exchange ratio and the Hanover exchange ratio were determined through arms -length negotiations between Universal and Hanover and were approved by Universal s board of directors. Goldman

Sachs provided advice to Universal during these negotiations. Goldman Sachs did not, however, recommend any specific exchange ratio to Universal or its board of directors or that any specific exchange ratio constituted the only appropriate exchange ratio for either merger.

As described above, Goldman Sachs opinion was one of many factors taken into consideration by Universal s board of directors in making its determination to approve the merger agreement. The foregoing summary does not purport to be a complete description of the analyses performed by Goldman Sachs in connection with the fairness opinion and is qualified in its entirety by reference to the written opinion of Goldman Sachs attached as Annex C.

Goldman Sachs and its affiliates, as part of their investment banking business, are continually engaged in performing financial analyses with respect to businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and other transactions as well as for estate, corporate and other purposes. Goldman Sachs has acted as financial advisor to Universal in connection with, and has participated in certain of the negotiations leading to, the mergers contemplated by the merger agreement. Goldman Sachs also may provide investment banking services to Universal and Hanover in the future. In connection with the above-described investment banking services, Goldman Sachs may in the future receive compensation.

Goldman Sachs is a full service securities firm engaged, either directly or through its affiliates, in securities trading, investment management, financial planning and benefits counseling, risk management, hedging, financing and brokerage activities for both companies and individuals. In the ordinary course of these activities, Goldman Sachs and its affiliates may provide such services to Universal, Hanover and their respective affiliates, may actively trade the debt and equity securities of Universal and Hanover for their own account and for the accounts of their customers and may at any time hold long and short positions of such securities.

Pursuant to a letter agreement, dated December 22, 2006, Universal engaged Goldman Sachs to act as its financial advisor in connection with the contemplated mergers. Universal s board of directors selected Goldman Sachs as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience in transactions similar to the mergers. Pursuant to the terms of this engagement letter, Universal has agreed to pay Goldman Sachs a transaction fee of $10 million, payable upon consummation of the mergers. Universal has also agreed to consider, in good faith, taking into account the level of service that Goldman Sachs has provided in connection with the mergers, paying Goldman Sachs an additional transaction fee of $3 million, payable upon consummation of the mergers. Payment of Goldman Sachs fees is fully contingent upon the consummation of the mergers. In addition, Universal has agreed to reimburse Goldman Sachs for its expenses, including attorneys fees and disbursements, and to indemnify Goldman Sachs and related persons against various liabilities, including certain liabilities under the federal securities laws. At the request of, and without any limitations or instructions from, Universal s board of directors, Goldman Sachs rendered its opinion described above pursuant to the engagement letter dated December 22, 2006.

Interests of Hanover and Universal Directors and Executive Officers in the Mergers

You should be aware that some Hanover and Universal directors and executive officers have interests in the mergers as directors or officers that are different from, or in addition to, the interests of other Hanover and Universal stockholders.

Governance Structure and Management Positions

As provided in the merger agreement, upon the consummation of the mergers, the Holdings board of directors will consist of 10 members, five of whom will be current members of, and designated by, Hanover s board of directors and

five of whom will be current members of, and designated by, Universal s board of directors. In addition, certain executive officers of Hanover and Universal have been selected to serve as executive officers of Holdings. More information regarding the directors and executive officers that have been designated or selected is set forth in Continuing Board and Management Positions beginning on page 74.

Interests of Hanover Directors and Executive Officers in the Mergers

Equity Compensation Awards

The merger agreement provides that upon completion of the Hanover merger, each share of restricted stock issued by Hanover and each Hanover stock option, including those held by executive officers and directors of Hanover, will be converted into Holdings restricted stock and stock options, respectively, based on the Hanover exchange ratio. Upon the consummation of the Hanover merger, under the terms of Hanover s equity incentive plans, each Hanover stock option and each share of restricted stock or restricted stock unit of Hanover granted prior to the date of the merger agreement and outstanding as of the effective time of the Hanover merger, including those held by executive officers and directors of Hanover, will vest in full. Equity compensation awards, including stock options and restricted stock or restricted stock units, granted after the date of the merger agreement will not vest upon the consummation of the Hanover merger, but will vest in accordance with their normal vesting schedule or, depending on the terms of the applicable award agreement, upon any future corporate change (as such term is defined in the applicable equity incentive plan other than the Hanover merger). For additional information regarding the treatment of equity awards in the mergers, see The Merger Agreement Consideration to be Received in the Mergers Assumption by Holdings of Certain Outstanding Equity Awards beginning on page 83. Based on the Hanover equity compensation awards held by executive officers and directors of Hanover as of June 28, 2007 and assuming a merger closing date of August 20, 2007, the vesting of the following shares of restricted stock and stock options held by the directors and executive officers of Hanover would accelerate as a result of the Hanover merger:

	Unvested Restricted Stock(1)	Unvested Stock Options
Non-Employee Directors		
I. Jon Brumley	6,000	2,000
Ted Collins, Jr.	6,000	2,000
Margaret K. Dorman	7,000	3,000
Robert R. Furgason	6,000	2,000
Victor E. Grijalva	6,000	2,000
Gordon T. Hall	6,000	2,000
Peter H. Kamin(2)		
William C. Pate(2)		
Stephen M. Pazuk	7,000	3,000
L. Ali Sheikh	4,333	
Executive Officers		
John E. Jackson	247,792	10,000
Lee E. Beckelman	55,838	5,667
Brian A. Matusek	54,120	7,073
Norman A. Mckay	47,400	4,333
Steven W. Muck	55,800	4,333
Gary M. Wilson	55,122	7,144
Anita H. Colglazier	15,905	1,667
Peter G. Schreck	18,192	1,667
Stephen P. York	21,217	1,667

(1) Includes 149,125, 36,738, 38,925, 30,800, 34,600, 41,200, 12,038, 14,925 and 17,350 shares of unvested restricted stock held by Messrs. Jackson, Beckelman, Matusek, Mckay, Muck and Wilson, Ms. Colglazier, Mr. Schreck and Mr. York, respectively, that are subject to Long-Term Incentive Plan performance awards described below under Long-Term Incentive Plan Performance Awards the vesting of which will accelerate at the maximum award level as a result of the Hanover merger.

(2) Elected to the Hanover board of directors effective as of January 1, 2007.

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In May 2007, the non-employee directors (other than the Chairman of the Board) were each granted 4,700 shares of restricted stock as part of their ordinary annual compensation. Such restricted stock vests at the rate of one-third per year over a three year period of service, beginning on the first anniversary of the grant date (subject to accelerated vesting upon a change of control of Hanover except with respect to the proposed mergers). Because the shares of restricted stock awarded to those Hanover directors who have not been nominated to serve on the board of directors of Holdings will not accelerate upon completion of the mergers, Hanover approved a cash grant of $105,000 to such directors (consisting of Messrs. Brumley, Collins, Furgason, Grijalva and Sheikh and Ms. Dorman). This amount is equal to the grant date value of the restricted stock award made in May 2007 and described above. The cash grant is contingent and payable to such directors only upon the completion of the mergers and the forfeiture of their 2007 awards of restricted stock.

On May 8, 2007, Gordon T. Hall, Chairman of the Board, was granted 6,700 shares of restricted stock. The Hanover board of directors also awarded Mr. Hall a special grant of 21,000 shares of restricted stock. The grant was provided to acknowledge Mr. Hall s significant role in negotiating the mergers. The restricted stock awarded to Mr. Hall vests at the rate of one-third per year over a three year period of service beginning on the first anniversary of the grant date (subject to accelerated vesting upon a change of control of Hanover except with respect to the mergers).

Long-Term Incentive Plan Performance Awards

Upon completion of the Hanover merger, each Long-Term Incentive Plan, or LTIP, performance-based restricted stock award granted under Hanover s Long-Term Incentive Plans prior to the date of the merger agreement will be paid based on the maximum performance levels without proration. Each LTIP performance-based cash award will be paid based on the target performance levels without proration. In the absence of the Hanover merger, both types of the LTIP performance awards would have been paid out, if at all, at a threshold level, at a target level or at a maximum level based on Hanover s actual level of achievement of the applicable performance measures, but without any assurance that the maximum performance level would be achieved. Each LTIP performance award was subject to determination over a performance period of three years and fully vested at the end of the applicable three-year period based upon the level of achievement of the applicable performance measures. The LTIP performance awards granted to Hanover s executive officers in 2004 and 2006 would have been settled solely in common stock by the vesting of shares of restricted stock, while the LTIP performance awards granted to Hanover s executive officers in 2005 would have been settled solely in cash. Compensation expense for the 2004 and 2005 LTIP performance-based awards have been accruing at the maximum level based on Hanover s performance. The 2006 LTIP performance-based awards are accruing between target and maximum levels. Based on the LTIP performance awards granted to each of Hanover s executive officers as of June 28, 2007 and assuming a merger closing date of August 20, 2007, the executive officers of Hanover would receive the following payments upon the consummation of the Hanover merger:

Executive Officer	2004 LTIP Performance Award (# of Shares)	2005 LTIP Performance Award ($)	2006 LTIP Performance Award (# of Shares)
John E. Jackson	26,125	780,000	123,000
Lee E. Beckelman	5,938	180,000	30,800
Brian A. Matusek	8,125	180,000	30,800
Norman A. Mckay		140,000	30,800
Steven W. Muck	10,000	140,000	24,600
Gary M. Wilson	15,000	140,000	26,200
Anita H. Colglazier	3,438	50,000	8,600

Peter G. Schreck	8,125	50,000	6,800
Stephen P. York	8,750	50,000	8,600

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Retention Plan

The merger agreement provides that, prior to the consummation of the Hanover merger, Hanover may provide for cash retention bonuses to employees, including executive officers, not in excess of $10 million in the aggregate. Hanover s board of directors adopted a Retention Bonus Plan of up to $10 million effective March 19, 2007. The Retention Bonus Plan provides for awards to certain key employees if such individuals remain employed by Hanover or its successor through March 31, 2008, or are terminated without cause prior to such date. Participants are also entitled to a retention bonus award upon death or disability. Subject to the terms of the plan, as of the date of this joint proxy statement/prospectus, the following executive officers are entitled to receive a retention bonus award in the amounts shown:

Norman A. Mckay	$	310,000
Gary M. Wilson	$	310,000
Steven W. Muck	$	250,000
Stephen P. York	$	200,000
Anita H. Colglazier	$	150,000

Supplemental Performance Bonus Plan

Hanover has approved a supplemental performance bonus plan that is contingent upon the consummation of the mergers. If the mergers are consummated, cash performance awards granted under Hanover s 2005 Long-Term Incentive Program (2005 LTI program) will vest at only 100% of target payout even though the maximum performance criteria are currently expected to be met. Absent the proposed mergers, if the maximum performance criteria were met, the payout would be up to 200% of what would have been payable at target performance. As a result of this inequity, Hanover approved approximately $2.9 million in supplemental performance bonuses payable to officers and other employees in cash upon consummation of the mergers. Employees who received cash awards under the 2005 LTI program and were salary grades 38 and above at the time of grant (generally director-level managers and above) will receive a supplemental performance bonus that, when taken together with the 100% target payout that will vest upon consummation of the mergers, will be the equivalent of Hanover obtaining a 150% performance level under the 2005 LTI program (which is the maximum payout level). Employees who received cash awards under the 2005 LTI program and were salary grades 37 and below at the time of grant will receive a supplemental performance bonus that, when taken together with the 100% target payout that will vest upon consummation of the mergers, will be the equivalent of Hanover obtaining a 200% performance level under the 2005 LTI program.

The estimated supplemental performance bonus for each of Hanover s executive officers, payable only upon consummation of the mergers, will be as follows:

Officer		Estimated Supplemental Performance Bonus
John E. Jackson	$	390,000
Lee E. Beckelman	$	90,000
Brian A. Matusek	$	90,000
Norman A. Mckay	$	70,000
Steven W. Muck	$	70,000

Gary M. Wilson	$	70,000
Stephen P. York	$	25,000
Peter G. Schreck	$	25,000
Anita H. Colglazier	$	25,000

Change of Control Agreements

Hanover has entered into a change of control agreement with each of its executive officers. The change of control agreements generally provide that following a qualifying termination of employment (which is generally defined as either the termination of the executive officer by Hanover without cause or the termination by the executive officer for good reason, in each case within 12 months of a change of control,

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such as the Hanover merger), Hanover will pay to the executive officer, within five business days after the date of termination (or, if Section 409A of the Code is applicable to the payment, as soon as such payment can be made without being subject to the additional tax under Section 409A), an amount equal to the sum of:

the executive officer s earned but unpaid base salary through the date of termination plus the executive officer s target bonus for the current year (prorated to the date of termination);

any earned but unpaid actual bonus for the prior year;

that portion of the executive officer s vacation pay accrued, but not used, for the current year to the date of termination;

the product of a designated multiple times the sum of the executive officer s respective base salary and target bonus; and

amounts previously deferred by the executive officer, if any, or earned but not paid, if any, under any Hanover incentive and nonqualified deferred compensation plans or programs as of the date of termination.

In addition, each change of control agreement provides that Hanover will pay the executive officer for health insurance premiums for a period of up to eighteen months. If the executive officer is terminated for cause, or such executive officer terminates his or her employment without good reason, Hanover is not obligated to make any payments under the change of control agreement.

The multiple used to determine the amount owed to Hanover s executive officers pursuant to the fourth bullet point above is:

Executive Officer	**Multiple**
John E. Jackson	3.0x
Lee E. Beckelman	2.0x
Brian A. Matusek	2.0x
Norman A. Mckay	2.0x
Steven W. Muck	2.0x
Gary M. Wilson	2.0x
Anita H. Colglazier	1.5x
Peter G. Schreck	1.5x
Stephen P. York	1.5x

For purposes of these change of control agreements, good reason includes, in relevant part, the following events:

a permanent change in the executive officer s duties or responsibilities which are materially inconsistent with either the type of duties and responsibilities of the executive officer then in effect or with the executive officer s title, but excluding any such change that is in conjunction with and consistent with a promotion of the executive officer;

a reduction in the executive officer s base salary;

a reduction in the executive officer s annual target bonus percentage of base salary as in effect immediately prior to the change of control;

a material reduction in the executive officer s employee benefits (without regard to bonus compensation, if any) if such reduction results in the executive officer receiving benefits that are, in the aggregate, materially less than the benefits received by other comparable employees of Hanover or its successor generally; or

the willful failure by Hanover or its successor to pay any compensation to the executive officer when due.

For purposes of these change in control agreements cause includes but is not limited to:

- the commission by the executive of an act of fraud, embezzlement or willful breach of a fiduciary duty to Hanover or an affiliate;
- a conviction or a no contest plea in connection with a felony or a crime involving fraud, dishonesty or moral turpitude;
- willful misconduct; or
- failure of the executive to follow the written directions of the board of directors or to render services in accordance with an employment arrangement.

As a result of the Change of Control Agreements, any executive officers of Hanover who are terminated without cause or who terminate their own employment for good reason within 12 months of the consummation of the Hanover merger will be entitled to the severance benefits set forth in their Change of Control Agreement. For additional information regarding Hanover s change of control agreements and amounts that may be owed to Hanover s executive officers, please see Hanover Annual Meeting Proposal 4 Election of Directors Information Regarding Executive Compensation beginning on page 139.

Hanover 401(k) Match

Hanover s matching cash contributions, which are discretionary and subject to change at the election of Hanover at any time, are determined based on each participant s eligible compensation (as defined in the plan document) and contributed to Hanover s 401(k) plan in cash and invested in each individual participant s account in accordance with their investment allocation elections on a quarterly basis. For the twelve months ended December 31, 2006, Hanover s matching contributions were made to each participant s account at a rate of 50% of each participant s contributions up to 6% of eligible compensation.

Hanover s 401(k) plan provides for participant vesting in its matching contributions, including reallocated forfeitures, and actual earnings thereon at the rate of 20% each year of employment with Hanover and are 100% vested after five years of credited service subject to certain limitations defined in the plan document. Participants become 100% vested in Hanover matching contributions upon death, disability or attainment of normal retirement age. Effective January 1, 2005, if there is a corporate change, as defined in the Hanover Compressor Company 2003 Stock Incentive Plan, all unvested balances under the Hanover 401(k) would become fully vested. As a result of the Hanover merger, all matching contributions by Hanover to its 401(k) plan, including matching contributions to accounts for the benefit of Hanover s executive officers, will immediately vest.

Interests of Universal Directors and Executive Officers in the Mergers

Retention Plan

The merger agreement provides that prior to the consummation of the Universal merger, Universal may, implement a cash retention plan of up to $10 million for some or all of its employees or employees of its subsidiaries including executive officers.

On April 13, 2007, the Universal board of directors adopted a retention bonus plan for selected employees, including executive officers, that provides participants with a retention bonus in a lump sum cash payment upon continuing

employment with Universal until a specified date or dates (each a key date). If a participant s employment with Universal is terminated prior to any key date by reason of death, disability or termination without cause (as defined in the retention bonus plan), that participant is entitled to be paid his or her entire retention bonus. If a participant s employment is terminated prior to any key date for any other reason, that participant will not be entitled to any unpaid portion of his or her retention bonus. As of the date of this joint proxy statement/prospectus, the following executive officers are entitled to receive a retention bonus award in the amounts set forth below upon the later of (1) six months after the consummation of the mergers and (2) April 30, 2008 (except that Mr. Bickett will receive one half of his retention bonus award on

that date and the other half of his award upon the later of (1) 12 months after the consummation of the mergers and (2) October 31, 2008):

Named Executive Officer	Amount of Retention Bonus Award
J. Michael Anderson	$ 160,000
D. Bradley Childers	$ 160,000
Kirk E. Townsend	$ 125,000
Richard Leong	$ 125,000
Donald C. Wayne	$ 125,000
Kenneth Bickett	$ 100,000

Directors Stock Plan

Under the terms of Universal s director s stock plan, pursuant to which outside directors of Universal who elect to participate in the plan are granted shares of Universal s common stock, all deferrals of shares granted to directors will accelerate upon the consummation of the mergers and must be paid by Universal within 30 days of the consummation of the mergers. Currently, directors Janet F. Clark and Lisa Rodriguez have deferred receipt of 2,177 and 214 shares, respectively, of Universal common stock pursuant to the directors stock plan. Receipt of these shares will accelerate upon the consummation of the mergers.

Restricted Stock Plan and Incentive Stock Option Plan

Pursuant to the terms of the merger agreement, upon the consummation of the mergers, all outstanding restricted stock awards and options to purchase shares of Universal s common stock granted under Universal s restricted stock plan and incentive stock option plan, respectively, will be converted into an equivalent number of Holdings restricted stock awards or options to purchase shares of Holdings common stock, as the case may be, at the same exercise price. For additional information regarding the treatment of equity awards in the mergers, see The Merger Agreement Consideration to be Received in the Mergers Assumption by Holdings of Certain Outstanding Equity Awards beginning on page 83.

On June 12, 2007, the compensation committee of Universal s board of directors approved the grant of (i) restricted stock under Universal s restricted stock plan and (ii) options to purchase Universal common stock under Universal s incentive stock option plan to the executive officers and directors set forth below in the respective amounts set forth below.

Executive Officer	Number of Shares of Restricted Stock Granted	Number of Shares of Common Stock Underlying Options Granted
Stephen A. Snider	21,333	38,651
D. Bradley Childers	6,000	10,871
J. Michael Anderson	6,000	10,871
Kirk E. Townsend	4,000	7,247
Donald C. Wayne	2,667	4,831

Janet F. Clark	3,000
Uriel E. Dutton	3,000
J.W.G. Will Honeybourne	3,000

The shares of restricted stock vest in one-third increments on the first, second and third anniversary of the grant. Upon any termination of the executive officer s continuous service (as that term is defined in Universal s restricted stock plan), Universal will have the right to cancel any unvested shares of restricted stock. The options will become exercisable in one-third increments on the first, second and third anniversary of the grant. The purchase price per share under each option granted is the average of the high and low reported consolidated trading sales prices of Universal s common stock on the New York Stock Exchange on the date of grant.

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The grants of restricted stock will vest upon a change in control (as that term is defined in Universal s restricted stock plan) and the grants of options will become immediately exercisable upon the acquisition by any person of 51% or more of Universal s common stock, in each case, other than any change in control resulting from the consummation of the mergers.

Change of Control Agreements

Universal has entered into change of control agreements with the following executive officers:

Stephen A. Snider;

J. Michael Anderson;

Ernie L. Danner;

Kirk E. Townsend;

D. Bradley Childers;

Richard Leong; and

Donald C. Wayne.

The mergers will constitute a change of control of Universal for purposes of these agreements. If the employment of any of these executive officers is terminated by the executive during the one-year period immediately following the consummation of the mergers due to good reason or by Universal for any reason other than death, disability or cause, as defined below, the former officer will be entitled to receive the following from Holdings:

an amount equal to the executive s annual base salary through the date of termination and a pro rated annual bonus based upon the greater of the annual bonus that would be payable to the executive for that year or the executive s highest annual bonus over the preceding three years;

an amount equal to two times the executive s current annual base salary and two times the greater of the annual bonus that would be payable to the executive for that year or the executive s highest annual bonus over the preceding three years;

for a period of two years following the executive s date of termination, Universal will provide company medical and welfare benefits to the executive or the executive s family equal to those benefits which would have been provided to such executive in accordance with the benefits if the executive s employment had not been terminated;

Universal will pay the executive an amount equal to the amount forfeited by the executive under the deferred compensation plan or any similar plan;

all stock options, restricted stock, restricted stock units or other stock-based awards held by the executive that are not vested, will vest; and

in the event that any payment or distribution made by Universal to or for the benefit of the executive would be subject to a federal excise tax, then the executive is entitled to receive an additional gross-up payment.

For purposes of these change of control agreements, good reason includes, in relevant part, the following events:

the assignment to the executive officer of any duties inconsistent with his or her position, authority, duties or responsibilities during the ninety-day period prior to the change of control, or any material diminution in his or her position, authority, duties or responsibilities;

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the requirement that the executive officer be based at any location other than that required during the ninety-day period prior to the change of control, or any substantially increased business travel relative to that required during the ninety-day period prior to the change of control; or

any purported termination of the executive officer s employment, other than as expressly permitted by the applicable change of control agreement.

For purposes of these change of control agreements, termination for cause includes, in relevant part, termination for any of the following reasons:

the willful and continued failure of the executive officer to perform substantially his or her duties (other than as a result of incapacity due to physical or mental illness), after a written demand for substantial performance has been delivered to the executive officer by the board of directors or the Chief Executive Officer of Universal or its successor; or

the willful engaging by the executive officer in illegal conduct or gross misconduct which is materially and demonstrably injurious to Universal or its successor.

Based on the Universal equity awards held as of June 28, 2007 by executive officers of Universal who have entered into change of control agreements and assuming a merger closing date of August 20, 2007, the consummation of the Universal merger would result in the acceleration of vesting of the following stock options and shares of restricted stock or restricted stock units:

	Vesting of Equity-Based Awards Upon Completion of Merger		
	Options		Restricted
Name	Granted (#)	Weighted Avg. Exercise Price ($)	Shares or RSUs (#)
Mr. Anderson	19,001	$ 41.83	24,000
Mr. Childers	19,001	$ 41.83	21,500
Mr. Danner	24,001	$ 41.79	30,000
Mr. Leong	11,001	$ 41.33	15,000
Mr. Snider	96,667	$ 42.85	22,500
Mr. Townsend	19,001	$ 41.83	20,000
Mr. Wayne			5,643

Indemnification and Insurance

The merger agreement includes provisions relating to indemnification and insurance for directors and officers of Hanover and Universal.

Each of the parties to the merger agreement has agreed that, for six years after the consummation of the mergers, Holdings will indemnify and hold harmless and advance expenses to, to the greatest extent permitted by law as of the date of the merger agreement, the individuals who at or prior to the consummation of the mergers were officers and directors of Hanover, Universal or their respective subsidiaries with respect to all acts or omissions by them in their

capacities as such or taken at the request of Hanover, Universal or any of their respective subsidiaries at any time prior to the consummation of the mergers. Holdings has also agreed to honor all indemnification agreements, expense advancement and exculpation provisions with the individuals identified in the preceding sentence (including under Hanover s or Universal s certificate of incorporation or bylaws) in effect as of February 5, 2007, the date of the execution of the merger agreement, in accordance with the terms of those agreements or provisions.

The merger agreement also provides that for a period of six years after the consummation of the mergers, Holdings will cause to be maintained officers and directors liability insurance covering all officers and directors of Hanover and Universal who are, or at any time prior to the consummation of the mergers were, covered by Hanover s or Universal s existing officers and directors liability insurance policies on terms substantially no less advantageous than the existing policies, provided that Holdings will not be required to

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pay annual premiums in excess of 200% of the last annual premium paid by Hanover or Universal, as applicable, prior to February 5, 2007, the date of the execution of the merger agreement, but in such case will purchase as much coverage as reasonably practicable for that amount.

The indemnification rights described above will be in addition to any other rights available under the certificate of incorporation or bylaws of Hanover or Universal or any of its subsidiaries, under applicable law or otherwise.

Continuing Board and Management Positions

The merger agreement provides that upon the consummation of the mergers, the Holdings board of directors will consist of 10 members, five of whom will be current members of, and designated by, Hanover s board of directors and five of whom will be current members of, and designated by, Universal s board of directors. Hanover intends to designate the following current members of its board of directors to serve on the Holdings board of directors: Gordon T. Hall, John E. Jackson, Peter H. Kamin, William C. Pate and Stephen M. Pazuk. Universal intends to designate the following current members of its board of directors to serve on the Holdings board of directors: Stephen A. Snider, Ernie L. Danner, Uriel E. Dutton, Janet F. Clark and J.W.G. Will Honeybourne. Committee members and chairpersons will be chosen by the Holdings board of directors from among its members. The amended and restated bylaws of Holdings that will become effective upon the consummation of the mergers provide that the size of the board of directors can be increased or decreased, and any vacancies on the board can be filled, only with the affirmative vote of a majority of the whole board, which is defined to mean the total number of authorized directors, regardless of whether there exists a vacancy in any previously authorized director position.

The merger agreement provides that Stephen A. Snider, Universal s current President and Chief Executive Officer and Chairman of Universal s board of directors, will be the President and Chief Executive Officer of Holdings and Gordon T. Hall, the current chairman of Hanover s board of directors, will be the chairman of the board of directors of Holdings. Messrs. Snider and Hall will have all duties customary to their respective positions, as well as any duties specifically set forth in the amended and restated bylaws of Holdings, a copy of which is included as Exhibit 2.3.2 of Annex A to this joint proxy statement/prospectus.

Mr. Snider and Mr. Hall have jointly evaluated candidates to fill the most senior officer positions at Holdings. Pursuant to this process, the following people have been selected to be officers of Holdings and will be appointed to their respective positions by the Holdings board of directors upon the consummation of the mergers:

Name	Position or Area of Responsibility with Holdings	Prior Office
J. Michael Anderson	Chief Financial Officer	Senior Vice President and Chief Financial Officer (Universal)
Brian A. Matusek	Chief Operating Officer	Senior Vice President, Western Hemisphere (Hanover)
Dan Newman	Manufacturing	Vice President, Manufacturing and Global Services (Hanover)
D. Bradley Childers	Corporate Development	Senior Vice President and President, International Operations (Universal)
Steven W. Muck	Human Resources	Vice President, Human Resources & Health Safety and Environment (Hanover)
Donald C. Wayne	Legal	

		Vice President, General Counsel and Secretary (Universal)
Kenneth R. Bickett	Corporate Controller	Vice President, Accounting and Corporate Controller (Universal)

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Regulatory Matters

Before completing the mergers, Hanover and Universal must make merger filings with, and in some cases obtain clearances or consents from, United States federal and various foreign antitrust authorities, as described below. Hanover and Universal have received the required consents and clearances described below to complete the mergers.

Hart-Scott-Rodino Act

The mergers are subject to the requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder, which we call the HSR Act. The HSR Act provides that certain transactions may not be consummated until premerger notifications and required information have been furnished to the Antitrust Division of the Department of Justice and the Federal Trade Commission, or FTC, and the relevant waiting periods have been early terminated or have expired. Hanover and Universal filed premerger notification forms pursuant to the HSR Act with the Antitrust Division and the FTC on February 22, 2007. On March 26, 2007, Hanover and Universal each received a request for additional information from the Antitrust Division regarding the proposed mergers. On July 3, 2007, Hanover and Universal each received notice that the waiting period required by the HSR Act with respect to the mergers had been early terminated.

At any time before or after consummation of the mergers, the Antitrust Division, the FTC or any state attorney general could take any action under the antitrust laws deemed necessary or desirable in the public interest, including seeking to enjoin consummation of the mergers or seeking divestiture of particular assets or businesses of Hanover or Universal. The early termination of the applicable HSR Act waiting period, and the consummation of the mergers, does not preclude the Antitrust Division or the FTC from challenging the mergers on antitrust grounds and seeking divestiture of businesses or assets or rescission of the transaction. Private parties also may take legal action under the antitrust laws in certain circumstances. It is possible that Hanover and Universal may not prevail in any such challenge.

The merger agreement requires Hanover and Universal to satisfy any conditions or divestiture requirements imposed upon them unless the conditions or divestitures would be reasonably likely to have a material adverse effect on the combined company after the completion of the mergers.

Foreign Clearances

Completion of the mergers also may be subject to the antitrust laws, rules and regulations of foreign governmental authorities, which may provide that certain transactions may not be completed until required merger filings have been furnished to the appropriate antitrust regulatory entity and certain waiting periods have been early terminated or have expired or those entities approve or clear the merger. Pursuant to the merger agreement, completion of the mergers is subject to receipt of these foreign antitrust clearances unless the failure to obtain those clearances would not have a material adverse effect on the combined company after completion of the mergers. Hanover and Universal have determined the jurisdictions in which foreign competition filings are required and have made the necessary filings.

Workforce and Employee Benefits Matters

Continuation of Agreements

After the completion of the mergers, Holdings will assume and agree to honor all obligations of the respective employer under any change of control agreements and plans of Hanover and Universal (other than the Universal

Employee Stock Purchase Plan, which Universal will terminate prior to the completion of the mergers) existing as of the date of the merger agreement (or as established or amended in accordance with the merger agreement) that apply to any current or former employee or current or former director of Universal or Hanover or any of their subsidiaries, provided that neither Holdings nor its subsidiaries will be prevented from enforcing those agreements or plans in accordance with their terms, including any reserved right to amend, modify, suspend, revoke or terminate any such agreement or plan.

Workforce Reductions

Subject to obligations under applicable law and applicable collective bargaining agreements, Holdings current intention is that:

any reductions in the employee workforce of Holdings and its subsidiaries will be made in light of the circumstances and the objectives to be achieved. Holdings and its subsidiaries will give consideration to previous work history, job experience and qualifications and such other factors as Holdings and its subsidiaries consider appropriate, without regard to whether employment prior to the completion of the mergers was with Hanover and its subsidiaries or with Universal and its subsidiaries, and any employees whose employment is terminated or jobs are eliminated by Holdings or any of its subsidiaries during that period will be entitled to participate (as determined by Holdings and its subsidiaries) in the job opportunity and employment placement programs offered by Holdings or any of its subsidiaries for which they are eligible; and

employees of Holdings and its subsidiaries will be able to participate in all job training, career development and educational programs of Holdings and its subsidiaries for which they are eligible, and employees also will be entitled to fair and equitable consideration in connection with any job opportunities with Holdings and its subsidiaries, in either case without regard to whether the employment of those employees prior to the completion of the mergers was with Hanover and its subsidiaries or with Universal and its subsidiaries.

Employee Severance Plans

In connection with the proposed mergers, Hanover and Universal have each adopted a severance plan providing certain benefits to their U.S.-based employees and employees of any other subsidiaries designated by their respective boards of directors (but excluding any employees with change of control agreements). The Hanover and Universal severance plans provide that any eligible employee who is terminated without cause during the six-month period following the consummation of the mergers will be entitled to payment of a minimum of 10 weeks salary or annualized base rate of pay and a maximum amount to be determined on an individual basis by the plan administrator based on the employee s years of service at Hanover or Universal. Each of the plans provides that, generally, management-level employees will be entitled to a minimum of 17 weeks salary or annualized base rate of pay, and participants above management level, including directors, vice presidents and senior vice presidents, will be entitled to a minimum of 26 weeks salary or annualized base rate of pay. All eligible terminated employees are also entitled to continued medical, dental and vision coverage through the salary continuation period. These severance plans will be effective during the six-month period following the consummation of the mergers and will supersede all prior severance plans, practices and policies, except for each company s retention bonus plan. Prior to or at the conclusion of six months following the consummation of the mergers, Holdings board of directors may consider either an extension of the severance plans or adoption of a plan that is more typically used for reductions in force or job eliminations.

Effect on Awards Outstanding Under Stock Plans

Hanover

At the time of the Hanover merger, each outstanding stock option granted under the Hanover equity incentive plans, whether vested or unvested, will fully vest and be converted into an option to acquire, on the same terms and conditions as were applicable under that Hanover stock option (after taking into account the transactions contemplated by the merger agreement), a number of shares of Holdings common stock equal to the number of shares of Hanover common stock subject to that stock option immediately before the Hanover merger multiplied by 0.325 (rounded to the nearest whole share) at a price per share of Holdings common stock equal to the price per share under that Hanover option divided by 0.325 (rounded to the nearest cent). Likewise, at the time of the Hanover merger, each

restricted share of Hanover common stock and restricted share unit, whether vested or unvested, will fully vest and will be converted into a number of shares of Holdings common stock equal to the number of shares of Hanover common stock subject to such restricted stock award or restricted stock unit multiplied by 0.325.

Universal and the Universal Partnership

At the time of the Universal merger, each outstanding stock option granted under the Universal equity incentive plans (other than options to purchase Universal common stock under the Universal employee stock purchase plan), whether vested or unvested, will fully vest and be converted into an option to acquire, on the same terms and conditions as were applicable under such Universal stock option, the same number of shares of Holdings common stock at the same price per share. Universal will take such actions as are necessary to terminate its employee stock purchase plan and all outstanding options to purchase shares of Universal common stock under the Universal employee stock purchase plan effective immediately prior to the effective time of the Universal merger. Likewise, at the time of the Universal merger, each restricted share of Universal common stock, whether vested or unvested, will fully vest and will be converted into the same number of shares of Holdings common stock. Vesting of the outstanding equity awards made under the Universal Partnership s long-term incentive plan will not accelerate upon the consummation of the mergers; that plan and the outstanding awards made under that plan will remain in effect.

Accounting Treatment

The mergers will be accounted for using the purchase method of accounting. Although the business combination of Hanover and Universal is a merger of equals, generally accepted accounting principles require that one of the two companies in the transaction be designated as the acquirer for accounting purposes. After a review of relevant factors, Hanover has been determined to be the accounting acquirer based on the fact that its stockholders are expected to hold more than 50% of the Holdings common stock after the mergers. The purchase price will be allocated to Universal s identifiable assets and liabilities based on their estimated fair values at the date of the consummation of the mergers, and any excess of the purchase price over those fair values will be accounted for as goodwill. The results of final valuations of property, plant and equipment, and intangible and other assets and the finalization of any potential plans of restructuring have not yet been completed. We will revise the allocation of the purchase price based on Universal s net assets at the time of the merger and when additional information becomes available.

Appraisal Rights

Section 262 of the Delaware General Corporation Law grants appraisal rights to stockholders who are required, by the terms of a merger, to accept any consideration other than shares of stock in the surviving company, shares of stock listed on a national securities exchange or cash received as payment for fractional shares. Because Hanover and Universal stockholders will receive shares of Holdings common stock that will be listed on a national securities exchange and cash in lieu of fractional shares, if any, as consideration in the mergers, Hanover and Universal stockholders will not have appraisal rights as a result of the mergers.

Resale of Holdings Common Stock

The shares of Holdings common stock issued in the mergers will not be subject to any restrictions on transfer arising under the Securities Act except for shares issued to any Hanover or Universal stockholder who is, or is expected to be, an affiliate of Hanover or Universal for purposes of Rule 145 under the Securities Act at the time of the Hanover or Universal annual meeting, respectively. Persons who may be deemed to be affiliates of Hanover or Universal for these purposes generally include individuals or entities that control, are controlled by or are under common control with Hanover or Universal, respectively, and include the directors of Hanover and Universal, respectively. The merger agreement requires each of Hanover and Universal to use its reasonable best efforts to cause each of its affiliates to enter into a written agreement with Holdings agreeing, among other things, not to transfer any Holdings common stock received in the mergers except (1) pursuant to an effective registration statement, (2) in compliance with Rule 145 under the Securities Act or (3) pursuant to an exemption from the registration requirements under the Securities Act.

This joint proxy statement/prospectus does not cover resales of Holdings common stock received by any person upon consummation of the mergers, and no person is authorized to make any use of this joint proxy statement/prospectus in connection with any resale.

Listing of Holdings Common Stock

It is a condition to the consummation of the mergers that the Holdings common stock issuable to Hanover and Universal stockholders pursuant to the merger agreement be approved for listing on the New York Stock Exchange, subject to official notice of issuance.

Deregistration and Delisting of Hanover and Universal Common Stock

If the mergers are consummated, Hanover and Universal will delist their respective common stock from the New York Stock Exchange and may deregister their respective common stock under the Exchange Act. The stockholders of each of Hanover and Universal will become stockholders of Holdings, and their rights as stockholders will be governed by Delaware law and by Holdings certificate of incorporation and bylaws.

Hanover and Universal may cease filing periodic reports pursuant to the Exchange Act with the SEC following deregistration of their common stock, subject to securities laws requirements and the companies obligations under their respective debt instruments.

Dividends

Neither Hanover nor Universal ever has declared a dividend on its common stock. Both parties bank credit facilities and the agreements governing Universal s senior notes and Hanover s senior notes and compression equipment lease obligations restrict the parties respective ability to declare or pay any dividend on, or make similar payments with respect to, their capital stock. In addition, the merger agreement prohibits the parties from declaring, setting aside or paying any dividend with respect to their capital stock while the mergers are pending.

We expect that, after the consummation of the mergers, Holdings will adopt a policy not to pay dividends as well. The payment of any dividend by Holdings would be subject to approval and declaration by the Holdings board of directors and would depend on a variety of factors, including business, financial and regulatory considerations as well as any limitations in any agreements governing indebtedness of Holdings that may then be in existence.

Bank Facility Amendments

It is a condition to the consummation of the mergers that each of Hanover and Universal obtain relief from the provisions of their respective bank credit agreements as may be necessary to permit consummation of the mergers without breach or violation of any such agreement, except where the failure to obtain relief is not reasonably likely to have a material adverse effect on Holdings after the mergers. This relief has been obtained.

Change in Control Provision in Hanover s Equipment Leases

The Hanover merger will constitute a change of control under the 8.50% Senior Secured Notes due 2008 of Hanover Equipment Trust 2001A and the 8.75% Senior Secured Notes due 2011 of Hanover Equipment Trust 2001B. Taken together, there was an aggregate of $383.0 million of these senior notes and $11.9 million in related minority interest obligations outstanding as of March 31, 2007. Upon the change of control, the equipment trusts (with funds supplied by Hanover) must make an offer to the noteholders to purchase their notes at 101% of the outstanding principal amount of the notes and related minority interest obligations plus accrued interest to the purchase date, unless the obligations of the equipment trusts have been earlier satisfied and discharged. If Hanover and Holdings cannot arrange a standby facility or alternative financing, they may not have sufficient funds to purchase the notes if a substantial

amount are tendered. Hanover and Universal intend to monitor the trading levels of the notes and will consider arranging a standby facility that could be drawn to fund the purchase of any tendered notes or seeking a waiver of the repurchase obligation from the noteholders, if, in their judgment, it appears likely that a substantial amount of the notes would be tendered in response to the tender offer. See Risk Factors Risks Relating to the Mergers As a result of the mergers, the repurchase of a significant portion of Hanover s and Universal s outstanding debt may be required and

additional funds to finance the repurchase may not be available on terms favorable to Holdings, if at all beginning on page 23.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE MERGERS

In General

The following summary discusses the material U.S. federal income tax consequences of the mergers to holders of Hanover common stock and holders of Universal common stock. This summary is based upon the Internal Revenue Code of 1986, as amended (the Internal Revenue Code), Treasury regulations promulgated thereunder, administrative rulings and court decisions, all of which are subject to change. Any such change, which could be retroactive, could alter the tax consequences that are described in this summary.

This summary applies only to persons who hold Hanover common stock or Universal common stock as a capital asset within the meaning of Section 1221 of the Internal Revenue Code. This summary applies only to holders of Hanover common stock or Universal common stock that are U.S. holders. For purposes of this summary, a U.S. holder means

- an individual who is a citizen or resident of the United States,
- a corporation or other entity taxable as a corporation created or organized under the law of the United States, any State thereof, or the District of Columbia,
- a trust, if a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or it has a valid election under applicable treasury regulations to be treated as a U.S. person, or
- an estate that is subject to U.S. federal income tax on its income, regardless of its source.

This summary does not apply to a person that is subject to special rules such as:

- a financial institution or an insurance company,
- a tax-exempt organization,
- a pass through entity or an investor in such an entity,
- a dealer or broker in securities or foreign currency,
- a trader in securities who uses a mark to market method of accounting,
- a small business investment company,
- a mutual fund,
- a real estate investment trust,
- a person who has a functional currency other than the U.S. dollar,

- a person who holds its Hanover common stock or Universal common stock as part of a straddle, a hedge against currency risk or a constructive sale or conversion transaction, or
- a person who acquired its Hanover common stock or Universal common stock through the exercise of options, otherwise as compensation or through a tax-qualified retirement plan.

The description of the material U.S. federal income tax consequences of the mergers to holders of Hanover common stock is the opinion of Vinson & Elkins L.L.P., counsel to Hanover, as to such matters, and the description of the material U.S. federal income tax consequences of the mergers to holders of Universal common stock is the opinion of Baker Botts L.L.P., counsel to Universal, as to such matters. Such opinions are based upon certain representations made by Hanover, Universal and Holdings.

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Neither Hanover nor Universal has requested a ruling from the IRS with respect to any of the U.S. federal income tax consequences of the mergers, and there is no assurance that the IRS will agree with any of the conclusions herein.

U.S. Federal Income Tax Consequences of the Hanover Merger

The material U.S. federal income tax consequences of the Hanover merger to holders of Hanover common stock are as follows:

A holder of Hanover common stock will not recognize gain or loss upon the receipt of Holdings common stock in exchange for Hanover common stock in the Hanover merger except to the extent of cash, if any, received in lieu of a fractional share of Holdings common stock.

The aggregate basis of the Holdings common stock received in the Hanover merger will equal the aggregate basis of the Hanover common stock surrendered in the Hanover merger reduced by the tax basis allocable to a fractional share for which cash is received.

The holding period of Holdings common stock received in the Hanover merger (including any fractional shares deemed received and redeemed as described below) will include the holding period of the Hanover common stock surrendered in the Hanover merger in exchange therefor.

A person who receives cash in lieu of a fractional share of Holdings common stock will be treated as having received that fractional share of Holdings common stock and then as having received cash in exchange for that fractional share. Such a holder should generally recognize capital gain or loss equal to the difference between the amount of cash so received and the holder s tax basis that is allocable to the fractional share. Any such capital gain or loss will be long-term capital gain or loss if the holding period of the Hanover share that is exchanged for such fractional share is more than one year when the Hanover merger occurs.

Holders of Hanover common stock who hold shares of Hanover common stock with different bases or holding periods should consult with a tax advisor with regard to identifying the bases and holding periods of the shares of Holdings common stock received in the Hanover merger.

It is a condition to the consummation of the mergers that Hanover receive an opinion of Vinson & Elkins L.L.P. dated the closing date to the effect that for U.S. federal income tax purposes no gain or loss shall be recognized by a holder of Hanover common stock upon the receipt of Holdings common stock in exchange for Hanover common stock in the Hanover merger except for gain that is recognized with respect to cash received in lieu of a fractional share of Holdings common stock. In rendering such opinion, Vinson & Elkins L.L.P. may rely upon representations of Hanover, Universal and Holdings. Although the merger agreement allows Hanover to waive its tax opinion closing condition, Hanover does not anticipate that it will waive this closing condition. If Hanover waives this condition, Hanover will inform you of the decision to waive this condition and will ask you to vote on the Hanover merger taking such waiver into consideration.

Backup Withholding. Non-corporate holders of Hanover common stock may be subject to information reporting and backup withholding on any cash payments received in lieu of a fractional share of Holdings common stock. You will not be subject to backup withholding, however, if you

furnish a correct taxpayer identification number and certify that you are not subject to backup withholding on the substitute Form W-9 or successor form included in the letter of transmittal to be delivered to you, or

are otherwise exempt from backup withholding.

U.S. Federal Income Tax Consequences of the Universal Merger

The material U.S. federal income tax consequences of the Universal merger to holders of Universal common stock are as follows:

A holder of Universal common stock will not recognize gain or loss upon the receipt of Holdings common stock in exchange for Universal common stock in the Universal merger.

The aggregate basis of the Holdings common stock received in the Universal merger will equal the aggregate basis of the Universal common stock surrendered in the Universal merger.

The holding period of Holdings common stock received in the Universal merger will include the holding period of Universal common stock surrendered in the Universal merger in exchange therefor.

Holders of Universal common stock who hold shares of Universal common stock with different bases or holding periods should consult with their tax advisor with regard to identifying the bases and holding periods of the shares of Holdings common stock received in the Universal merger.

It is a condition to the consummation of the mergers that Universal receive an opinion of Baker Botts L.L.P. dated the closing date to the effect that for U.S. federal income tax purposes no gain or loss shall be recognized by a holder of Universal common stock upon the receipt of Holdings common stock in exchange for Universal common stock in the Universal merger. In rendering such opinion, Baker Botts L.L.P. may rely upon representations of Hanover, Universal and Holdings. Although the merger agreement allows Universal to waive its tax opinion closing condition, Universal does not anticipate that it will waive this closing condition. If Universal waives this condition, Universal will inform you of the decision to waive this condition and will ask you to vote on the Universal merger taking such waiver into consideration.

Reporting Requirements

Treasury regulations require each person who owns immediately after the mergers five percent or more of the then outstanding Holdings stock to attach to its federal income tax return a statement containing certain information as to the mergers, including the tax basis of the shares of Hanover common stock or Universal common stock surrendered, as applicable, and the fair market value of the Holdings common stock received and to retain permanent records of these facts relating to the mergers.

This summary does not address tax consequences that may vary with, or depend upon, individual circumstances. Moreover, it does not address any U.S. non-income tax or any state, local or foreign tax consequences of the mergers. Accordingly, you should consult a tax advisor to determine the U.S. federal, state, local and foreign tax consequences to you of the mergers taking into account your particular circumstances.

THE MERGER AGREEMENT

The following summary of the merger agreement is qualified in its entirety by reference to the complete text of the merger agreement, which is incorporated by reference and a composite copy of which is attached as Annex A to this joint proxy statement/prospectus. The rights and obligations of the parties are governed by the express terms and conditions of the merger agreement and not by this summary or any other information contained in this joint proxy

statement/prospectus. We urge you to read the merger agreement carefully and in its entirety, as well as this joint proxy statement/prospectus, before making any decisions regarding the mergers.

The merger agreement has been included with this joint proxy statement/prospectus to provide you additional information regarding its terms. The merger agreement sets forth the contractual rights of Hanover and Universal but is not intended to be a source of factual, business or operational information about Hanover or Universal. That kind of information can be found elsewhere in this joint proxy statement/prospectus and in the other filings each of Hanover and Universal makes with the SEC, which are available as described in Where You Can Find More Information.

As a stockholder, you are not a third party beneficiary of the merger agreement and therefore you may not directly enforce any of its terms or conditions. The parties representations, warranties and covenants were made as of specific dates and only for purposes of the merger agreement and are subject to important exceptions and limitations, including a contractual standard of materiality different from that generally relevant to investors. In addition, the representations and warranties may have been included in the merger agreement for the purpose of allocating risk between Hanover and Universal, rather than to establish matters as facts. Certain of the representations, warranties and covenants in the merger agreement are qualified by information each of Hanover and Universal filed with the SEC prior to the date of the merger agreement, as well as by disclosure schedules each of Hanover and Universal delivered to the other party prior to signing the merger agreement. The disclosure schedules have not been made public because, among other reasons, they include confidential or proprietary information. The parties believe, however, that all information material to a stockholder s decision to approve the mergers is included or incorporated by reference in this document.

You should also be aware that none of the representations or warranties has any legal effect among the parties to the merger agreement after the effective time of the mergers, nor will the parties to the merger agreement be able to assert the inaccuracy of the representations and warranties as a basis for refusing to close the transaction unless all such inaccuracies as a whole have had or would be reasonably likely to have a material adverse effect on the party that made the representations and warranties.

Furthermore, you should not rely on the covenants in the merger agreement as actual limitations on the respective businesses of Hanover and Universal, because either party may take certain actions that are either expressly permitted in the confidential disclosure letters to the merger agreement or as otherwise consented to by the appropriate party, which may be given without prior notice to the public.

Form and Effective Times of the Mergers

The merger agreement contemplates that, in connection with the closing under the merger agreement, two mergers will occur.

The Universal Merger

First, Ulysses Sub, a direct, wholly owned subsidiary of Holdings, will merge with and into Universal, with Universal surviving as a direct wholly owned subsidiary of Holdings. At the effective time of the Universal merger, Universal will contribute to Holdings each share of Holdings common stock outstanding before the effective time of the Universal merger.

The Hanover Merger

Second, Hector Sub, a direct, wholly owned subsidiary of Holdings, will merge with and into Hanover, with Hanover surviving as a direct wholly owned subsidiary of Holdings.

The Closing and the Effective Times of the Mergers

The closing of the mergers will take place in Houston on the date specified by the parties to the merger agreement, which will be no later than the third business day after all of the conditions to the mergers described below in Conditions to the Mergers are fulfilled or waived (other than those conditions that by their nature are to be fulfilled at the closing, but subject to the fulfillment or waiver of those conditions). The Universal merger will be effective at the time Universal designates in a certificate of merger filed with the office of the Secretary of State of the State of

Delaware, and the Hanover merger will be effective one minute later.

Consideration to be Received in the Mergers

Consideration to be Received in the Universal Merger

In the Universal merger, each holder of shares of Universal common stock will have the right to receive one share of Holdings common stock in exchange for each share of Universal common stock.

Consideration to be Received in the Hanover Merger

In the Hanover merger, each holder of shares of Hanover common stock will have the right to receive 0.325 shares of Holdings common stock in exchange for each share of Hanover common stock. Holders of Hanover common stock will have the right to receive cash for any fractional shares they otherwise would receive in the Hanover merger. The amount of cash for any fractional shares of Holdings common stock will be determined based on the average New York Stock Exchange closing price of Universal common stock during the 15 trading days ending on the third trading day immediately preceding the effective time of the Universal merger.

Conversion of Ulysses Sub and Hector Sub Common Stock in the Mergers

At the effective time of the Universal merger, each issued and outstanding share of common stock of Ulysses Sub will automatically be converted into one share of common stock of Universal, as the surviving entity of the Universal merger.

At the effective time of the Hanover merger, each issued and outstanding share of common stock of Hector Sub will automatically be converted into one share of common stock of Hanover, as the surviving entity of the Hanover merger.

Cancellation of Certain Shares of Hanover and Universal Common Stock in the Mergers

At the respective effective times of the mergers, each share of Universal common stock issued and held in Universal s treasury and each share of Hanover common stock issued and held in Hanover s treasury will be canceled without payment of any consideration.

Assumption by Holdings of Certain Outstanding Equity Awards

For a discussion of provisions in the merger agreement relating to the assumption by Holdings of certain outstanding equity awards, please see The Mergers Workforce and Employee Benefits Matters Continuation of Agreements and The Mergers Workforce and Employee Benefits Matters Effect on Awards Outstanding Under Stock Plans beginning on pages 75 and 76, respectively.

Adjustment to the Exchange Ratios

If, before the completion of the mergers, the outstanding shares of Hanover common stock or the outstanding shares of Universal common stock increase, decrease, change into or are exchanged for a different number or class of shares, in each case, by reason of any reclassification, recapitalization, stock split, split-up, combination or exchange of shares or a stock dividend or dividend payable in other securities is declared with a record date prior to the consummation of the mergers, or any other similar transaction occurs, the Hanover or Universal merger ratio, as applicable, will be adjusted appropriately.

Rule 16b-3 Approval

Before the completion of the mergers, Holdings, Hanover and Universal, and their respective boards of directors or committees thereof, must use their reasonable best efforts to take all actions to cause any dispositions of Hanover common stock or Universal common stock (including any derivative securities) and any acquisitions of Holdings common stock (including any derivative securities) in the transactions contemplated by the merger agreement by each individual who is subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934 to be

exempt from Section 16(b) under Rule 16b-3 under that act.

Procedures for Exchange of Share Certificates

Holdings will choose a bank or trust company reasonably satisfactory to Hanover to act as exchange agent. Holdings will deposit with the exchange agent certificates representing common stock of Holdings to be issued pursuant to the merger agreement, as well as sufficient cash to pay cash in lieu of fractional shares of

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Holdings common stock in accordance with the merger agreement. Promptly after the effective time of the mergers, Holdings will cause the exchange agent to mail to each holder of record of one or more certificates that, immediately prior to the effective time of the mergers, represented shares of the common stock of Hanover or Universal:

- a letter of transmittal (which will specify that delivery will be effected, and risk of loss and title to the certificates will pass, only upon delivery of the certificates to the exchange agent and will be in such form and have such other provisions as Holdings may reasonably specify); and
- instructions for use in effecting the surrender of the certificates in exchange for certificates representing shares of the common stock of Holdings, any unpaid dividends and distributions on those shares and cash in lieu of any fractional shares.

Upon surrender of a certificate representing the common stock of Hanover or Universal, as the case may be, for cancellation to the exchange agent, together with the letter of transmittal described above, duly executed and completed in accordance with the instructions that accompany the letter of transmittal, the holder of that certificate will be entitled to receive in exchange (1) a certificate representing that number of whole shares of Holdings common stock and (2) a check representing the amount of cash in lieu of fractional shares of Holdings common stock, if any, and unpaid dividends and distributions, if any, the holder has the right to receive pursuant to the provisions of the merger agreement, after giving effect to any required withholding tax. The surrendered certificate will then be canceled.

No interest will be paid or accrued on the cash in lieu of fractional shares and unpaid dividends and distributions, if any, payable to holders of any certificates representing shares of common stock of Hanover or Universal. Further, no dividends or other distributions declared or made after the effective time of the mergers with respect to shares of Holdings common stock with a record date after the effective time of the mergers will be paid to any holder of any unsurrendered certificate representing shares of common stock of Hanover or Universal with respect to the shares of Holdings common stock issuable upon the surrender of such certificate until such certificate is surrendered.

In the event of a transfer of ownership of common stock of Hanover or Universal that is not registered in the transfer records of Hanover or Universal, respectively, a certificate representing the proper number of shares of Holdings common stock, together with a check for the cash to be paid in lieu of fractional shares, if any, may be issued to the transferee if the certificate representing such common stock of Hanover or Universal, as the case may be, is presented to the exchange agent, accompanied by all documents required to evidence and effect such transfer and to evidence that any applicable stock transfer taxes have been paid.

Any former stockholders of Hanover or Universal who have not surrendered their certificates representing Hanover or Universal common stock within one year after the effective time of the mergers should only look to Holdings, not the exchange agent, for delivery of certificates representing shares of Holdings common stock and cash in lieu of any fractional shares and for any unpaid dividends and distributions on the shares of Holdings common stock deliverable to those former stockholders pursuant to the merger agreement.

Notwithstanding the procedures described above, the merger agreement permits the parties to implement a direct registration system at the closing of the mergers. Hanover and Universal intend to implement such a system, under which all shares of Holdings common stock would be in uncertificated book-entry form unless a physical certificate is requested in writing by a holder of certificates representing Hanover or Universal common stock.

Covenants and Agreements

Interim Operations

Each of Hanover and Universal has agreed to customary covenants that place restrictions on it and its subsidiaries until the effective time of the mergers. Except as set forth in the disclosure schedules provided by each of Hanover and Universal, as expressly permitted or provided for by the merger agreement, as required

by applicable laws or with the written consent of the other party, each of Hanover and Universal has agreed that it will:

- conduct its operations and cause each of its subsidiaries to conduct its operations in the usual, regular and ordinary course in substantially the same manner as previously conducted;
- use its reasonable best efforts, and cause each of its subsidiaries to use its reasonable best efforts, to:
  - preserve intact its business organization and goodwill (except that any of its subsidiaries may be merged with or into, or be consolidated with or liquated into, it or any of its subsidiaries),
  - keep available the services of its officers and employees, and
  - maintain satisfactory business relationships;
- not amend or propose to amend its organizational documents, other than bylaw amendments that are not detrimental to the interests of stockholders;
- not permit or allow Hector Sub or Ulysses Sub to amend their organizational documents;
- promptly notify the other party of:
  - any material change in its or any of its material subsidiaries condition (financial or otherwise) or business,
  - any termination, cancellation, repudiation or material breach of material contracts (or communications indicating that the same may be contemplated), or
  - any material litigation or proceedings (including arbitration and other dispute resolutions proceedings) or material governmental complaints, investigations, inquiries or hearings (or communications indicating that the same may be contemplated), or any material developments in any such litigation, proceedings, complaints, investigations, inquiries or hearings;
- not, and will not permit any of its subsidiaries to, issue any shares of its capital stock or other equity securities, effect any stock split or otherwise change its capitalization as it existed on the date of the merger agreement, except pursuant to the exercise of options or upon the settlement of restricted stock units existing on the date of the merger agreement, pursuant to the conversion of any of Hanover s outstanding convertible notes in accordance with their terms or pursuant to the grant or exercise of awards granted after the date of the merger agreement and expressly permitted under the merger agreement;
- not, and will not permit any of its subsidiaries to, grant any option, warrant, conversion right or other right not existing on the date of the merger agreement to acquire or otherwise with respect to shares of its capital stock or other equity securities, or grant or issue any restricted stock or securities, except for awards under the Hanover or Universal benefit plans in existence as of the date of the merger agreement to any newly hired employees or to existing officers, directors or employees in the ordinary course of business consistent with past practices, as long as the vesting or exercisability of any award made after the date of the merger agreement does not accelerate as a result of the pendency, approval or consummation of the transactions contemplated by the merger agreement;

not, and will not permit any of its subsidiaries to, amend or modify any option, warrant, conversion right or other right to acquire shares of its capital stock existing on the date of the merger agreement;

not, and will not permit any of its subsidiaries to, increase any compensation or benefits, award or pay any bonuses, establish any bonus plan or arrangement or enter into, amend or extend any employment or consulting agreement with any former, present or future officers, directors or employees, except in the ordinary course of business consistent with past practices or as required by law, and except that each of Hanover and Universal has retained the right to adopt a cash retention plan for some or all of their respective employees in an aggregate amount up to $10 million per company;

not, and will not permit any of its subsidiaries to, adopt any new employee benefit plan or agreement (including any stock option, stock benefit or stock purchase plan) or amend (except as required by law) any existing employee benefit plan in any material respect, except as expressly permitted by the merger agreement;

not, and will not permit any of its subsidiaries to, permit any holder of an option or other award to acquire shares of common stock of Hanover or Universal to have shares withheld upon exercise, vesting or payment for tax purposes, in excess of the number of shares needed to satisfy the minimum federal and state tax withholding requirements;

not declare, set aside or pay any dividend on or make other distributions or payment with respect to any shares of its capital stock and not redeem, purchase or otherwise acquire any shares of its shares of capital stock or the capital stock of any of its subsidiaries, or make any commitment for such action, except that:

Hanover has reserved the right to (1) redeem its 7.25% Convertible Junior Subordinated Debentures due 2029 in accordance with their terms and (2) commencing on September 1, 2007, repurchase up to $100 million aggregate principal amount of its outstanding 4.75% Convertible Senior Notes due 2008, subject to certain limitations, and

Universal has reserved the right to (1) repurchase up to $75 million of its common stock in accordance with its previously announced stock repurchase program, (2) permit the Universal Partnership to make cash distributions in accordance with its partnership agreement, and (3) redeem its 71/4% Senior Notes due 2010;

not, and will not permit any of its subsidiaries to, sell, lease, license, encumber or otherwise dispose of, any assets (including capital stock of subsidiaries) that are, individually or in the aggregate, material to it and its subsidiaries as a whole, except:

sales of surplus or obsolete equipment,

sales of other assets in the ordinary course of business or sales of assets pursuant to contractual rights existing as of the date of the merger agreement that were entered into in the ordinary course of business consistent with past practices,

sales, leases or other transfers between itself and its wholly owned subsidiaries or between such subsidiaries,

sales or divestitures required by or in conformance with applicable laws in order to permit or facilitate the consummation of the mergers in accordance with the terms of the merger agreement,

arm s-length sales or transfers for aggregate consideration not exceeding $25 million for each of Hanover and Universal, or

contributions by Universal of its domestic compression assets to Universal Compression Partners;

not, and will not permit any of its subsidiaries to, acquire or agree to acquire by merging or consolidating with, or by purchasing an equity interest in or a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof, except in each case for acquisitions approved in writing by both parties, acquisitions by Universal Compression Partners and acquisitions and agreements that, in each case for each of Hanover and Universal, involve an aggregate consideration of less than:

$150 million for all acquisitions of the equity interests in or a substantial portion of the assets of businesses or entities whose principal assets are compression and related equipment, and

$50 million for all other acquisitions;

not, and will not permit any of its subsidiaries to, acquire or agree to acquire, directly or indirectly, any assets or securities that would require a filing or approval under the HSR Act or any non-U.S. antitrust law;

not, and will cause its subsidiaries not to, change any material accounting principle or practice used by it except as required by a change in generally accepted accounting principles;

use, and will cause its subsidiaries to use, commercially reasonable efforts to maintain in full force without interruption its present insurance policies or comparable insurance coverage;

not, and will not permit any of its subsidiaries to:

make or rescind any material tax election,

settle or compromise any material tax claim or controversy except to the extent of any reserve reflected on its consolidated balance sheet as of September 30, 2006, or

materially change its methods of reporting relating to taxes from those employed in the preparation of its tax return for the most recent taxable year for which a return has been filed, except as may be required by applicable law;

not, and will not permit any of its subsidiaries to, incur any indebtedness for borrowed money in excess of $200 million, in the aggregate, or guarantee any such indebtedness, issue or sell any debt securities or warrants or rights to acquire any of its or its subsidiary s debt securities, or guarantee any debt securities of others, except for borrowings from its credit facility in the ordinary course of business, borrowings to repay or repurchase its other indebtedness or borrowings in respect of intercompany debt;

not, and will not permit any of its subsidiaries to, enter into any material lease or create any material liens or encumbrances (other than certain permitted liens) on any of its property, except in the ordinary course of business or with or between its subsidiaries;

not, and will not permit any of its subsidiaries to, purchase or otherwise acquire any shares of common stock of Hanover or Universal, other than shares purchased solely to satisfy withholding obligations in connection with the vesting or exercise of equity-based awards by the grantees of such awards;

not take any action that could reasonably be expected to delay materially or adversely affect in a material respect the ability of any of the parties to obtain any consent, authorization, order or approval of any governmental commission, board or other regulatory body or the expiration of any applicable waiting period required to consummate the transactions contemplated by the merger agreement;

not terminate, amend, modify or waive any provision of any agreement containing a standstill covenant to which it is a party, and enforce, to the fullest extent permitted under applicable law, the provisions of any such standstill agreement, unless in the good faith opinion of its board of directors after consultation with its outside legal counsel restraining from taking or taking such action would be inconsistent with its fiduciary duties;

not take any action that would reasonably be expected to result in any condition to the consummation of the mergers not being satisfied; and

not, and will not permit any of its subsidiaries to, agree in writing or otherwise to take any of the prohibited actions described above.

Regulatory Filings and Related Matters

Pursuant to the merger agreement, Hanover and Universal have also agreed to:

promptly make their respective required filings and make any other required submissions under the HSR Act and any applicable non-U.S. competition, antitrust or premerger notification laws with respect to the mergers;

use their reasonable best efforts to cooperate with one another in:

determining which filings are required to be made with, and which consents, approvals, permits or authorizations are required to be obtained from, governmental or regulatory authorities, and

timely making all such filings and timely seeking all required consents, approvals, permits or authorizations without causing a material adverse effect on Hanover or Universal;

promptly notify each other of any communication from any authority concerning the mergers and permit the other party to review in advance any proposed communication to any authority concerning the mergers;

not participate or agree to participate in any meeting or discussion with any authority in respect of any filing, investigation or other inquiry about the mergers unless the other party is consulted in advance and, to the extent allowed, given the opportunity to attend and participate;

furnish each other with copies of all correspondence, filings and communications with any authority about the mergers;

furnish each other with information and reasonable assistance that the other party reasonably requests in connection with the preparation of necessary filings, registrations or submissions of information to any authorities;

substantially comply and certify substantial compliance with any request for additional information issued pursuant to the HSR Act, as soon as reasonably practicable following the issuance of the request for additional information;

not take any action that would cause gain or loss to be recognized for U.S. federal income tax purposes upon the transfer that is deemed to occur of Hanover or Universal common stock to Holdings in exchange for Holdings common stock, in each case other than gain that is recognized upon the receipt of cash in lieu of a fractional share of Holdings common stock; and

use reasonable best efforts to:

do all things necessary, proper or advisable to consummate the mergers, including using reasonable best efforts to satisfy the conditions precedent to the consummation of the mergers,

cause the expiration or termination of the applicable waiting period under the HSR Act and to obtain required clearances and approvals under any applicable non-U.S. antitrust laws as soon as practicable,

avoid the entry of, or to have vacated, terminated or modified, any decree, order or judgment that would restrain, prevent or delay the consummation of the mergers, and

take any and all steps necessary to obtain any consents or eliminate any impediments to the mergers.

Hanover and Universal are not required to take or agree to take any action to dispose of any of their respective assets or to limit their freedom of action with respect to any of their businesses, to obtain any approvals or to remove any antitrust-related impediments to the mergers, except those actions, to which the other party agrees, that are conditioned upon the consummation of the mergers and that, individually or in the aggregate, do not have and are not reasonably likely to have a material adverse effect on Holdings after the mergers.

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Additional Agreements

Pursuant to the merger agreement, each of Hanover and Universal also has agreed to:

to the extent permitted by law, provide the other party reasonable access to its properties, records, files, correspondence, audits and other information;

to the extent permitted by law and applicable stock exchange listing arrangements, consult with one another and obtain the other party s prior consent before issuing any press releases and other announcements regarding the mergers;

ensure that the information provided by each of them for inclusion in this proxy statement/prospectus will not include any untrue statement of material fact or omit a material fact required to make the statements therein, in light of the circumstances under which they were made, not misleading, at the time of the mailing of this proxy statement/prospectus and at the time of the respective annual meetings of the stockholders of Hanover and Universal;

use its reasonable best efforts to cause Holdings to promptly prepare and submit to the New York Stock Exchange a listing application covering the shares of Holdings common stock issuable in connection with the mergers and use its reasonable best efforts to obtain, before the effective time, the New York Stock Exchange s approval for the listing of those shares;

use its reasonable best efforts to have timely delivered to the other party a comfort letter from its independent public accounting firm;

use its reasonable best efforts to obtain from each of its affiliates, as that term is used in Rule 145 promulgated by the SEC under the Securities Act of 1933, a written agreement not to transfer Holdings common stock issued to that person pursuant to the mergers except (1) pursuant to an effective registration statement, (2) in compliance with Rule 145 under the Securities Act of 1933 or (3) pursuant to an exemption from the registration requirements under the Securities Act of 1933;

pay all costs and expenses incurred by them in connection with the merger agreement, regardless of whether the mergers are consummated, other than costs that are specified to be shared or reimbursed under the merger agreement;

promptly notify the other party if any representation or warranty made by it or contained in the merger agreement becomes untrue or inaccurate in any material respect or if it fails to comply with or satisfy in any material respect any covenant, condition or agreement under the merger agreement; and

take all action necessary to cause, as of the effective time of the mergers:

the board of directors of Holdings to consist of ten members, half of whom will consist of current members of the Hanover board of directors designated by the Hanover board of directors and half of whom will consist of current members of the Universal board of directors designated by the Universal board of directors,

Gordon T. Hall to serve as the Chairman of the board of directors of Holdings, and

Stephen A. Snider to serve as President and Chief Executive Officer of Holdings.

Pursuant to the merger agreement and in addition to the applicable covenants of Holdings listed above, Holdings has agreed:

for a period of six years after the effective time of the mergers, to indemnify, hold harmless and advance expenses to, to the greatest extent permitted by law as of the date of the merger agreement, each person who is, or has been at any time prior to the effective time of the mergers, an officer or director of Hanover, Universal or their respective subsidiaries, with respect to all acts or omissions by them in their capacities as such or taken at the request of Hanover, Universal or any of their respective subsidiaries at any time prior to the effective time of the mergers;

to honor all indemnification agreements, expense advancement and exculpation provisions with any of such officers or directors of Hanover, Universal or their respective subsidiaries (including under Hanover s or Universal s certificate of incorporation or by-laws) in effect as of the date of the merger agreement;

for a period of six years after the effective time of the mergers, to maintain officers and directors liability insurance covering the individuals who are, or at any time prior to the effective time of the mergers were, covered by Hanover s or Universal s existing officers and directors liability insurance policies on terms substantially no less advantageous to such individuals, provided that Holdings will not be required to pay annual premiums in excess of 200% of the last annual premium paid by Hanover or Universal, as applicable, prior to the date of the merger agreement, but in such case will purchase as much coverage as reasonably practicable for such amount;

to the extent required in any change in control agreement between Universal and any employee of Universal and any change in control and severance agreement between Hanover and any employee of Hanover, to assume and agree to perform such agreement and agree that such employee may enforce such agreement against it; and

to assume the Hanover stock incentive plans and the Universal stock incentive plans other than the Universal employee stock purchase plan.

No Solicitation

Each of Hanover and Universal has agreed that it will not, nor will it permit any of its subsidiaries or any of their respective officers, directors, employees, agents or representatives to, directly or indirectly through another person:

solicit, initiate or knowingly encourage or take any other action designed to facilitate or that could reasonably be expected to facilitate any inquiry or the making of any proposal or offer that constitutes, or that could reasonably be expected to lead to a takeover proposal with respect to such party as described below; or

enter into, continue or otherwise participate in any discussions or negotiations regarding, or furnish to any person any confidential information in connection with, any takeover proposal.

The merger agreement provides that a takeover proposal means any inquiry, proposal or offer from any person relating to, or that could reasonably be expected to lead to:

any direct or indirect acquisition or purchase, in one transaction or a series of transactions, of:

assets or businesses that constitute 20% or more of the revenues, net income or the assets of Hanover and its subsidiaries or Universal and its subsidiaries (in each case, taken as a whole), or

20% or more of any class of equity securities of Hanover or Universal or any of their respective significant subsidiaries;

any tender offer or exchange offer that if consummated would result in any person beneficially owning 20% or more of any class of equity securities of Hanover or Universal or any of their respective significant subsidiaries; or

any merger, consolidation, business combination, recapitalization, liquidation, dissolution, joint venture, binding share exchange or similar transaction involving Hanover, Universal or any of their respective

subsidiaries pursuant to which any person or the stockholders of any person would own 20% or more of any class of equity securities of Hanover or Universal or any of their respective significant subsidiaries or of any resulting parent company of Hanover or Universal.

Nothing in the merger agreement, however, prevents Hanover or Universal from:

at any time prior to that party s stockholders adopting the merger agreement, in response to a bona fide written takeover proposal that was made after the date of the merger agreement and did not otherwise

result from a breach of the merger agreement and that the party s board of directors determines in good faith (after consultation with outside counsel and a financial advisor of nationally recognized reputation) constitutes or is reasonably likely to lead to a superior proposal (as defined below), if that party s board of directors determines in good faith (after consultation with outside counsel) that the failure to do so would be inconsistent with its fiduciary duties to its stockholders under applicable laws:

after giving the other party written notice of the determinations described above, furnishing information with respect to that party and its subsidiaries to the person making the takeover proposal pursuant to a customary confidentiality agreement not less restrictive of such person than the confidentiality agreement between Hanover and Universal, and

participating in discussions or negotiations with the person making the takeover proposal regarding the takeover proposal;

taking and disclosing to its stockholders a position contemplated by Rule 14d-9 or Rule 14e-2(a) promulgated under the Securities Exchange Act of 1934; or

making any required disclosure to the stockholders of Hanover or Universal, as the case may be, if, in the good faith judgment of the board of directors of such party (after consultation with outside counsel) failure to so disclose would constitute a violation of applicable law or fiduciary duty, except as described in the following paragraph.

Each of Hanover and Universal has agreed that its board of directors and any committee thereof will not:

make an adverse recommendation change, which is defined as:

a withdrawal (or modification in a manner adverse to the other party), or proposal to withdraw (or modify in a manner adverse to the other party), the approval, recommendation or declaration of advisability by such board of directors or any committee thereof of the merger agreement, the Hanover merger or the Universal merger, as the case may be, or the other transactions contemplated by the merger agreement,

a recommendation, adoption or approval, or proposal to recommend, adopt or approve, any takeover proposal, or

the failure to reaffirm within a reasonable period of time upon request by the other party (publicly, if so requested) its recommendation of the merger agreement, the Hanover merger or the Universal merger, as the case may be, and the other transactions contemplated by merger agreement; or

approve or recommend, or propose to approve or recommend, or allow Hanover or Universal, as the case may be, or any of their respective subsidiaries to execute or enter into, any letter of intent, memorandum of understanding, agreement in principle, merger agreement, acquisition agreement, option agreement, joint venture agreement, partnership agreement or other similar agreement constituting or related to, or that is intended to or could reasonably be expected to lead to, a takeover proposal with respect to such party (other than certain permitted confidentiality agreements).

At any time prior to obtaining the adoption of the merger agreement by that party s stockholders, however, the board of directors of Hanover or Universal may make an adverse recommendation change if that board of directors determines in good faith (after consultation with outside counsel) that the failure to do so would be inconsistent with its fiduciary duties to its stockholders under applicable laws and provides five business days notice to the other party of its

intention to make an adverse recommendation change. In determining whether to make an adverse recommendation change, the board of directors of Hanover or Universal must take into account any changes to the financial terms of the merger agreement proposed by the other party in response to the delivery of a notice of an adverse recommendation change or otherwise.

For purposes of the merger agreement, the term superior proposal means, as to either Hanover or Universal any bona fide proposal or offer made by a third person that if consummated would result in such person s (or its stockholders) owning, directly or indirectly, more than 50% of the shares of common stock then outstanding of such party (or of the surviving entity in a merger or the direct or indirect parent of the

surviving entity in a merger), or all or substantially all the assets of such party, which the board of directors of such party determines in good faith (after consultation with a financial advisor of nationally recognized reputation) to be:

more favorable to the stockholders of such party from a financial point of view than the mergers, taking into account all the terms and conditions of such proposal and the merger agreement (including any changes to the financial terms of the merger agreement proposed by the other party in response to such offer or otherwise); and

reasonably capable of being financed and completed, taking into account all financial, legal, regulatory, timing and other aspects of such proposal.

In addition, each of the parties has agreed to promptly (and in any event within one business day) advise the other party of the receipt of any takeover proposal or any inquiry with respect to or that could reasonably be expected to lead to a takeover proposal, the material terms and conditions of any such takeover proposal or inquiry (including any changes thereto) and the identity of the person making any such takeover proposal or inquiry. Each of Hanover and Universal has agreed to:

keep the other party fully informed of the status and material terms and conditions (including any change therein) of any takeover proposal or inquiry as to such party; and

provide to the other party as soon as practicable after receipt or delivery thereof with copies of all correspondence and other written material sent or provided to such party or any of its subsidiaries from any person that describes any of the material terms and conditions of any takeover proposal.

Representations and Warranties

Hanover, on the one hand, and Universal, Holdings, Hector Sub and Ulysses Sub, on the other hand, have made various representations and warranties in the merger agreement which, in the cases of Hanover and Universal, are substantially reciprocal. Those representations and warranties are subject to qualifications and limitations agreed to by the parties in connection with negotiating the terms of the merger agreement. Some of the more significant of these representations and warranties pertain to:

the organization, good standing and foreign qualification of the parties and the corporate authority to own, operate and lease their respective properties and to carry on their respective businesses as currently conducted;

the authorization, execution, delivery and enforceability of the merger agreement and related matters;

capitalization;

subsidiaries;

compliance with laws and possession of permits;

whether each party s execution and delivery of the merger agreement or consummation of the transactions contemplated thereby causes any:

conflict with such party s charter documents,

change of control under any material agreements or any employee benefit plans of such party,

breach or default, or the creation of any liens, under any agreements of such party, or

any violation of applicable law;

the documents and reports that the parties have filed with the SEC;

litigation;

whether certain events, changes or effects have occurred from January 1, 2006 to the date of the merger agreement;

taxes;

employee benefit plans;

labor matters;

environmental matters;

intellectual property matters;

court orders and decrees;

maintenance of insurance;

broker s fees and similar fees;

receipt of opinions from financial advisors;

beneficial ownership of the other party s capital stock;

the stockholder votes required in connection with the adoption of merger agreement;

material contracts;

capital expenditure programs;

improper payments;

takeover statutes and rights plans; and

title and ownership of property and equipment and related matters.

None of these representations and warranties will survive after the effective times of the mergers.

Conditions to the Mergers

Mutual Conditions to Each Party s Obligation to Effect the Mergers

The merger agreement contains customary closing conditions, including the following conditions that apply to the obligations of each of Hanover, Universal, Holdings, Ulysses Sub and Hector Sub:

Each of Hanover and Universal has obtained the approval of its stockholders to adopt the merger agreement.

Any waiting period applicable to the completion of the mergers under the HSR Act has expired or been early terminated. This condition has been satisfied.

Any approval or expiration of a mandatory waiting period under applicable non-U.S. antitrust laws has been obtained or expired, as the case may be, if the failure to satisfy this condition is in the reasonable judgment of

Hanover or Universal reasonably likely to have a material adverse effect on Holdings after the completion of the mergers.

There is no final or preliminary administrative order denying approval of or prohibiting the mergers issued by a regulatory authority or non-U.S. court with jurisdiction to enforce applicable non-U.S. antitrust laws, if that order is in the reasonable judgment of Hanover or Universal reasonably likely to have a material adverse effect on Holdings after the merger.

None of the parties to the merger agreement is subject to any decree, order or injunction of a U.S. court of competent jurisdiction that prohibits the consummation of the mergers.

The SEC has declared the registration statement, of which this joint proxy statement/prospectus forms a part, to be effective, and no stop order concerning the registration statement is in effect.

The New York Stock Exchange has authorized for listing the shares of Holdings common stock to be issued pursuant to the mergers, subject to official notice of issuance.

The parties have obtained necessary relief from the application of provisions of their credit agreements that operate to constitute an event of default under such credit agreement if the mergers are consummated, except where the failure to obtain relief has not had and is not reasonably likely to have a material adverse effect on Holdings after the consummation of the mergers. This condition has been satisfied.

The parties are each reasonably satisfied that necessary commitment letters or other arrangements have been made or obtained to provide funds that will be sufficient to repay or repurchase any indebtedness of the parties that may be reasonably expected to be required to be repaid or repurchased as a result of the consummation of the mergers and, if it will have occurred at such time, any contemplated reorganization of the ownership of the subsidiaries of Holdings.

The parties have obtained all required consents, except where the failure to obtain any such consents has not had and is not reasonably likely to have a material adverse effect on Holdings after the consummation of the mergers.

The restated certificate of incorporation of Holdings included as an exhibit to the merger agreement has been filed with the Secretary of State of the State of Delaware and is effective in accordance with Delaware law.

For purposes of the merger agreement, the term material adverse effect means, with respect to any party, any change, effect, event, occurrence, state of facts or development that individually or in the aggregate has a material adverse effect on or change in:

the business, assets, financial condition or results of operations of such person and its subsidiaries, taken as a whole, except for any such change or effect that arises or results from:

changes in general economic, capital market, regulatory or political conditions or changes in law or the interpretation thereof that, in any case, do not disproportionately affect such person in any material respect,

changes that affect generally the industries in which Hanover or Universal are engaged and do not disproportionately affect such person in any material respect,

acts of war or terrorism that do not disproportionately affect such person in any material respect,

any change in the trading prices or trading volume of the common stock of Hanover or Universal (but not any change or effect underlying such change in prices or volume to the extent such change or effect would otherwise constitute a material adverse effect), or

the failure of a party or its subsidiaries to take any action prohibited by the interim operating covenants in the merger agreement due to the other party s unreasonable withholding of consent or delaying its consent (see Covenants and Agreements Interim Operations); or

the ability of the party to consummate the transactions contemplated by the merger agreement or to fulfill the conditions to closing.

Additional Conditions to Each Party s Obligation to Effect the Mergers

In addition to the conditions described above, neither Hanover, on the one hand, nor Universal, Holdings, Hector Sub or Ulysses Sub, on the other hand, is obligated to effect the mergers unless the following conditions are satisfied or

waived by that party on or before the closing date:

The other party has performed in all material respects its covenants and agreements under the merger agreement.

The representations and warranties of the other party are true and correct (without regard to qualifications as to materiality or a material adverse effect) as of the closing date (except to the extent such representations and warranties expressly relate to an earlier date, in which case as of such earlier date), except where the failure of any such representations and warranties to be true and correct,

individually or in the aggregate, has not had and is not reasonably likely to have a material adverse effect on the party making the representation or warranty.

Such party s tax counsel has provided the tax opinion described under Material U.S. Federal Income Tax Consequences of the Mergers beginning on page 79.

No change, event, occurrence, state of facts or development has occurred and is continuing that, individually or in the aggregate, has had or is reasonably likely to have a material adverse effect on the other party.

Termination of the Merger Agreement

The board of directors of Hanover or Universal may terminate the merger agreement at any time prior to the consummation of the mergers (including after the meetings of the stockholders of Hanover and Universal, even if the stockholders have adopted the merger agreement) by mutual written consent or if:

the parties have not consummated the mergers by February 5, 2008, and the party desiring to terminate the merger agreement for this reason has not failed to perform or observe in any material respect any of its obligations under the merger agreement in any manner that caused or resulted in the failure of the mergers to occur on or before that date;

the stockholders of Hanover or Universal hold a meeting to consider the merger agreement but do not vote to adopt the merger agreement;

a U.S. federal, state or non-U.S. court of competent jurisdiction or federal, state or non-U.S. governmental, regulatory or administrative agency or commission shall have issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by the merger agreement and such order, decree, ruling or other action shall have become final and nonappealable, as long as the party seeking to terminate the merger agreement for this reason has complied with the covenants in the merger agreement that relate to antitrust, tax and other governmental filings and approvals and, with respect to other matters not covered by such covenants, must have used its reasonable best efforts to remove such injunction, decree or order;

the other party has breached any representation or warranty or failed to perform any covenant or agreement in the merger agreement, or any representation or warranty of the other party has become untrue, in any case such that the condition to the closing of the merger agreement related to the performance of the covenants and agreements in the merger agreement by the other party and the accuracy of the representations and warranties of the other party would not be satisfied as of the date of the termination, and the breach is not curable or, if curable, is not cured within 90 days after the party desiring to terminate the merger agreement gives written notice of the breach to the other party, and the party desiring to terminate the merger agreement is not, at the time of the termination, in breach of any representation, warranty, covenant or agreement in the merger agreement that would give rise to the right of the other party to terminate the merger agreement; or

the board of directors of the other party has made an adverse recommendation change.

Expenses and Termination Fees

Whether or not the mergers are consummated, all costs and expenses incurred in connection with the merger agreement and the transactions contemplated by the merger agreement will be paid by the party incurring those expenses, except as otherwise provided in the merger agreement.

Termination due to Adverse Recommendation Change

If the merger agreement is terminated by a party because the board of directors of the other party has made an adverse recommendation change, the terminating party is entitled to receive from the other party at the time of termination a cash termination fee of $70 million, as long as no material adverse effect with

respect to the terminating party has occurred since the date of the merger agreement and is continuing as of the time of the adverse recommendation change.

Termination due to Takeover Proposal

In the event that:

- a takeover proposal is made to a party or is made directly to the stockholders of that party generally or otherwise becomes publicly known or any person publicly announces an intention (whether or not conditional) to make a takeover proposal with respect to such party; and
- the merger agreement is terminated by either party because:
  - the parties have not completed the mergers by February 5, 2008, and the party desiring to terminate the merger agreement for this reason has not failed to perform or observe in any material respect any of its obligations under the merger agreement in any manner that caused or resulted in the failure of the mergers to occur on or before that date, or
  - the stockholders of the party of which the takeover proposal was made or became publicly known or publicly announced do not adopt the merger agreement at a meeting called for that purpose,

then the party that is the subject of the takeover proposal will be required to pay the other party a fee of $5 million on the first business day following the date of termination of this merger agreement.

If within 365 days of the termination described in the preceding paragraph the party that is the subject of the takeover proposal or any of its subsidiaries enters into any definitive agreement with respect to, or consummates, any takeover proposal, then that party shall pay to the other party a fee equal to $65.0 million on the earlier of the date that party or its subsidiary enters into the agreement with respect to a takeover proposal and the date the takeover proposal is consummated.

For purposes of determining whether a termination fee is payable under the circumstances described above under the heading Expenses and Termination Fees Termination due to Takeover Proposal, the term takeover proposal will have the same definition as described in the covenant described above under the heading Covenants and Agreements No Solicitation, except that all references to 20% in that definition are deemed to be 40%.

Amendment; Extensions and Waivers

The parties may amend the merger agreement, by action taken or authorized by their boards of directors, at any time before or after approval of the matters presented in connection with the mergers by the stockholders of Hanover or Universal. After the stockholders adopt the merger agreement, however, no amendment to the merger agreement may be made that by law requires the further approval of stockholders unless that further approval is obtained.

At any time prior to the effective time of the mergers, each party may, by action taken by its board of directors, to the extent legally allowed:

- extend the time for the performance of any of the obligations or other acts of the other parties to the merger agreement;

waive any inaccuracies in the representations and warranties made to such party contained in the merger agreement or in any document delivered pursuant to the merger agreement; and

waive compliance with any of the agreements or conditions for the benefit of such party contained in the merger agreement.

At this time, neither company s board of directors contemplates or intends to waive any condition to the consummation of the mergers. If either company s board of directors were to choose to grant a waiver, a stockholder would not have an opportunity to vote on that waiver, and that company and its stockholders would not have the benefit of the waived condition. Each company s board of directors expects that it would

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waive a condition to the consummation of the mergers only after determining that the waiver would have no material effect on the rights and benefits that company and its stockholders expect to receive from the mergers.

Governing Law

The merger agreement is governed by and will be construed and enforced in accordance with the laws of the State of Delaware without regard to the conflicts of law provisions of Delaware law that would cause the laws of other jurisdictions to apply.

THE COMPANIES

Exterran Holdings, Inc.
4444 Brittmoore Road
Houston, Texas 77041
(713) 335-7000

Exterran Holdings, Inc. is a Delaware corporation formed on February 2, 2007 for the purpose of holding both Hanover and Universal as wholly owned subsidiaries following completion of the mergers. Holdings changed its name from Iliad Holdings, Inc. to Exterran Holdings, Inc. on June 18, 2007. Following the mergers, Holdings will own Hanover and Universal as wholly owned subsidiaries and will have no significant assets other than the stock or other voting securities of its subsidiaries.

Hanover Compressor Company
12001 N. Houston Rosslyn
Houston, Texas 77086
(281) 447-8787

Hanover Compressor Company, together with its subsidiaries, is a global market leader in the full service natural gas compression business and is also a leading provider of service, fabrication and equipment for oil and natural gas production, processing and transportation applications. Hanover sells and rents this equipment and provides complete operation and maintenance services, including run-time guarantees, for both customer-owned equipment and its fleet of rental equipment. Hanover was founded as a Delaware corporation in 1990, and has been a public company since 1997. Hanover s customers include both major and independent oil and gas producers and distributors as well as national oil and gas companies in the countries in which it operates. Hanover s maintenance business, together with its parts and service business, provides solutions to customers that own their own compression and surface production and processing equipment, but want to outsource their operations. Hanover also fabricates compressor and oil and gas production and processing equipment and provides gas processing and treating, and oilfield power generation services, primarily to its U.S. and international customers as a complement to its compression services. In addition, through its subsidiary, Belleli Energy S.r.l., Hanover provides engineering, procurement and construction services primarily related to the manufacturing of critical process equipment for refinery and petrochemical facilities and construction of evaporators and brine heaters for desalination plants and tank farms, primarily for use in Europe and the Middle East.

Substantially all of Hanover s assets are owned and its operations are conducted by its wholly owned subsidiary, Hanover Compression Limited Partnership.

Hanover is a major provider of rental natural gas compression equipment and services in the United States with 5,564 of its rental units in the United States having an aggregate capacity of approximately 2,433,000 horsepower at March 31, 2007. In addition, Hanover operates 812 of its units internationally with an aggregate capacity of

approximately 902,000 horsepower at March 31, 2007. As of March 31, 2007, approximately 73% of Hanover s natural gas compression horsepower was located in the United States and approximately 27% was located elsewhere, primarily in Latin America.

Hanover s executive offices are located in Houston, Texas and its rental and sales activities are conducted throughout the continental United States, internationally and in offshore operations. Hanover maintains field service locations throughout the United States and operates internationally in Argentina, Italy, United Arab Emirates (UAE), Equatorial Guinea, India, Venezuela, Colombia, Trinidad, Bolivia, Brazil, Egypt, Mexico, Peru, Pakistan, Oman, Indonesia, Algeria, Nigeria, Tunisia, Saudi Arabia, United Kingdom, China and Russia. Hanover also has fabrication facilities in the United States, Italy, UAE and the United Kingdom. In addition, Hanover has representative offices in the Netherlands and the Cayman Islands. As of March 31, 2007, Hanover had approximately 8,500 employees and approximately 440 contract personnel.

For more information regarding Hanover, please see Where You Can Find More Information beginning on page 219.

Universal Compression Holdings, Inc.
4444 Brittmoore Road
Houston, Texas 77041
(713) 335-7000

Universal Compression Holdings, Inc. is one of the largest natural gas compression services companies in the world in terms of compressor fleet horsepower, with a fleet as of March 31, 2007 of approximately 7,100 compressor units comprising approximately 2.7 million horsepower. Universal provides a full range of natural gas compression services and products, including sales, operations, maintenance and fabrication to the natural gas industry, both domestically and internationally.

Universal operates in four primary business segments: domestic contract compression, international contract compression, fabrication and aftermarket services. Universal s core business, contract compression, involves providing natural gas compression services to customers utilizing its compression equipment. In addition to contract compression, Universal provides a broad range of compression services and products to customers who own their compression equipment or use equipment provided by other companies. Universal s fabrication business involves the design, engineering and assembly of natural gas compressors for sale to third parties or for use in its contract compression fleet. Universal s aftermarket services business sells parts and components, and provides maintenance and operations services to customers who own their compression equipment or use equipment provided by other companies.

Universal s principal corporate office is located in Houston, Texas. Universal maintains 18 field service locations throughout the United States at which it services and overhauls compression equipment, and operates internationally in Argentina, Australia, Bolivia, Brazil, Canada, China, Indonesia, Mexico, Nigeria, Peru, Russia, Singapore, Switzerland, Thailand, Tunisia and Venezuela. As of March 31, 2007, Universal had approximately 3,567 employees.

Universal Compression Holdings, Inc. is a Delaware corporation and a holding company that conducts in operations through its wholly owned subsidiary, Universal Compression, Inc., a Texas corporation incorporated in 1954.

In October 2006, a subsidiary of Universal, Universal Compression Partners, L.P., completed an initial public offering of 6,325,000 common units at a price of $21.00 per unit, representing a 49% limited partner interest in Universal Partnership. Universal owns the remaining equity interests in the Universal Partnership. A subsidiary of Universal is the general partner of the Universal Partnership. The Universal Partnership was formed to provide natural gas contract compression services to customers throughout the United States.

For more information regarding Universal, please see Where You Can Find More Information beginning on page 219.

Hector Sub, Inc.
4444 Brittmoore Road
Houston, Texas 77041
(713) 335-7000

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Hector Sub, Inc. is a wholly owned subsidiary of Holdings, formed on February 2, 2007 solely for the purpose of engaging in the Hanover merger and the other transactions contemplated by the merger agreement. Hector Sub has not conducted any business operations other than incidental to its formation and in connection with the transactions contemplated by the merger agreement. In the Hanover merger, Hector Sub will merge with and into Hanover and thereafter cease to exist.

Ulysses Sub, Inc.
4444 Brittmoore Road
Houston, Texas 77041
(713) 335-7000

Ulysses Sub, Inc. is a wholly owned subsidiary of Holdings, formed on February 2, 2007 solely for the purpose of engaging in the Universal merger and the other transactions contemplated by the merger agreement. Ulysses Sub has not conducted any business operations other than incidental to its formation and in connection with the transactions contemplated by the merger agreement. In the Universal merger, Ulysses Sub will merge with and into Universal and thereafter cease to exist.

COMPARATIVE STOCK PRICES AND DIVIDENDS

Stock Prices

Shares of Hanover common stock are listed for trading on the New York Stock Exchange under the symbol HC. Shares of Universal common stock are listed for trading on the New York Stock Exchange under the symbol UCO. The following table sets forth the closing sales prices per share of Hanover common stock, on an actual and adjusted basis, and Universal common stock on the New York Stock Exchange on the following dates:

February 2, 2007, the last full trading day prior to the public announcement of the mergers, and

July 5, 2007, the last trading day for which this information could be calculated prior to the filing of this joint proxy statement/prospectus.

	Hanover Common Stock	Hanover Adjusted(1)	Universal Common Stock	Universal Equivalent per Share(2)
February 2, 2007	$ 19.40	$ 59.69	$ 61.10	$ 61.10
July 5, 2007	$ 26.50	$ 81.54	$ 81.73	$ 81.73

(1) The adjusted per share data for Hanover common stock has been determined by dividing the market price of a share of Hanover common stock on each of the dates by 0.325 and is presented for comparative purposes. As a result of the Hanover merger, each holder of shares of Hanover common stock will have the right to receive 0.325 shares of Holdings common stock in exchange for each share of Hanover common stock the holder owns. The Hanover Adjusted value does not represent the value of the consideration that Hanover stockholders will receive per share as a result of the Hanover merger.

(2) The Universal equivalent per share price is the same as the Universal common stock price because, as a result of the Universal merger, each holder of shares of Universal common stock will have the right to receive one share of Holdings common stock in exchange for each share of Universal common stock the holder owns.

The following table sets forth, for the periods indicated, the high and low sales prices per share of Hanover common stock and Universal common stock on the New York Stock Exchange composite transaction

reporting system. For current price information, you should consult publicly available sources. Neither Hanover nor Universal paid any dividends during the periods presented.

	Hanover		Universal	
Calendar Period	**High**	**Low**	**High**	**Low**
Twelve months ended December 31, 2005				
First Quarter	$ 14.87	$ 11.35	$ 39.70	$ 32.90
Second Quarter	$ 12.32	$ 10.13	$ 39.40	$ 33.12
Third Quarter	$ 15.68	$ 11.45	$ 41.97	$ 35.54
Fourth Quarter	$ 14.80	$ 12.47	$ 43.84	$ 34.18
Twelve months ended December 31, 2006				
First Quarter	$ 18.81	$ 14.20	$ 51.22	$ 40.51
Second Quarter	$ 21.10	$ 15.57	$ 63.70	$ 49.83
Third Quarter	$ 19.75	$ 16.07	$ 65.21	$ 49.04
Fourth Quarter	$ 20.64	$ 17.04	$ 65.39	$ 50.00
Twelve months ending December 31, 2007				
First Quarter	$ 23.44	$ 17.40	$ 71.62	$ 56.69
Second Quarter	$ 27.00	$ 21.20	$ 81.44	$ 65.31
Third Quarter (through July 5, 2007)	$ 27.20	$ 23.85	$ 81.73	$ 72.46

Dividends

Hanover has never declared or paid any dividend on its common stock. Hanover s bank credit facility prohibits Hanover (without the lenders approval) from declaring or paying any dividend (other than dividends payable solely in the common stock of Hanover or in options, warrants or rights to purchase such common stock) on, or making similar payments with respect to, Hanover s capital stock.

Universal has never declared or paid any cash dividends on its common stock. Universal s ability to declare and pay dividends is restricted by certain provisions of its revolving credit facility and the indenture governing its senior notes.

The board of directors of Holdings will determine the dividend policy of Holdings after consummation of the mergers.

DESCRIPTION OF THE HOLDINGS 2007 STOCK INCENTIVE PLAN

Below is a summary of the Holdings 2007 Stock Incentive Plan, which we refer to as the Holdings incentive plan, that you will be asked to approve at your company s annual meeting of stockholders. A copy of the Holdings incentive plan is attached to this joint proxy statement/prospectus as Annex D, and this summary is qualified in its entirety by reference to the full text of the plan.

Effect of Stockholder Vote on Hanover s and Universal s Existing Equity Plans

If the stockholders of Hanover and Universal approve the Holdings incentive plan proposal, Holdings will not issue any further equity incentive awards under the existing Hanover and Universal plans following the consummation of the mergers. If the stockholders of Hanover and Universal do not approve the Holdings incentive plan proposal, Holdings intends to use the remaining availability under Hanover s and Universal s existing equity plans for additional equity incentive awards following the consummation of the mergers.

Number of Shares Subject to the Holdings Incentive Plan and Award Limits

The maximum number of shares of common stock of Holdings that will be available for issuance under the Holdings incentive plan is 4,750,000 shares. Each share of common stock of Holdings issued pursuant to an option or stock appreciation right will be counted against the aggregate share limitation of the plan as one share, and each share of common stock issued pursuant to restricted stock or a restricted stock unit will be

counted against the aggregate share limitation of the plan as two shares. If awards under the Holdings incentive plan expire or are cancelled, forfeited, settled in cash or otherwise terminated without issuing the underlying shares of common stock of Holdings, such shares will again become available for future awards under the Holdings incentive plan. Further, if issued but unvested shares of restricted stock are forfeited, such shares will again become available for future awards under the Holdings incentive plan. Shares of common stock of Holdings withheld to satisfy tax withholding obligations or to pay the exercise price of an option will be counted against the above-referenced limit and will not become available for future grants under the Holdings incentive plan. The maximum number of shares of common stock of Holdings that may be subject to awards granted to any one individual during any twelve-month period may not exceed 500,000 shares. The maximum amount of cash compensation that may be paid under awards intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code granted to any one individual during any twelve-month period may not exceed $5,000,000.

Administration

The Holdings incentive plan will be administered by Holdings Compensation Committee or such other committee as designated by the Holdings board, which will have full authority, subject to the terms of the Holdings incentive plan, to make all determinations necessary or advisable for administering the Holdings incentive plan. It is expected that the Holdings Compensation Committee may delegate to an officer of Holdings the authority to grant awards to employees who are not subject to Section 16(b) of the Securities Exchange Act of 1934. The Holdings Compensation Committee will delegate to the Governance Committee of Holdings board of directors the authority to make awards to directors.

With respect to any director or employee who is resident outside of the United States, the Holdings Compensation Committee may amend or vary the terms of the Holdings incentive plan to conform such terms to the requirements of local law and to meet the goals and objectives of the Holdings incentive plan. In addition, the Holdings Compensation Committee may establish administrative rules and procedures to facilitate the operation of the Holdings incentive plan in such non-U.S. jurisdictions. The Holdings Compensation Committee may establish one or more sub-plans of the Holdings incentive plan for these purposes.

Eligibility

Subject to any delegation of power as described in the paragraph captioned Administration above, the Holdings Compensation Committee in its sole discretion may from time to time grant awards to any individual who, at the time of grant, is an employee or director.

Term of Holdings Incentive Plan

The Holdings incentive plan will become effective upon the effective date of the mergers, provided that the Holdings incentive plan has been approved by the stockholders of each of Hanover and Universal. Notwithstanding any provision in the Holdings incentive plan, no award will be granted prior to stockholder approval. No additional awards may be granted under the Holdings incentive plan after seven years from the effective date of the Holdings incentive plan. The Holdings incentive plan will remain in effect until all awards granted thereunder have been vested or forfeited and exercised or expired.

Options

Stock options entitle the participant to purchase shares of common stock of Holdings at a price no less than the fair market value of the common stock of Holdings on the date of grant. Options may be either incentive stock options or non-qualified stock options, provided that only employees may be granted incentive stock options and such options will be subject to the applicable restrictions on such type of option. The award notice may specify that the option price

is payable (a) in cash, (b) by a check acceptable to Holdings, (c) by the delivery of a number of already-owned shares of the common stock of Holdings having a fair market value equal to such option price, provided such shares have been owned for more than six months by the participant, (d) by execution of a cashless broker exercise , or (e) any combination of the foregoing. No stock option

may be exercised more than seven years from the date of grant or such shorter period, if any, as may be determined by the Holdings Compensation Committee. Each grant may specify a period of continuous employment or service with Holdings that is necessary before the stock option or any portion thereof will become exercisable.

Restricted Stock

Restricted stock awarded under the Holdings incentive plan results in the immediate transfer of stock, subject to certain restrictions by Holdings, to the participant. The participant is immediately entitled to voting, dividend and other ownership rights in such shares, except that: (a) Holdings will retain custody of the restricted stock until the restrictions have expired; (b) the participant may not sell, transfer, pledge, exchange, hypothecate or otherwise dispose of the restricted stock until the restrictions have expired; and (c) a breach of the terms and conditions established by the Holdings Compensation Committee pursuant to the award notice will cause a forfeiture of the restricted stock. For restrictions to lapse, one or more of the following conditions must be met, as determined by the Holdings Compensation Committee: (a) the attainment of one or more performance measures; (b) the participant s continued employment with Holdings and its affiliates or continued service as a director for a specified period of time; (c) the occurrence of any event or the satisfaction of any other condition specified by the Holdings Compensation Committee in its sole discretion; or (d) a combination of any of the foregoing. Each grant of restricted stock may have different restrictions as established in the sole discretion of the Holdings Compensation Committee.

Restricted Stock Units

Restricted stock units will be subject to a restriction on disposition by the participant and an obligation of the participant to forfeit the restricted stock units under certain circumstances, and any other restrictions determined by the Holdings Compensation Committee, in its sole discretion, on the date of grant; provided, however, that such restrictions will lapse upon: (a) the attainment of one or more performance measures; (b) the participant s continued employment with Holdings and its affiliates or continued service as a director for a specified period of time; (c) the occurrence of any event or the satisfaction of any other condition specified by the Holdings Compensation Committee in its sole discretion; or (d) a combination of any of the foregoing. Each grant of restricted stock units may have different restrictions as established in the sole discretion of the Holdings Compensation Committee. The participant will not be entitled to vote the shares of common stock of Holdings underlying the restricted stock units or enjoy any other stockholder rights unless and until the restrictions have lapsed and the shares have been registered in the participant s name. Upon the lapse of the restrictions described in the award notice, the participant will then receive the shares of stock or will receive a payment equal to the fair market value of the shares of common stock of Holdings underlying the restricted stock units on the vesting date, less applicable withholding. Settlement of restricted stock units may be in the form of shares of common stock of Holdings, cash, other equity compensation, or a combination thereof, as determined by the Holdings Compensation Committee.

Stock Appreciation Rights

Stock appreciation rights will be subject to a restriction on disposition by the participant and an obligation of the participant to forfeit the stock appreciation rights under certain circumstances, and any other restrictions determined by the Holdings Compensation Committee, in its sole discretion, on the date of grant; provided, however, that such restrictions will lapse upon: (a) the attainment of one or more performance measures; (b) the participant s continued employment with Holdings and its affiliates or continued service as a director for a specified period of time; (c) the occurrence of any event or the satisfaction of any other condition specified by the Holdings Compensation Committee in its sole discretion; or (d) a combination of any of the foregoing. Each award of stock appreciation rights may have different restrictions as established in the sole discretion of the Holdings Compensation Committee.

The exercise price of the stock appreciation rights will not be less than the fair market value of the shares of common stock of Holdings underlying the stock appreciation rights on the date of grant. Upon exercise of the stock appreciation rights, the participant will then be entitled to receive payment in an amount equal to:

(i) the difference between the fair market value of the underlying shares of common stock of Holdings subject to the stock appreciation rights on the date of exercise and the exercise price; times (ii) the number of shares of common stock of Holdings with respect to which the stock appreciation rights are exercised; less (iii) any applicable withholding taxes. Settlement of stock appreciation rights may be in the form of shares of common stock of Holdings or cash, or a combination thereof, as determined by the Holdings Compensation Committee.

Performance Awards

The Holdings Compensation Committee will establish, with respect to and at the time of each performance award, the maximum value of the performance award and the performance period over which the performance applicable to the performance award will be measured. A performance award will be contingent upon future performance of Holdings or any affiliate, or a division or department of Holdings or any affiliate thereof during the performance period. With respect to any performance award intended to qualify as performance-based compensation under Section 162(m) of the Code, the Holdings Compensation Committee will establish the performance measures applicable to such performance either (a) prior to the beginning of the performance period or (b) within 90 days after the beginning of the performance period if the outcome of the performance targets is substantially uncertain at the time such targets are established, but not later than the date that 25% of the performance period has elapsed. The vesting of the performance award will be based upon the participant s continued employment with Holdings and its affiliates or continued service as a director for a specified period of time and (i) the attainment of one or more performance measures; (ii) the occurrence of any event or the satisfaction of any other condition specified by the Holdings Compensation Committee in its sole discretion; or (iii) a combination of any of the foregoing. Following the end of the performance period, the holder of a performance award will be entitled to receive payment of an amount not exceeding the maximum value of the performance award, based on the achievement of the performance measures for such performance period, as determined and certified in writing by the Holdings Compensation Committee. Payment of a performance award may be made in cash, common stock of Holdings, stock options or other equity compensation, or a combination thereof, as determined by the Holdings Compensation Committee. If a performance award covering shares of common stock of Holdings is to be paid in cash, such payment will be based on the fair market value of a share of common stock of Holdings on the payment date.

Acceleration of Vesting

If a participant s termination of service is due to his or her death or disability, all then outstanding awards will immediately vest in full and all restrictions applicable to such awards will terminate as of such date with all performance criteria, if any, applicable to such awards deemed met at 100% of target. Upon a participant s retirement, all stock options then outstanding will immediately vest in full. The Holdings Compensation Committee may, in its discretion and as of a date determined by the Holdings Compensation Committee, fully vest any portion or all of a participant s awards under the Holdings incentive plan (other than awards designed to meet the exception for performance-based compensation under Section 162(m) of the Code).

Adjustments and Corporate Change

If there is any change in the common stock of Holdings by reason of a stock split, consolidation, stock dividend, recapitalization, reorganization, merger, spin-off, exchange of shares or other similar event or any distribution to the holders of common stock of Holdings other than a regular cash dividend, the Holdings Compensation Committee has the authority to adjust or substitute the number of or class of shares which may be issued under the Holdings incentive plan and further adjust or substitute the number, class, price or terms of the shares underlying any outstanding awards as it deems appropriate.

In the event of a corporate change, including (but not limited to) a merger, consolidation, or reorganization of Holdings or the sale, lease or other disposition of all or substantially all of the assets of Holdings and its subsidiaries, taken as a whole (other than to an entity wholly owned, either directly or indirectly, by Holdings), any outstanding performance awards under the Holdings incentive plan will become fully vested and immediately exercisable or payable at such percentage of their respective target levels determined by the Holdings Compensation Committee.

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Amendments

The board of directors of Holdings in its discretion may terminate the Holdings incentive plan (except with respect to awards that are then outstanding) at any time except that it may not, without approval of the stockholders, increase the maximum number of shares issuable (except to reflect changes in capitalization as discussed above), change the class of individuals eligible to receive awards, or amend any outstanding award notice to lower the exercise price or replace any outstanding award with an award having a lower exercise price.

Federal Income Tax Aspects of the Holdings Incentive Plan

The following is a brief summary of the U.S. federal income tax consequences applicable to awards granted under the Holdings incentive plan based on U.S. federal income tax laws in effect as of the date of this joint proxy statement/prospectus. This summary is not intended to be exhaustive and does not address all matters which may be relevant to a particular participant based on his or her specific circumstances.

Non-Qualified Options

Non-qualified options granted under the Holdings incentive plan will not be taxable to a participant at grant, but generally will result in taxation at exercise. At such time, the participant will recognize ordinary income in an amount equal to the difference between the exercise price and the fair market value of the shares of common stock of Holdings on the exercise date. Holdings will be entitled to deduct a corresponding amount as a business expense in the year the participant recognizes this income.

Incentive Stock Options

Generally, a participant will not recognize ordinary income at the time of grant or exercise of an incentive stock option so long as he or she has been an employee of Holdings or its U.S. affiliates from the date the incentive stock option was granted until three months before the date of exercise. However, the amount by which the fair market value of the shares on the exercise date exceeds the exercise price is an adjustment in computing the participant s alternative minimum tax in the year of exercise. If the participant holds the shares of common stock of Holdings received on exercise of an incentive stock option for one year after the date of exercise and for two years from the date of grant, any difference between the amount realized upon the disposition of the shares and the amount paid for the shares will be treated as long-term capital gain (or loss, if applicable) to the participant. If the participant exercises an incentive stock option and satisfies these holding period requirements, Holdings may not deduct any amount in connection with the incentive stock option.

If a participant exercises an incentive stock option but engages in a disqualifying disposition by selling the shares acquired on exercise before the expiration of the one-year and two-year holding periods described in the previous paragraph, the participant generally will recognize ordinary income in the year of the disqualifying disposition equal to the difference between the fair market value of the shares on the date of exercise and the exercise price. Any excess of the amount realized on the disposition over the fair market value on the date of exercise will be taxed as long-term or short-term capital gain (as applicable). If, however, the amount realized on the disposition on the date of the disqualifying disposition is less than the fair market value of the shares on the date of exercise, the participant will recognize ordinary income equal to the difference between the amount realized on the disqualifying disposition and the exercise price. In either event, Holdings will be entitled to deduct an amount equal to the amount constituting ordinary income to the participant in the year of the disqualifying disposition.

Restricted Stock

In general, a participant who receives a restricted stock award will not recognize taxable income at the time of grant. Instead, a participant will recognize taxable ordinary income in the first taxable year that the participant s interest in the shares becomes either: (a) freely transferable; or (b) no longer subject to a substantial risk of forfeiture. The amount of taxable ordinary income is equal to the fair market value of the shares less the amount (if any) paid for the shares. In certain circumstances, a participant may elect to recognize taxable income at the time of grant in an amount equal to the fair market value of the restricted

stock (less any amount paid for the shares) at the time of grant. Holdings will be entitled to a compensation expense deduction equal to the ordinary income recognized by the participant in the taxable year in which the participant recognizes such taxable income.

Restricted Stock Units

In general, a participant who receives an award of restricted stock units will not recognize taxable income at the time of grant. Instead, a participant will recognize taxable ordinary income in the year in which the participant becomes vested in the restricted stock units. The taxable amount will equal the fair market value of the shares issued to the participant (or the amount of cash paid to the participant where the restricted stock units are settled in cash). Holdings will be entitled to a compensation expense deduction equal to the ordinary income recognized by the participant in the taxable year in which the participant recognizes such taxable income.

Stock Appreciation Rights

There are no tax consequences to a participant upon the grant or vesting of SARs. Upon exercise, the participant will recognize as compensation income the fair market value of the shares of common stock of Holdings or the cash received, as the case may be. Holdings will be entitled to deduct the same amount as a business expense in the year of exercise.

Performance Awards

An individual who has been granted a performance award will not be taxable at the time of grant, but will be taxable on the fair market value of the shares of common stock of Holdings, or cash, as the case may be, at the time the award becomes vested and is paid to the participant. Generally, Holdings will be entitled to deduct as a business expense the amount the participant includes as income in the year of payment.

Section 162(m) of the Code

Section 162(m) of the Code, in general, precludes a public corporation from taking a deduction for annual compensation in excess of $1 million paid to its chief executive officer or any of its four other highest-paid officers. However, compensation that qualifies under Section 162(m) of the Code as performance-based is specifically exempt from the deduction limit. Based on Section 162(m) of the Code and the regulations issued thereunder, Holdings ability to deduct compensation income generated in connection with the exercise of options and stock appreciation rights granted under the Holdings incentive plan should not be limited by Section 162(m) of the Code. Further, Holdings believes that compensation income generated in connection with other types of awards granted under the Holdings incentive plan generally should not be limited by Section 162(m) of the Code provided the vesting of such awards are based solely on the achievement of performance targets established for such grants. The Holdings incentive plan has been designed to provide flexibility with respect to the performance criteria that may be used in establishing performance targets for these awards. The Holdings incentive plan is not qualified under Section 401(a) of the Code.

Deferred Compensation

Any deferrals made under the Holdings incentive plan, including awards granted under the plan that are considered to be deferred compensation, must satisfy the requirements of Section 409A of the Code to avoid adverse tax consequences to participants. These requirements include limitations on election timing, acceleration of payments and the timing of distributions. Holdings intends to structure any awards under the Holdings incentive plan to avoid the application of 409A.

Miscellaneous

Awards will not be transferable except (i) by will or the laws of descent and distribution, (ii) a qualified domestic relations order, or (iii) if vested, with the consent of the Holdings Compensation Committee, provided that any such transfer is permitted under the applicable securities laws. Based upon current law and published interpretations, Holdings does not believe that the Holdings incentive plan is subject to any of the provisions of the Employee Retirement Income Security Act of 1974, as amended.

DESCRIPTION OF THE HOLDINGS EMPLOYEE STOCK PURCHASE PLAN

Below is a summary of the material terms of the Holdings Employee Stock Purchase Plan, which we refer to as the Holdings stock purchase plan, that you will be asked to approve at your company s annual meeting of stockholders. A copy of the Holdings stock purchase plan is attached to this joint proxy statement/prospectus as Annex E, and this summary is qualified in its entirety by reference to the full text of the plan.

A total of 650,000 shares of Holdings common stock will be available for purchase under the Holdings stock purchase plan, subject to adjustment in the number and price of shares available for purchase in the event the outstanding shares of Holdings common stock are increased or decreased through stock dividends, recapitalization, stock splits, reorganizations or similar changes.

The Holdings stock purchase plan will give employees of Holdings and its subsidiaries an opportunity to purchase Holdings common stock through payroll deductions, thereby encouraging employees to share in the economic growth and success of Holdings and its subsidiaries and to assist Holdings in retaining employees. The Holdings stock purchase plan will be administered by Holdings compensation committee or another committee appointed by Holdings board of directors. The Holdings stock purchase plan will give eligible employees an opportunity to acquire a proprietary interest in Holdings long-term performance and success through the purchase of shares of Holdings common stock at a possible discount from its fair market value without having to pay any brokerage commissions with respect to the purchases.

In general, an employee is eligible to participate in the Holdings stock purchase plan if, as of the first business day following the consummation of the mergers, and thereafter as of any subsequent regular enrollment date (generally the first business day of each calendar quarter), he or she is scheduled to work at least 20 hours per week on a regular basis or at least five months in a calendar year. Common stock will be purchased for each participant in the Holdings stock purchase plan as of the last day of each offering period (generally the last business day of each calendar quarter) with the money deducted from his or her paychecks during the offering period. The purchase price per share will be determined prior to each offering period in the sole discretion of the compensation or other committee of Holdings board of directors administering the Holdings stock purchase plan and will be between 85% and 100% of the fair market value per share of Holdings common stock on (1) the first day of the offering period, (2) the last day of the offering period or (3) the first or last day of the offering period, whichever is lower.

A participant may elect to have payroll deductions made under the Holdings stock purchase plan for the purchase of common stock in an amount not to exceed the lesser of 10% of the participant s compensation or $25,000 (the limit imposed by Section 423(b)(8) of the Code). Compensation for purposes of the Holdings stock purchase plan means the gross amount of the participant s eligible pay on the basis of the participant s regular, straight-time hourly, weekly or monthly rate for the number of hours normally worked, including commissions, but excluding overtime, bonuses, shift premiums and other incentives and special payments. Contributions to the Holdings stock purchase plan will be on an after-tax basis. A participant may terminate his or her payroll deductions at any time.

A stock purchase bookkeeping account will be established for each participant in the Holdings stock purchase plan. Amounts deducted from participants paychecks will be credited to their bookkeeping accounts. No interest will accrue with respect to any amounts credited to the bookkeeping accounts. As of the last day of each offering period, the amount credited to a participant s stock purchase account will be used to purchase the largest number of whole shares of common stock possible at the price as determined above. The common stock will be purchased directly from Holdings and no brokerage or other fees will be charged to participants. Any balance remaining in the participant s account will remain in the participant s account until the next succeeding offering period, at which time those funds

will be (1) combined with the participant s payroll deductions for that offering period and used to purchase whole shares or (2) returned to the participant as soon as practicable if the participant is not eligible to participate or has stopped his payroll deductions prior to the beginning of the next succeeding offering period.

A participant may withdraw from participation in the Holdings stock purchase plan at any time during an offering period by written notice to Holdings and may withdraw all cash amounts in his bookkeeping account.

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Rights to purchase shares of common stock under the Holdings stock purchase plan are exercisable only by the participant and are not transferable.

Note that with respect to employees who work outside of the United States, the committee administering the stock purchase plan may in its sole discretion amend the terms of the stock purchase plan in order to conform such terms with the requirements of local law or to meet the objectives of the plan and may, where appropriate, establish one or more sub-plans to reflect such amended provisions.

The board of directors of Holdings may amend, suspend, or terminate the Holdings stock purchase plan at any time, except that certain amendments may be made only with the approval of the stockholders of Holdings. Subject to earlier termination by the board of directors, the Holdings stock purchase plan will terminate on the date that all shares authorized for sale have been purchased.

U.S. Federal Income Tax Consequences of the Holdings Stock Purchase Plan

The following is a summary of certain of the federal income tax consequences applicable to participants who are U.S. tax residents in the Holdings stock purchase plan and to Holdings, based upon current provisions of the Code and the regulations and rulings thereunder, and does not address the consequences under state, local or foreign or any other applicable tax laws.

Participants in the Holdings stock purchase plan will not recognize income at the time a purchase right is granted to them at the beginning of an offering period or when they purchase common stock at the end of the offering period. However, participants will be taxed on amounts withheld from their salary under the Holdings stock purchase plan as if actually received, and Holdings will generally be entitled to a corresponding income tax deduction.

If a participant disposes of common stock within one year from the end of the applicable offering period or two years from the beginning of the offering period, the participant will recognize ordinary income at the time of disposition which will equal the excess of the fair market value of the common stock on the date the participant purchased the common stock (i.e., the end of the applicable offering period) over the amount paid for the common stock. Holdings will generally be entitled to a corresponding income tax deduction. The excess, if any, of the amount recognized on disposition of such common stock over its fair market value on the date of purchase (i.e., the end of the applicable offering period) will be short-term capital gain, unless the participant s holding period for the common stock (which will begin at the time of the participant s purchase at the end of the offering period) is more than one year. If the participant disposes of the common stock for less than the purchase price for the shares, the difference between the amount recognized and such purchase price will be a long-term or short-term capital loss, depending upon the participant s holding period for the common stock.

If a participant disposes of the common stock purchased pursuant to the Holdings stock purchase plan after one year from the end of the applicable offering period and two years from the beginning of the applicable offering period, and if the purchase price for the stock was less than 100% (but not less than 85%) of the fair market value of such stock, the participant must include in gross income as compensation (as ordinary income and not as capital gain) for the taxable year of disposition an amount equal to the lesser of (a) the excess, if any, of the fair market value of the common stock at time of grant (that is, on the first day the beginning of the applicable offering period) over the purchase price of the stock (computed as if the stock had been purchased on the first day of the offering period) or (b) the excess, if any, of the fair market value of the common stock at the time of disposition over its purchase price. If the amount recognized upon such a disposition by way of sale or exchange of the common stock exceeds the purchase price plus the amount, if any, included in income as ordinary compensation income, such excess will be long-term capital gain. If the one and two year holding periods described above are met, Holdings will not be entitled to any income tax deduction.

The adoption of the Holdings stock purchase plan requires the affirmative vote of a majority of the shares of each of Universal s and Hanover s common stock present in person or by proxy and entitled to vote at the applicable company s annual meeting of stockholders. You may vote in favor of the adoption of the Holdings stock purchase plan or against the adoption of the plan or abstain from voting on the adoption of the plan.

HANOVER ANNUAL MEETING

General Information

The Hanover board of directors has sent these proxy materials to you to solicit your vote at the 2007 Annual Meeting of Stockholders, which is referred to herein as the Hanover 2007 Stockholders Meeting. The meeting will begin promptly at 9:00 a.m. local time on Thursday, August 16, 2007, at the InterContinental Hotel Houston, 2222 West Loop South, Houston, Texas 77027. This joint proxy statement/prospectus and form of proxy is accompanied by Hanover s 2006 Annual Report.

Agenda

The Hanover 2007 Stockholders Meeting will be held for the following purposes:

1. to adopt the Agreement and Plan of Merger dated as of February 5, 2007, as amended, among Hanover, Universal, Holdings, Hector Sub, Inc., a wholly owned subsidiary of Holdings that will merge with and into Hanover, and Ulysses Sub, Inc., a wholly owned subsidiary of Holdings that will merge with and into Universal;

2. to approve the Holdings 2007 Stock Incentive Plan;

3. to approve the Holdings Employee Stock Purchase Plan;

4. to elect eleven directors to serve until Hanover s next annual meeting of stockholders or until their successors are duly elected and qualified;

5. to ratify the reappointment of PricewaterhouseCoopers LLP as Hanover s independent registered public accounting firm for fiscal year 2007; and

6. to transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

All of these items are discussed in more detail in this joint proxy statement/prospectus.

Stockholders Entitled to Vote

Owners of Hanover s common stock at the close of business on June 28, 2007, are entitled to notice of and to vote at the Hanover 2007 Stockholders Meeting. At the close of business on June 28, 2007, there were 109,111,959 shares of Hanover s common stock issued and outstanding. Each share of Hanover common stock entitles the holder to one vote on all matters submitted to a vote at the Hanover 2007 Stockholders Meeting and any adjournment or postponement of the meeting. A complete list of the Hanover stockholders entitled to vote will be available for examination at the meeting and for at least 10 days prior to the meeting at Hanover s principal executive offices.

Quorum and Required Votes

A quorum of stockholders is necessary for a valid meeting. The presence in person or by proxy of the holders of a majority of the outstanding shares of Hanover s common stock as of the record date will constitute a quorum for the Hanover 2007 Stockholders Meeting. Under Hanover s Amended and Restated Bylaws and under Delaware law,

abstentions and broker non-votes are counted as present in determining whether the quorum requirement is satisfied. A broker non-vote occurs when a broker holding shares for a beneficial owner does not vote on a particular proposal because the broker does not have discretionary voting power for that proposal and has not received instructions from the beneficial owner. Under the current rules of the New York Stock Exchange, if you hold your shares through a bank or broker, your broker is permitted to vote your shares on the election of directors and ratification of Hanover s independent registered public accounting firm even if the broker has not received instructions from you.

The table below shows the vote required to approve the proposals described in this joint proxy statement/prospectus.

Proposal	Required Vote
Proposal 1 Adoption of the merger agreement	Adoption of the merger agreement requires the affirmative vote of a majority of the shares of common stock outstanding and entitled to vote as of the record date. Broker non-votes and abstentions will have the same effect as a vote against the merger proposal.
Note: Approval of Proposal 1 is a condition precedent to implementation of Proposal 2 and Proposal 3.	
Proposal 2 Approval of the Holdings 2007 Stock Incentive Plan Proposal 3 Approval of the Holdings Employee Stock Purchase Plan	Approval of each of Proposal 2 and Proposal 3 requires the affirmative vote of a majority of the votes cast and the total number of votes cast must represent over 50% of the total shares outstanding as of the record date. Abstentions and broker non-votes will not be treated as votes cast.
Proposal 4 Election of eleven members to the Hanover board of directors	A plurality of the votes of the shares present in person or by proxy and entitled to vote is required to elect each director nominee; however, Hanover s Governance Principles require that any nominee who receives a greater number of withheld votes than for votes must submit his or her resignation for consideration by Hanover s board of directors. For additional information on Hanover s policy with regard to nominees who receive more votes withheld than for such nominee, please see the excerpt from Hanover s Governance Principles concerning Shareholder Election of Directors included in this joint proxy statement/prospectus as Annex F.
Proposal 5 Ratification of the reappointment of PricewaterhouseCoopers LLC as Hanover s independent registered public accounting firm for fiscal year 2007	Ratification requires the affirmative vote of a majority of the shares of voting stock represented at the meeting. Abstentions will be treated as votes cast and will have the same effect as a vote against the proposal.

For any other matters that may be properly presented for consideration at the Hanover 2007 Stockholders Meeting, the persons named as proxies will have discretion to vote on those matters according to their best judgment to the same extent as the person delivering the proxy would be entitled to vote. As of the date of this joint proxy statement/prospectus, Hanover does not anticipate that any other matters will be properly presented for consideration at the Hanover 2007 Stockholders Meeting.

401(k) Holdings

Shares of Hanover s common stock held through The Hanover Companies Retirement and Savings Plan, which is referred to herein as the Hanover 401(k) Plan, will be voted by the plan participant as though such participant was a registered holder with respect to the shares of Hanover common stock allocated to the participant s plan account.

How to Vote

Because many stockholders cannot attend the Hanover 2007 Stockholders Meeting in person, it is necessary that a large number of stockholders be represented by proxy. If you hold your shares through a

bank, broker, custodian or other recordholder, please refer to your proxy card or voting instruction form or the information forwarded by your bank, broker, custodian or other recordholder to see which options are available to you. If you are a stockholder of record of Hanover, you can vote your proxy by the following three methods:

over the Internet,

by calling a toll-free telephone number, or

by completing the enclosed proxy card and mailing it in the postage-paid envelope provided in these materials.

Where internet and telephone voting procedures are available for voting a proxy, procedures have been established to authenticate Hanover stockholders of record by use of a control number and to allow you to confirm that your instructions have been properly recorded.

You may receive more than one proxy card or voting instruction form depending on how you hold your shares. You should vote each proxy card or voting instruction form provided to you.

Revocation of a Proxy

If you are a stockholder of record of Hanover, a proxy may be revoked at any time before it is voted by (1) sending written notice of revocation to Hanover s Corporate Secretary, (2) delivering a later dated proxy (by one of the methods described above) so that it is received prior to the Hanover 2007 Stockholders Meeting or (3) voting in person at the Hanover 2007 Stockholders Meeting. Other shareholders should follow the instructions provided by your bank, broker or other nominee to revoke or change your vote.

The Corporate Secretary may be contacted at the following address: Hanover Compressor Company, 12001 N. Houston Rosslyn, Houston, Texas 77086, Attention: Corporate Secretary.

Proxy Solicitation

This solicitation is made on behalf of Hanover s board of directors. Hanover has agreed with Universal to each pay one-half of the costs and expenses of printing and mailing this joint proxy statement/prospectus and all fees paid to the SEC. Hanover will pay the cost of soliciting proxies from its stockholders. Proxies are being solicited by mail and may be solicited by telephone, telegram, facsimile, or in person by Hanover employees, who will not receive additional compensation for any such solicitation. D.F. King & Co., Inc. has been retained to assist in the solicitation of proxies at a fee of approximately $9,000, plus reimbursement for out-of-pocket expenses. Hanover will also request brokers and other fiduciaries to forward proxy soliciting material to the beneficial owners of shares of Hanover s common stock that are held of record by such brokers and fiduciaries and we will reimburse their reasonable out-of-pocket expenses. Universal will pay the cost of soliciting proxies and all other expenses related to the Universal annual meeting.

PROPOSAL 1

ADOPTION OF THE MERGER AGREEMENT

As discussed elsewhere in this joint proxy statement/prospectus, holders of Hanover common stock are considering adoption of the merger agreement. Holders of Hanover common stock should read carefully this joint proxy statement/prospectus, including the annexes, in its entirety for more detailed information concerning the merger agreement and the mergers. In particular, holders of Hanover common stock are directed to the merger agreement, a composite copy of which is included as Annex A to this joint proxy statement/prospectus.

THE HANOVER BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE *FOR* ADOPTION OF THE MERGER AGREEMENT.

PROPOSAL 2

APPROVAL OF THE HOLDINGS 2007 STOCK INCENTIVE PLAN

At the Hanover 2007 Stockholders Meeting, the stockholders are asked to approve the Holdings 2007 Stock Incentive Plan, which is referred to herein as the Holdings incentive plan, a copy of which is included in this joint proxy statement/prospectus as Annex D. Holdings is the successor company in the proposed merger of Hanover and Universal, which is more fully described beginning on page 34 under the caption the The Mergers.

The Hanover board of directors adopted the Holdings incentive plan on March 27, 2007, subject to the approval of the stockholders of both Hanover and Universal. In addition, the sole director of Holdings adopted the Holdings incentive plan on March 29, 2007. The effectiveness of the Holdings incentive plan is also contingent upon adoption of the merger agreement by the stockholders of both Hanover and Universal. If the merger agreement is adopted by the stockholders of Hanover and Universal, but the Holdings incentive plan does not receive the required stockholder approval, no awards will be granted under the Holdings incentive plan and Holdings will continue to make equity grants under Hanover s and Universal s existing equity incentive plans. If the Holdings incentive plan becomes effective, Hanover and Universal have agreed to terminate the authority to make future grants under their respective equity incentive plans upon the consummation of the mergers.

The Hanover board of directors is recommending stockholder approval of the Holdings incentive plan in order to provide a uniform plan document under which equity awards can be provided to the employees of Holdings following completion of the mergers. The Holdings incentive plan is designed to enable Holdings and its affiliates the means to attract and retain highly qualified directors and employees with incentives that provide an opportunity to acquire and maintain stock ownership, thereby encouraging and rewarding individual performance that should improve operating results and enhance stockholder value. Accordingly, the Holdings incentive plan provides for discretionary grants of options, restricted stock, restricted stock units, stock appreciation rights, or performance awards, each type of grant will be referred to as an award. Please see Description of the Holdings 2007 Stock Incentive Plan beginning on page 100 for a more detailed summary of the terms of the Holdings incentive plan.

No benefits or amounts have been granted, awarded or received under the Holdings incentive plan. Awards under the Holdings incentive plan are discretionary; therefore, no awards are determinable at this time. Since certain of Hanover s directors and executive officers may be eligible to receive awards under the Holdings incentive plan, such directors and executive officers may be considered to have an interest in the approval of the Holdings incentive plan.

Stockholder approval of the 2007 Stock Incentive Plan is required for listing of the shares of common stock of Holdings for trading on the New York Stock Exchange and as a condition to the effectiveness of the Holdings incentive plan. Stockholder approval is also required so that incentive stock options under the Holdings incentive plan will qualify under Section 422 of the Code and so that certain awards under the Holdings incentive plan will qualify as performance-based compensation under Section 162(m) of the Code. If the stockholders of Hanover and Universal approve the Holdings incentive plan, Holdings intends to register the shares issuable pursuant to the Holdings incentive plan under the Securities Act of 1933 as soon as practicable.

THE HANOVER BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE *FOR* APPROVAL OF THE HOLDINGS 2007 STOCK INCENTIVE PLAN.

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Equity Compensation Plan Information

The equity compensation plans and agreements discussed in this section are referred to collectively as the Hanover Equity Compensation Plans. The table below provides information as of December 31, 2006 with respect to shares of Hanover s common stock that may be issued under the following Hanover Equity Compensation Plans: 1997 Stock Option Plan, the 1998 Stock Option Plan, the December 9, 1998 Stock Option Plan, the 1999 Stock Option Plan, the 2001 Equity Incentive Plan, the 2003 Stock Incentive Plan and the 2006 Stock Incentive Plan. The Compensation Committee of the Hanover board of directors has authority to make future grants only under the 2006 Stock Incentive Plan.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders(1)(2)	1,964,368	$ 11.93	4,952,224
Equity compensation plans not approved by security holders(3)	396,288	$ 12.41	
Total	2,360,656	$ 12.01	4,952,224(4)

(1) Composed of the 1997 Stock Option Plan, the 2001 Equity Incentive Plan, the 2003 Stock Incentive Plan and the 2006 Stock Incentive Plan. In addition to outstanding options, as of December 31, 2006, there were 1,899,024 shares of restricted stock and/or stock settled restricted stock units outstanding (including maximum payout of performance-based shares) which were granted under the 2003 and 2006 Stock Incentive Plans.

(2) Under the terms of the 2006 Stock Incentive Plan, in addition to incentive and non-qualified options, Hanover may grant restricted stock, restricted stock units, stock appreciation rights and performance-based awards. The following Hanover Equity Compensation Plans, although terminated as to future grants, provided for the following awards in addition to stock options: the 1997 Stock Option Plan (restricted stock); the 2001 Equity Incentive Plan (restricted stock, although no more than 1.0 million of the 1.5 million shares authorized under such plan could be issued pursuant to restricted stock awards); and the 2003 Stock Incentive Plan (restricted stock and performance awards).

(3) Composed of the 1998 Stock Option Plan, the December 9, 1998 Stock Option Plan and the 1999 Stock Option Plan.

(4) This reflects the number of securities remaining available for future issuance under equity compensation plans as of December 31, 2006. At December 31, 2005, Hanover had 1,167,715 of securities remaining available for future issuance under equity compensation plans.

The Hanover Equity Compensation Plans that have not been requested to be approved by security holders are described below. The 1998 Stock Option Plan, the December 9, 1998 Stock Option Plan, and the 1999 Stock Option Plan have the following material features: (1) awards under such Hanover Equity Compensation Plans are limited to stock options and may be made, depending on the terms of each Equity Compensation Plan, to Hanover s officers, directors, employees, advisors and consultants; (2) unless otherwise set forth in any applicable stock option agreement and depending on the terms of each Hanover Equity Compensation Plan, the stock options vest over a period of up to five years; (3) the term of the stock options granted under the Hanover Equity Compensation Plans may not exceed 10 years; and (4) no additional grants may be made under these Hanover Equity Compensation Plans.

Additional information as of December 31, 2006, regarding the Hanover Equity Compensation Plans that have not been requested to be approved by stockholders is provided in the following table.

Plan or Agreement Name	Number of Shares Issuable(#)	Shares Previously Issued Pursuant to Stock Option Exercises(#)	Number of Shares Reserved for Issuance Upon the Exercise of Outstanding Stock Options(#)	Weighted-Average Exercise Price($)	Shares Available for Future Grants(#)
1998 Stock Option Plan	520,000	98,048	167,476	$ 13.47	*
December 9, 1998 Stock Option Plan	700,000	469,664	138,534	$ 9.75	*
1999 Stock Option Plan	600,000	50,428	90,278	$ 14.50	*

* The Hanover board of directors terminated authority to make future grants under these plans on May 15, 2003.

PROPOSAL 3

APPROVAL OF THE HOLDINGS EMPLOYEE STOCK PURCHASE PLAN

At the Hanover 2007 Stockholders Meeting, holders of Hanover common stock are being asked to approve the Exterran Holdings, Inc. Employee Stock Purchase Plan, which is referred to herein as the Holdings stock purchase plan . For a description of the material provisions of the Holdings stock purchase plan, holders of Hanover common stock should read carefully Description of Holdings Employee Stock Purchase Plan beginning on page 106. In addition, a copy of the Holdings stock purchase plan is included as Annex E to this joint proxy statement/prospectus.

The Board of Directors of Hanover unanimously approved the Holdings stock purchase plan on March 27, 2007, subject to the approval of the stockholders of both Hanover and Universal. In addition, the sole director of Holdings adopted the Holdings stock purchase plan on March 29, 2007. The consummation of the mergers is not conditioned on the approval of the Holdings stock purchase plan, but the Holdings stock purchase plan, if approved, would become effective only upon the consummation of the mergers. If Hanover s (or Universal s) stockholders do not adopt the merger agreement, or if the merger agreement is terminated or the mergers are not consummated for any other reason, the Holdings stock purchase plan will not be implemented.

If the mergers are approved by the stockholders of Hanover and Universal, but the Holdings stock purchase plan does not receive the required stockholder approval, then Holdings will not have an employee stock purchase plan. Notwithstanding how the stockholders of Hanover and Universal vote on the Holdings stock purchase plan, Universal s current employee stock purchase plan, which was approved by Universal s stockholders in 2001 and amended in 2002, will terminate upon the consummation of the mergers.

The Board of Directors of Hanover is recommending approval of the Holdings stock purchase plan in order to provide a uniform plan document under which employees of Holdings and its affiliates may purchase Holdings common stock through payroll deductions, thereby encouraging employees to share in the economic growth and success of Holdings. The Holdings stock purchase plan will give eligible employees an opportunity to acquire a proprietary interest in Holdings long-term performance and success through the purchase of shares of Holdings common stock at a possible discount from its fair market value without having to pay any brokerage commissions with respect to the purchases.

No purchases have been made under the Holdings stock purchase plan. Purchases under the Holdings stock purchase plan will be at the election of eligible employees. Because Hanover s executive officers may be eligible to participate in the Holdings stock purchase plan, those executive officers may be considered to have an interest in the approval of the Holdings stock purchase plan.

Stockholder approval of the Holdings stock purchase plan is required for listing of the shares for trading on the New York Stock Exchange and as a condition to the effectiveness of the Holdings stock purchase plan. If the stockholders of Hanover and Universal approve the Holdings stock purchase plan, Holdings intends to register the shares issuable pursuant to the Holdings stock purchase plan under the Securities Act of 1933 as soon as practicable.

THE HANOVER BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE *FOR* APPROVAL OF THE HOLDINGS EMPLOYEE STOCK PURCHASE PLAN.

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PROPOSAL 4

ELECTION OF DIRECTORS

At the Hanover 2007 Stockholders Meeting, eleven directors are nominated to be elected to the Hanover board of directors, to hold office until Hanover s next annual meeting of stockholders or until their respective successors are duly elected and qualified. Each nominee has consented to serve as a director if elected.

Nominees for Director

Information concerning the name, age and background of the nominees for election to the Hanover board of directors is set forth below. Ages are stated as of June 28, 2007. With the exception of Messrs. Kamin and Pate, each of the nominees named below was elected a director at Hanover s 2006 Annual Stockholders Meeting.

I. Jon Brumley, 68, has served as a director of Hanover since February 2002. Mr. Brumley is Chairman and director of Encore Acquisition Company, an independent energy company located in Fort Worth, Texas. Prior to founding Encore Acquisition Company in 1998, Mr. Brumley served as Chairman and Chief Executive Officer of MESA, Inc., which merged with Parker & Parsley in 1997 to become Pioneer Natural Resources Company. Mr. Brumley has spent over thirty years in the oil and gas industry, including having previously served as Chairman of XTO Energy Inc. (formerly Cross Timbers Oil Company) and President and Chief Executive Officer of Southland Royalty Company.

Ted Collins, Jr., 69, has served as a director of Hanover since April 1992. Mr. Collins has been a private investor, primarily energy related, since June 2000. From January 1988 to July 2000, he was President of Collins & Ware, Inc., an independent oil and gas company. From July 1982 through December 1987, Mr. Collins served as President of Enron Oil & Gas Co. Mr. Collins also serves on the Board of Directors of Encore Acquisition Company and Energy Transfer Partners, LLC.

Margaret K. Dorman, 43, has served as a director of Hanover since February 2004. Ms. Dorman is Senior Vice President, Chief Financial Officer and Treasurer of Smith International, Inc., a position she has held since 1999. Ms. Dorman joined Smith International in 1995 as the Director of Financial Planning and Reporting and, in 1998, was named Vice President, Controller and Assistant Treasurer.

Robert R. Furgason, 71, has served as a director of Hanover since May 1995. In January 2005, Dr. Furgason assumed the role of Executive Director of the Harte Research Institute for Gulf of Mexico Studies at Texas A&M University Corpus Christi after having served as the President of Texas A&M University Corpus Christi since 1990. He was Vice Chancellor of Academic Affairs and Professor of Chemical Engineering at the University of Nebraska from 1984 to 1990 and previously held a series of faculty and administrative positions at various universities and has held positions with B.F. Goodrich Chemical Co., Escuela Politecnica Nacional Universidad, Quito, Ecuador, Martin-Marietta (Lockhead-Martin) and Phillips Petroleum. Dr. Furgason is the former President of the Accreditation Board for Engineering and Technology Board of Directors, serves on a number of other accreditation, policy and civic boards, and is a trustee of the Driscoll Hospital Foundation.

Victor E. Grijalva, 68, has served as a director of Hanover since February 2002 and served as Chairman of the Board from 2002 to May 2006. From August 2 to August 19, 2002, Mr. Grijalva also served as interim President and Chief Executive Officer of Hanover. Mr. Grijalva began his career with Schlumberger in 1964 as a senior development engineer and, after a number of overseas assignments, served as President of Wireline and Testing in North America

and Executive Vice President of Oilfield Services Worldwide before being appointed Vice Chairman of Schlumberger in 1998. Mr. Grijalva retired from Schlumberger on December 31, 2001. Mr. Grijalva is also a director of Transocean, Inc. and Dynegy, Inc.

Gordon T. Hall, 48, has served as a director of Hanover since March 2002 and Chairman of the Board since May 19, 2006. Prior to his election as a director, Mr. Hall was a Managing Director at Credit Suisse First Boston. While at Credit Suisse First Boston, Mr. Hall served as Senior Oil Field Services Analyst and Co-Head of the Global Energy Group. Mr. Hall joined the First Boston Corporation in 1987 as a technology analyst. Prior to joining First Boston Corporation, Mr. Hall was an engineer with Raytheon Corporation. Mr. Hall was a director of Hydril Company until its merger with Tenaris S.A. on May 7, 2007. Mr. Hall also serves as a director of a privately held company and several non-profit organizations.

John E. Jackson, 49, has been a director since July 2004 and has served as President and Chief Executive Officer of Hanover since October 2004. Mr. Jackson joined Hanover in January 2002 as Senior Vice President and Chief Financial Officer. Previously, Mr. Jackson was Vice President and Chief Financial Officer of Duke Energy Field Services, a joint venture of Duke Energy and ConocoPhillips and one of the nation s largest producers and marketers of natural gas liquids. Mr. Jackson joined Duke Energy Field Services as Vice President and Controller in April 1999 and was named Chief Financial Officer in February 2001. Prior to joining Duke Energy Field Services, Mr. Jackson served in a variety of treasury, controller and accounting positions at Union Pacific Resources between June 1981 and April 1999.

Peter H. Kamin, 45, was elected a director of Hanover effective January 1, 2007. Mr. Kamin is a co-founder and Managing Partner of ValueAct Capital, an investment partnership that was formed in 2000. Prior to founding ValueAct Capital, Mr. Kamin founded and managed for eight years Peak Investment L.P. Before founding Peak Investment, Mr. Kamin was a partner with Morningside, N.A., Ltd., a private equity concern, and began his investment career in 1984 at Fidelity Management and Research. Mr. Kamin is also a director of Seitel Inc. and Sirva, Inc.

William C. Pate, 43, was elected a director of Hanover effective January 1, 2007. Mr. Pate is Chief Investment Officer and a Managing Director of Equity Group Investments, L.L.C., or EGI, a private investment firm, and serves as a member of the board of directors of certain private affiliates of EGI. Prior to joining EGI in 1994, Mr. Pate was an associate with The Blackstone Group and served in the mergers and acquisitions group of Credit Suisse First Boston. Mr. Pate also serves as a director of Adams Respiratory Therapeutics, Inc. and Covanta Holding Corporation.

Stephen M. Pazuk, 63, has served as a director of Hanover since February 2004. Mr. Pazuk is the Chief Financial Officer and Treasurer of Drive Thru Technology, a position he has held since 2000. He has also been involved in venture capital investments and real estate development in Boston, Massachusetts, and Fresno and Clovis, California, since his retirement as Senior Vice President, Treasurer and Partner of Wellington Management Company, LLP in June 2000. Mr. Pazuk started his career with Wellington in 1968 and held various positions during his tenure, including Treasurer of Wellington Trust Company NA and President of Wellington Sales Company. He worked as a senior tax professional with Price Waterhouse & Co. from 1965 to 1968. Mr. Pazuk currently serves on the board of several privately held companies.

L. Ali Sheikh, 58, has served as a director of Hanover since March 2006. Mr. Sheikh is President, Chief Operating Officer, and co-founder of SND Energy Company, Inc. (since 1989) and SND Energy Acquisition, L.P. (since 1996) and also serves as director and limited partner, respectively. In addition, Mr. Sheikh has served since 2000 as President, Chief Operating Officer, co-founder and member of Topcat Oilfield Services, LLC and Topcat Wells Services, LLC. Mr. Sheikh began his career as a geologist and from 1991 to 1993, was Vice President and Manager of Golden Spike Indonesia, a subsidiary of Union Pacific Resources, and from 1979 to 1989, was a Vice President of Sun Exploration and Production Company, managing various aspects of operations in the Far East, Africa, and South America.

THE HANOVER BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE *FOR* THE DIRECTOR NOMINEES.

Information Regarding Corporate Governance, the Board of Directors and Committees of the Board

Governance

The Hanover board of directors has designated an Audit Committee, a Finance Committee, a Nominating and Corporate Governance Committee, and a Management Development and Compensation Committee to assist in the discharge of the board s responsibilities. Members of each committee are elected by the board at its first meeting following the annual meeting of stockholders and serve for one-year terms. The board and the committees of the board are governed by Hanover s Code of Ethics, Governance Principles and Committee Charters, which are reviewed by the board annually and are available to the public on Hanover s web site at *www.hanover-co.com* or in print by submitting a written request to Hanover Compressor Company, 12001 N. Houston Rosslyn, Houston, Texas 77086, Attention: Corporate Secretary.

Director Independence, Certain Relationships and Related Transactions

Hanover s Code of Ethics requires all employees, including its officers and non-employee directors, to avoid situations that may impact their ability to carry out their duties in an independent and objective fashion. Any circumstances that have the potential to compromise their ability to perform independently must be disclosed and approved pursuant to the policy established by the Audit Committee. This policy is made available to all employees. In addition, Hanover distributes Director and Officer Questionnaires at least annually to elicit related party information. The Questionnaire requires that responses be updated to the extent circumstances change.

Hanover has a policy on related party transactions to provide guidance and set standards for the approval and reporting of transactions between Hanover and individuals with a direct or indirect affiliation with Hanover and to ensure that those transactions are in the best interest of Hanover. Hanover s policy requires that its subsidiaries report all related party transactions to the Financial Reporting Department on a quarterly basis. Additionally, certain related party transactions must be approved by executive management or the Audit Committee. Sales to or purchases from a related party that are not on standard terms and at market rates require the prior approval of the Chief Executive Officer or the Chief Financial Officer. The Audit Committee must approve any transactions between Hanover and the Chief Executive Officer or the Chief Financial Officer.

The Nominating and Governance Committee assesses director independence each year by considering all direct or indirect business relationships between Hanover and each director (including his or her immediate family), as well as relationships with other for-profit concerns and charitable organizations. With the Nominating and Governance Committee s recommendation, the board makes a determination relating to the independence of its members, which is based on applicable laws, regulations, Hanover s Governance Principles and the rules of the New York Stock Exchange.

During the Nominating and Governance Committee s most recent review of independence, the following relationships were considered:

The Nominating and Governance Committee reviewed the business transactions between Hanover and Encore Acquisition Company (Encore), a New York Stock Exchange traded company engaged in the development of onshore North American oil and natural gas reserves. Jon Brumley, a director of Hanover, is the Chairman of the Board of Encore. During the twelve months ended December 31, 2006, 2005, and 2004, Hanover recorded

revenue from sales to Encore of approximately $3.5 million, $0.0 million and $0.0 million. The Nominating and Governance Committee determined that Hanover s commercial business with Encore, which falls well below 2% of either company s revenues for fiscal year 2006, was immaterial to both companies.

Ted Collins, Jr., a director of Hanover, owns 100% of Azalea Partners, which owns approximately 15% of Energy Transfer Group, LLC, which is referred to herein as ETG, a privately held company engaged in power generation projects. In 2006, 2005 and 2004, Hanover recorded sales of approximately $46.9 million, $25.5 million and $7.7 million, respectively, related to equipment leases and sales

to ETG. In addition, Hanover and ETG are co-owners of a power generation facility in Venezuela. Under the agreement of co-ownership, each party is responsible for its obligations as a co-owner. As manager of the facility, Hanover received revenues related to the facility and distributed to ETG its net share of the operating cash flow of $0.7 million, $0.5 million, and $0.8 million during 2006, 2005 and 2004, respectively.

The board determined that no charitable organizations with which any member of the board or their immediate family members were affiliated during 2006 received support from Hanover.

Based on its review, the Nominating and Governance Committee has determined that the following directors are independent: I. Jon Brumley, Margaret K. Dorman, Robert R. Furgason, Victor E. Grijalva, Gordon T. Hall, William C. Pate, Peter H. Kamin, Stephen M. Pazuk and L. Ali Sheikh.

Mr. Jackson is not independent by virtue of his role as President and Chief Executive Officer of Hanover. Although Mr. Collins meets the New York Stock Exchange s specific guidelines for independence, the Nominating and Governance Committee, in its discretion, has determined that the level of commercial transactions between Hanover and ETG warranted finding Mr. Collins not independent.

Lead Independent Director and Executive Sessions of the Board

Gordon T. Hall serves as Chairman of the Board and lead independent director. Mr. Hall presides over the executive sessions of the board, which are attended by non-management directors only. Hanover s practice has been to hold an executive session at every regularly scheduled board meeting and in no event to hold an executive session less than twice per year.

Communication with the Board

Stockholders or any other interested party may communicate with the entire board of directors or any individual member of the board of directors by writing to Hanover at the following address: Hanover Compressor Company, 12001 N. Houston Rosslyn, Houston, Texas 77086, Attention: Corporate Secretary. All written inquiries will be immediately forwarded to the Chairman of the Board or to the individual member of the board to whom the communication is addressed, as appropriate.

Committees of the Board

Audit Committee

Purpose. The Audit Committee has been appointed by the board of directors to help ensure the accuracy and completeness of Hanover s financial statements; to evaluate the independence, qualifications and performance of Hanover s independent registered public accounting firm, including the approval of audit and permitted non-audit services (including fees) performed by the independent auditors; and to review with management Hanover s plan to evaluate the effectiveness of its internal control over financial reporting, Hanover s internal audit function and its disclosure controls and procedures. The Audit Committee operates under a board approved written charter, a copy of which is available as indicated in the section titled Governance above.

Members.

Margaret Dorman (Chair)
Gordon Hall

Stephen Pazuk
Ali Sheikh (joined the committee in May 2006)
Al Shoemaker (until his retirement in May 2006)

The board of directors has determined that each member of the Audit Committee is independent, possesses the requisite financial literacy to serve on the committee, and does not serve on the audit committee of more than two other public companies. Based on Ms. Dorman s position as Chief Financial Officer of Smith International and Mr. Hall s prior experience as an analyst with Credit Suisse First Boston, the board of directors determined that Ms. Dorman and Mr. Hall each qualify as an audit committee financial expert as

that term is defined by the Securities and Exchange Commission. A Report of the Audit Committee is included in this joint proxy statement/prospectus at page 154.

Finance Committee

Purpose. The Finance Committee has been charged with the responsibility to assist the board of directors in its oversight of debt and equity offerings, capital management, foreign currency management and other financial matters.

Members.

During 2006	*Effective January 26, 2007*
Jon Brumley (joined the committee in May 2006)	Ted Collins
Ted Collins	Gordon Hall
Gordon Hall	Peter Kamin
Stephen Pazuk (Chair)	William Pate
Al Shoemaker (until his retirement in May 2006)	Stephen Pazuk (Chair)

Management Development and Compensation Committee

Purpose. The Management Development and Compensation Committee, which is referred to in this section related to the Hanover 2007 Stockholders Meeting as the Compensation Committee, has been appointed by the board of directors to oversee the development and implementation of Hanover s compensation philosophy and strategy with the goals of attracting the management talent required to achieve corporate objectives and linking pay and performance. The Compensation Committee operates under a board approved written charter, a copy of which is available as indicated in the section titled Governance above. A report of the Compensation Committee is included in this joint proxy statement/prospectus at page 138.

Members.

During 2006	*Effective January 26, 2007*
Jon Brumley (Chair)	Jon Brumley (Chair)
Robert Furgason	Robert Furgason
Victor Grijalva	Victor Grijalva
Stephen Pazuk	Peter Kamin

The board of directors has determined each member of the Compensation Committee to be independent.

Nominating and Corporate Governance Committee

Purpose. The Nominating and Corporate Governance Committee, which is referred to in this section related to the Hanover 2007 Stockholders Meeting as the Governance Committee, has been appointed by the board of directors to identify qualified individuals to become board members, determine whether existing board members should be nominated for re-election, review the composition and compensation of the board of directors and its committees, and review and implement Hanover s Governance Principles.

Members.

During 2006	*Effective January 26, 2007*
Margaret Dorman	Margaret Dorman
Robert Furgason	Robert Furgason
Victor Grijalva (Chair)	Victor Grijalva (Chair)
Gordon Hall	William Pate

The board of directors has determined each member of the Governance Committee to be independent.

Attendance at Meetings

The board of directors and its committees held the following number of meetings during 2006:

Board	5
Board Action by Unanimous Written Consent	2
Audit Committee	4*
Finance Committee	7
Management Development and Compensation Committee	4
Nominating and Governance Committee	4

* Excludes quarterly telephonic conferences to review Hanover s quarterly results and earnings releases.

Hanover expects members of the board to attend all meetings. The directors (as a group) attended 98% of the aggregate number of meetings of the board and board committees on which they served during 2006. All directors standing for re-election individually attended at least 85% of the aggregate number of meetings of the board and board committees on which they served during 2006. Although attendance is mandatory only for the Chairman of the Board, directors are also encouraged to attend the annual meeting of stockholders. With the exception of Victor Grijalva, who had a conflict with another board meeting, all directors attended Hanover s annual stockholders meeting held on May 11, 2006.

Board Evaluation

Each year the board of directors evaluates its performance and effectiveness. Each director completes an evaluation form, approved by the Governance Committee, to solicit feedback on specific aspects of the board s role, organization and meetings. The collective comments are compiled by a third party and where areas for improvement are indicated, the board establishes corrective measures.

Compensation of Directors

The Governance Committee is charged with responsibility for recommending director compensation to the full board of directors for approval. During 2006, the directors (other than John Jackson) received a cash retainer in the annual amount of $30,000 (payable in four equal quarterly installments) plus the reimbursement of expenses incurred for attendance at the meetings of the board and its committees. Through May 2006, the chair of the Audit Committee also received an annual retainer of $10,000 (payable in four equal quarterly installments) and the chairmen of the Compensation, Finance and Governance Committees each received an annual retainer of $5,000 (payable in four equal quarterly installments). The directors (other than the Chairman of the Board and John Jackson) also received $1,000 per in person meeting attended and $1,000 per telephone meeting attended. In addition to the annual $30,000 retainer paid to directors, Gordon Hall receives $120,000 per year (payable in four equal quarterly installments) for his services as Chairman of the Board. The Chairman of the Board is not paid for meeting attendance.

In July 2006, the Governance Committee reviewed benchmark material (including Hanover s peer group and a study on director compensation prepared by the National Association of Corporate Directors). Based on their review, the Governance Committee recommended and the full board of directors approved certain changes in director compensation to be more consistent with its peer group and the general industry. Committee chair retainers were increased to $15,000 per year for the Audit and Compensation Committees and $10,000 per year for the Finance and

Governance Committee; in addition, the meeting fees were adjusted to $1,500 per meeting attended. In addition to changes in cash compensation, the Governance Committee eliminated stock options as a component of director compensation. Pursuant to the Governance Committee s recommendation, on July 21, 2006, each non-employee director was granted restricted stock with a market value of $105,000, based on the closing price of Hanover s common stock on the date of grant and then rounded up or down to the nearest 100 shares. On July 21, 2006, Hanover s common stock closed trading on the New York Stock Exchange at $16.25 per share (which is the grant date fair value of the awards computed in accordance with FAS 123(R)), resulting in a grant of 6,500 shares of restricted stock to each non-employee

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director. Such restricted stock vests at the rate of one-third per year beginning on the first anniversary of the grant date (subject to accelerated vesting upon a change of control of Hanover). Directors are required to retain their restricted stock (except for sales to provide for the payment of taxes due upon vesting) until their service as a director concludes.

John Jackson receives compensation for his services as an executive officer of Hanover and does not receive additional compensation for his services as a director.

Set forth below is a summary of the dollar values of the total annual compensation attributable to each non-employee director s service to Hanover during 2006. Excluding the $120,000 cash retainer fee paid to the Chairman of the Board, the current non-employee directors cash compensation was approximately 33% and long-term incentive compensation was approximately 67% of the average of Hanover s directors 2006 total compensation. By providing a substantial portion of total compensation in the form of equity, director pay is more strongly linked to Hanover s performance. The actual value of restricted stock ultimately realized by each director will vary based on fluctuations in the market price of Hanover s common stock.

Director Compensation

Name (a)	Fees Earned or Paid in Cash (b)(1)	Stock Awards (c)(2)	Option Awards (d)(2)	Non-Equity Incentive Plan Compensation (e)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (f)	All Other Compensation (g)	Total ($) (h)
I. Jon Brumley(3)	$ 55,000	$ 65,047	$ 31,027				$ 151,074
Ted Collins, Jr.(3)	$ 44,000	$ 65,047	$ 31,027				$ 140,074
Margaret K. Dorman(5)	$ 56,500	$ 66,217	$ 26,790				$ 149,507
Robert R. Furgason(3)	$ 43,500	$ 65,047	$ 31,027				$ 139,574
Victor E. Grijalva(6)	$ 49,000	$ 87,867	$ 90,813				$ 227,680
Gordon T. Hall(3)	$ 150,000	$ 65,047	$ 31,027				$ 246,074
Peter H. Kamin(4)							
William C. Pate(4)							
Stephen M. Pazuk(5)	$ 58,000	$ 66,217	$ 26,790				$ 151,007
L. Ali Sheikh(7)	$ 32,500	$ 14,670					$ 47,170
Alvin V. Shoemaker(8)	$ 18,125	$ 80,665	$ 46,693				$ 145,483

(1) Chair retainer fees reflect the following change in service: Stephen Pazuk and Al Shoemaker served as co-chairs of the Finance Committee from January to May. Upon Mr. Shoemaker s retirement in May, Stephen Pazuk assumed sole chair of the Finance Committee. Chair retainer fees also reflect the following changes that became effective in July 2006: Audit and Compensation Committee chairs receive $15,000 annually, paid quarterly; Finance and Governance Committee chairs receive $10,000 annually, paid quarterly. Meeting fees reflect the

following change that became effective in July 2006: $1,500 paid for all in-person and telephonic board and committee meetings.

(2) The value of restricted stock and option awards are based on the dollar amount expensed for financial statement reporting purposes for the twelve months ended December 31, 2006, in accordance with FAS 123(R) (other than expected forfeitures are not considered in the above table), and includes amounts attributable to the vesting of awards granted each year from 2002 through 2006. Assumptions used in the calculation of these amounts are included in the footnotes to financial statements included in Hanover s Annual Report on Form 10-K filed with the SEC. Except to the extent necessary to meet the tax obligation upon vesting, restricted stock must be retained by a director until service as a director concludes. The actual value of restricted stock ultimately realized by each director will vary based on fluctuations in the market price of Hanover s common stock. If Hanover declares a dividend on shares of the common stock,

holders of restricted stock will be entitled to receive such dividends whether or not such shares of restricted stock have vested.

(3) Messrs. Brumley, Collins, Furgason and Hall have 22,185 stock options outstanding and 12,500 restricted stock awards outstanding.

(4) Messrs. Kamin and Pate were elected January 1, 2007.

(5) Mr. Pazuk and Ms. Dorman have 16,000 stock options outstanding and 12,500 restricted stock awards outstanding.

(6) Mr. Grijalva has 147,000 stock options outstanding and 14,500 restricted stock awards outstanding.

(7) Mr. Sheikh was elected March 20, 2006 and has 6,500 restricted stock awards outstanding.

(8) Mr. Shoemaker retired in May 2006. All unvested stock options and restricted stock awards vested upon retirement.

There were no forfeitures of stock options or restricted stock by the directors during 2006.

Compensation of Directors 2007

At its meeting held on May 8, 2007, the Governance Committee recommended and the board approved the cash and equity compensation for the directors for 2007.

In addition to reaffirming the $30,000 annual cash retainer, meeting fees and committee chair retainers as described above under Compensation of Directors, the non-employee directors (excluding the Chairman of the Board) were granted restricted stock with a market value of $105,000, based on the closing price of Hanover s common stock on the date of grant, rounded to the nearest 100 shares. On May 8, 2007, Hanover s common stock closed trading on the New York Stock Exchange at $22.32 per share (which is the grant date fair value of the awards computed in accordance with FAS 123(R)), resulting in a grant of 4,700 shares of restricted stock to each non-employee director. Such restricted stock vests at the rate of one-third per year over a three year period of service, beginning on the first anniversary of the grant date (subject to accelerated vesting upon a change of control of Hanover except with respect to the proposed merger with Universal).

As indicated above, the restricted stock awarded to directors in May 2007 will not be subject to accelerated vesting upon the change of control resulting from the proposed merger with Universal and, therefore, will be forfeited upon consummation of the mergers by those directors who have not been nominated to serve on the board of directors of Holdings. In light of the expected forfeiture of this award, the Governance Committee recommended and the board approved a cash grant of $105,000 to such directors, which includes Messrs. Brumley, Collins, Furgason, Grijalva and Sheikh and Ms. Dorman (the Retiring Directors). This amount is equal to the grant date value of the 2007 restricted stock award. The cash grant is contingent and payable to the Retiring Directors only upon the successful consummation of the mergers and the forfeiture of their 2007 restricted stock grant.

On May 8, 2007, in addition to the $30,000 annual board retainer and $120,000 non-executive chairman retainer, Gordon T. Hall, Chairman of the Board, was granted restricted stock with a market value of $150,000 (which is equal to Mr. Hall s annual cash retainers). The number of shares granted was based on the closing price of Hanover s common stock on the date of grant, rounded down to the nearest 100 shares. On May 8, 2007, Hanover s common stock closed trading on the New York Stock Exchange at $22.32 per share (which is the grant date fair value of the

awards computed in accordance with FAS 123(R)), resulting in a grant of 6,700 shares. In addition, the board awarded Mr. Hall a special grant of 21,000 shares of restricted stock. The grant was provided to acknowledge Mr. Hall s significant role in negotiating the proposed merger with Universal. The restricted stock awarded to Mr. Hall vests at the rate of one-third per year over a three year period of service, beginning on the first anniversary of the grant date (subject to accelerated vesting upon a change of control of Hanover except with respect to the proposed mergers).

Director Qualifications and Nominations

The Governance Committee may rely on various sources to identify director nominees. These include input from directors, management, stockholders, professional search firms and others that the Governance Committee feels are reliable.

Stockholders may propose director nominees to the Governance Committee (for consideration for election at the 2008 Annual Meeting of Stockholders) by submitting, within the time frame set forth in this joint proxy statement/prospectus on page 155, the names and supporting information (including confirmation of the nominee s willingness to serve as a director) to: Hanover Compressor Company, 12001 N. Houston Rosslyn, Houston, Texas 77086; Attention: Corporate Secretary.

Any stockholder-recommended nominee will be evaluated in the context of Hanover s director qualification standards, the existing size and composition of the board of directors and board balance interests. The Governance Committee believes that all board members should, at a minimum, possess the following qualifications: (i) the highest personal and professional ethics and integrity and outstanding judgment, skill and expertise in matters relevant to Hanover s business; (ii) competence in areas of particular importance to Hanover such as finance, accounting, international business, and relevant technical expertise; (iii) a commitment to enhancing the long-term interests of Hanover s stockholders as a whole and not biased toward the interests of any particular segment of the stockholder or employee population; and (iv) the willingness to devote sufficient time to carrying out their duties and responsibilities effectively. Board members should also be prepared to travel to personally attend meetings of the board of directors and its committees and should be ready to dedicate sufficient time to prepare in advance of such meetings to allow them to make an effective contribution to the meeting. Further, board members should ensure that they are not otherwise committed to other activities which would make a commitment to Hanover s board of directors impractical or unadvisable and should satisfy the independence, qualification and composition requirements of the board of directors and its committees, as required by law or the rules of the New York Stock Exchange, Hanover s certificate of incorporation and bylaws and Hanover s Governance Principles.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee of the board of directors during the last completed fiscal year were Jon Brumley, Robert Furgason, Victor Grijalva, and Stephen Pazuk. There are no matters relating to interlocks or insider participation that Hanover is required to report.

Compensation Discussion and Analysis

This report provides additional information regarding compensation for Hanover s Chief Executive Officer and the other named executive officers listed in the Summary Compensation Table on page 139.

Compensation Philosophy and Objectives

The Compensation Committee is comprised of independent, non-employee directors and works closely with the independent members of the board of directors in the execution of its duties.

Hanover and the Compensation Committee believe that compensation programs play a vital role in attracting and retaining people with the level of expertise and experience needed to help achieve the business objectives that ultimately drive long-term success and shareholder value. Over the past several years, the Compensation Committee has been focused on building and retaining a senior and mid-level management team with the expertise necessary to

return Hanover to profitability. To attract and retain an effective management team, the Compensation Committee has guided management in developing a compensation program to reward the achievement of specific annual, long-term and strategic goals and to link pay and performance consistent with Hanover s corporate values as described in P.R.I.D.E. in Performance (Hanover s guide to ethical business conduct). These values include the recognition of the importance of retaining talented employees and fostering an entrepreneurial spirit within an environment of well-reasoned risk taking to achieve consistent growth, profitability and return for Hanover s stockholders.

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Elements of Compensation

Hanover s compensation programs include base salaries, annual performance-based incentives and long-term incentives for key employees and executives. In keeping with Hanover s pay for performance philosophy, more than half of the compensation earned in 2006 by Hanover s named executive officers is variable and is based on corporate level financial objectives as well as individual performance objectives. The Compensation Committee has emphasized variable pay as a component of total compensation to focus executives and key employees on Hanover s strategic goals and to encourage performance that will result in the achievement of those goals.

In addition to base salaries and annual incentive bonuses, Hanover s full time employees are provided and share in the cost of customary health and welfare benefits, and they are eligible to participate in the Hanover 401(k) Plan. Employees whose employment is terminated due to a change of control or reduction in workforce are eligible to receive severance benefits and Hanover s named executive officers and certain other key managers have been provided with change of control protection as further described below. Employees who are asked to relocate outside of their home country are provided with an expatriate compensation package, which generally includes assistance with housing, auto and education expenses and, where applicable, a cost of living adjustment. Hanover has attempted to keep perquisites to a minimum and has typically made exceptions only in circumstances where necessary to attract or retain specific talent. Information on the compensation paid to Hanover s named executive officers can be found in a tabular format in the Summary Compensation Table on page 139.

Role of Our Compensation Consultant

The chairman of the Compensation Committee, with the Committee s authorization, has entered into an agreement for Towers Perrin to act as a third-party consultant to the Compensation Committee. Towers Perrin has been directed by the Compensation Committee to (a) provide a competitive review of executive compensation in the marketplace (including data from the peer group of Hanover as selected by the Compensation Committee (and identified below under Determining Executive Compensation), the oilfield services industry and publicly traded companies across industries), (b) model estimated long-term incentive awards for executives, directors and other eligible employees, (c) provide an estimate of the potential cost of severance under a variety of scenarios (including a change of control), and (d) provide the Compensation Committee and management with information on how trends, new rules, regulations and laws impact executive and board compensation practice and administration. The scope of Towers Perrin s compensation review includes base salary, annual incentives, long-term incentives and total direct compensation and takes into consideration Hanover s financial plans, strategic direction, organization structure and current compensation programs. During 2006, Towers Perrin was paid $57,438 for services provided to the Compensation Committee and was paid $70,108 for services provided to Hanover s Human Resources Department. The Compensation Committee and management consider the amounts paid to Towers Perrin to be reasonable and do not believe that the services provided to Hanover s Human Resources function are of a level that would impair Towers Perrin s independence and objectivity in advising the Compensation Committee on executive compensation matters.

Role of Our Executive Officers in Compensation Decisions

All compensation awarded to Hanover s executive officers is determined by the Compensation Committee. Hanover s Chief Executive Officer meets with the Compensation Committee in executive session to review the performance of each executive officer and to provide a compensation recommendation for each executive officer (including himself) based on the factors described below under Determining Executive Compensation. While the Compensation Committee takes this recommendation under advisement, the Compensation Committee has full discretion in determining the level of compensation awarded to each executive officer. In determining the compensation of Hanover s Chief Executive Officer, the Compensation Committee discusses with the Chief Executive Officer the

original performance goals set at the beginning of the year and the actual results achieved as compared to those goals. The Compensation Committee then concludes its performance

review in executive session with no members of management present and makes a recommendation to the independent members of the full board of directors.

Annual and long-term corporate performance goals are recommended by Hanover s Chief Executive Officer to the Compensation Committee. The corporate performance goals are applicable to, and the same for, all executive officers, including the Chief Executive Officer. While the Compensation Committee takes the recommendation of Hanover s Chief Executive Officer under advisement, the Compensation Committee exercises its discretion in setting the corporate performance goals and strives to identify performance measures that directly impact stockholder value and provide challenging goals for executive officers and other members of management. The Compensation Committee determined that the annual and long-term performance goals recommended by the Chief Executive Officer for 2006 were reasonably challenging at target levels and aggressive at maximum levels and that such objectives would encourage performance by Hanover s executives that is designed to positively impact both short- and long-term stockholder value. The Compensation Committee forwards its conclusion regarding corporate performance goals to the independent members of the board of directors for review and approval.

Hanover s Chief Executive Officer presents his own individual annual performance goals to the chair of the Compensation Committee and the Chairman of the Board for discussion, which proposal undergoes adjustment based on discussions between the Chairman of the Board, the chair of the Compensation Committee and the Chief Executive Officer in order to satisfy the respective chairmen s views that the individual annual performance goals are both challenging and appropriately address Hanover s strategic objectives. The individual annual performance goals are provided to the Compensation Committee for consideration and then referred to the independent members of the board for final review and approval. In 2006, the board determined that a greater portion of the Chief Executive Officer s compensation should be based on performance, particularly corporate performance.

Once the Chief Executive Officer s individual performance goals are finalized, the Chief Executive Officer works with each of his direct reporting officers to set their individual annual performance goals and ensure that they directly contribute to Hanover s annual and long-term corporate performance goals. The individual performance goals are different for each of Hanover s named executive officers and specifically relate to each individual s area of responsibility and may be both quantitative and qualitative. The individual annual performance goals of each executive officer are designed to (1) support the individual annual performance goals of the Chief Executive Officer and (2) contribute to the achievement of the corporate performance goals generally. Each individual performance goal for the named executive officers other than the Chief Executive Officer are individually tailored to target each individual s area of responsibility and specific areas for operational, financial, and procedural improvements. Each goal is given a weighting at the time the goal is established. With respect to qualitative measures, the individual s performance is subject to a discretionary evaluation by the Chief Executive Officer, Compensation Committee and independent members of the board of directors.

Hanover s annual corporate financial performance goals and each executive s personal performance goals are determined at the beginning of each year. The long-term corporate performance targets have historically been determined in July of each year, with the three year performance period beginning on July 1. Annual and long-term corporate performance goals are made known to Hanover s employees and executive officers shortly after their determination and progress made toward those goals is communicated to Hanover s employees at regular intervals.

Determining Executive Compensation

In considering the appropriate levels of compensation, the Compensation Committee engages in a discretionary review of total compensation and uses as a reference published compensation surveys, information obtained from Towers Perrin, and compensation data contained in the proxy statements for companies which the Compensation Committee has identified as its peers in the oilfield services industry. Six companies have been selected by the

Compensation Committee as oilfield services industry peers based on a range of revenue, market capitalization, number of employees, product offerings, and international markets. The

Compensation Committee selected the following oilfield services companies based on their overall profile: Cameron International Corporation, Grant Prideco Inc., Hydril Co., Natco Group Inc., National Oilwell Varco Inc. and Universal. At year end 2006, Hanover ranked between the 25th and 75th percentile of these companies in terms of revenue, total employees and market capitalization. While the Compensation Committee considers peer group information in their decision-making process, particularly from a competitive and retention aspect, corporate and individual performance is the primary factor in determining the compensation of Hanover s executive officers.

During 2006, the Compensation Committee considered each executive officer s current and historic total compensation, which included a three year look-back at base salary, short-term incentive pay and the value of long-term incentives. In its review, the Compensation Committee focused on each executive officer s performance and scope of responsibilities, Hanover s strategic initiatives and such individual s contribution in that regard, his or her future potential, experience, internal equity considerations with regard to compensation, and competitive market pay levels relative to the oilfield services market generally and Hanover s peer group. In addition, the Compensation Committee completed an analysis to consider whether the type and amount of awards under Hanover s long-term incentive programs served to aid in the retention of executives and key employees. Based on this review, the Compensation Committee adjusted the mix of awards to eliminate stock options in favor of restricted stock as described under Long-Term Incentive Compensation below. The variable pay components at target payout levels are generally set to be competitive within the marketplace. Except for the changes to compensation made in consideration of significant changes in responsibilities as described in Base Salaries below, the Compensation Committee concluded that all elements of 2006 compensation for its executive officers was generally in line with the market.

Each of the compensation components provided to executive officers and key employees is further described below.

Base Salaries

The Compensation Committee has determined that base pay generally should be set at the median of the oilfield services industry and general industry in order to attract and retain sufficient talent. Mr. Beckelman, who assumed the role of Chief Financial Officer in January 2005, received a significant increase in base salary during 2006 based on his performance, job responsibilities, and market pay levels for individuals similarly positioned. Messrs. Matusek and Mckay also received significant increases in base salary during 2006 to reflect their increased responsibility for Western and Eastern Hemisphere operations, respectively. The base salary of the Chief Executive Officer is discussed in more detail below.